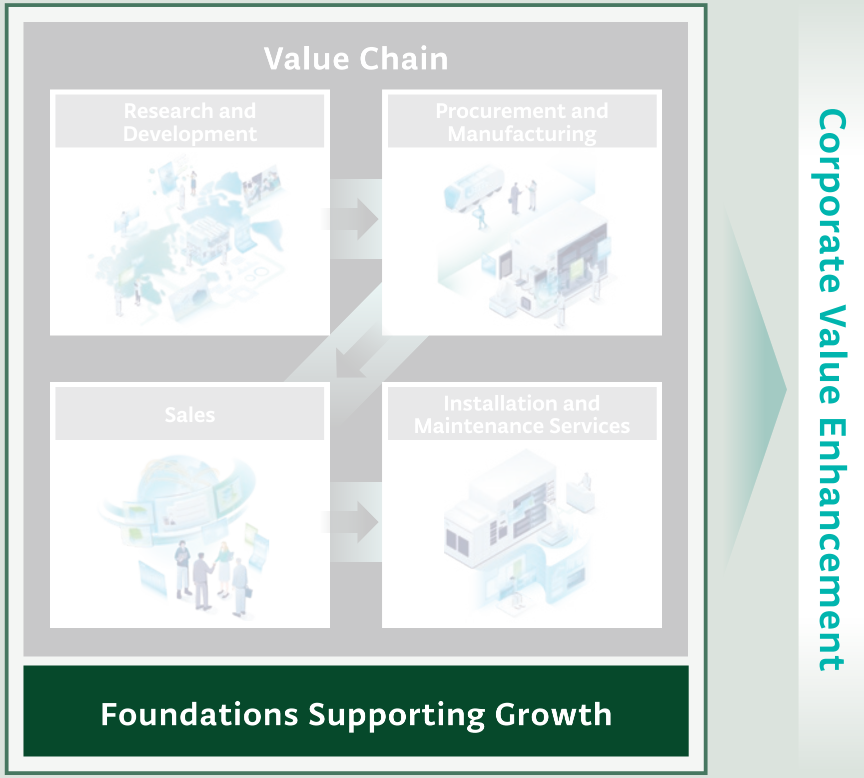
Chapter 4

Foundations Supporting Growth



Tokyo Electron carries out sustainability initiatives as the foundation supporting short-term and medium- to long-term growth. We implement various initiatives aligned with our business strategies and build an offensive management foundation to achieve our Vision and put our Corporate Philosophy into practice.

Sustainability Operations

Our approach to sustainability initiatives is to practice our Corporate Philosophy through realizing our Vision. We implement sustainability initiatives that we have organized into the following four frameworks: Governance, Strategy, Risk Management, and Metrics and Targets.

Main Initiatives in the Four Frameworks

Governance

- The Corporate Sustainability Management Department has been established under the Corporate Planning Division at headquarters, overseeing sustainability initiatives across the entire Group
- The Sustainability Global Committee meets twice a year and the sustainability managers in charge of overall sustainability in domestic Group companies as well as overseas subsidiaries participate, sharing initiatives that align across the entire Group and discussing the promotion of global projects
- The Sustainability Committee, chaired by the executive officer in charge of sustainability, meets twice a year. Division Officers and presidents of domestic Group companies and overseas subsidiaries attend to review sustainability-related risks and opportunities, manage short- and medium- to long-term sustainability goals, formulate sustainability-related policies, and approve individual themes. Decisions on important matters are made at Corporate Officers Meetings, the highest decision-making body on the executive side
- Group-wide sustainability initiatives are reported to the Board of Directors as appropriate, and the Board of Directors supervises these initiatives

Strategy

- Expand medium- to long-term profit and continuously enhance our corporate value through the fusion of social and economic value of business activities based on the concept of TSV (TEL's Shared Value), which is the same as CSV, to solve social issues leveraging our unique corporate resources and expertise
- Identify key items as material issues* and leverage our strengths to drive business activities across the value chain centered on these material issues
- While implementing a range of sustainability initiatives, contribute to developing, and solving issues in, industry and society by providing the Best Products with innovative technology, and the Best Technical Service with high added value

* Material Issues P. 25-26

Risk Management*

- Respond appropriately and promptly to a diverse range of risks related to semiconductors, including geopolitics and market changes, and develop a risk management structure for achieving sustainable growth
- Establish the Corporate Project & Risk Management Office (CPRO) in the Corporate Planning Division to promote more effective activities, and carry out enterprise risk management
- In addition to minimizing the impact of risks, that may be faced when conducting business, by giving them full consideration from a future perspective, also view them as business opportunities and appropriately address them
- Comprehensively identify various risks in our business activities based on their degree of impact on the Group and their likelihood of occurrence, identify 16 major risk items, and appoint risk owners for each. Confirm the status of initiatives for issues of particular concern, and discuss improvement measures, in meetings attended by the CEO and Division Officers

* Risk Management P. 65-66

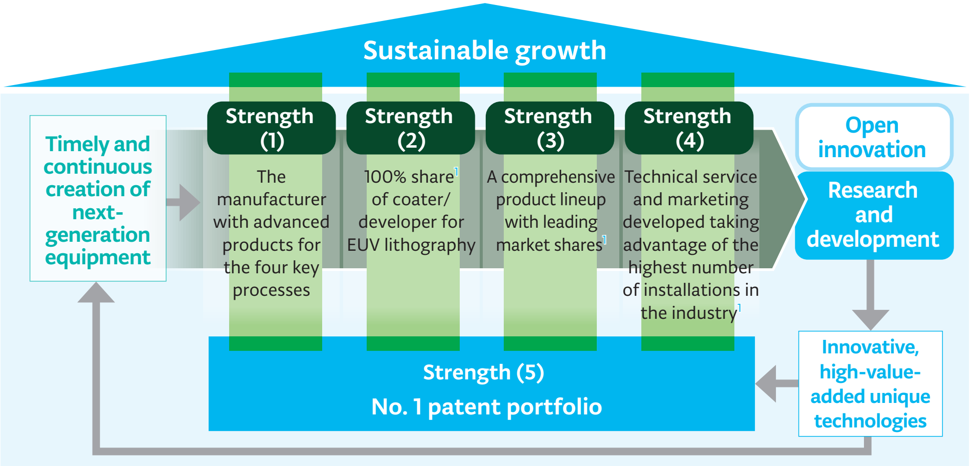
Metrics and Targets

- Set key indicators for continuous corporate value enhancement[1] in our Medium-term Management Plan and annual sustainability goals[2]
- Regularly review the results and status of the achievement of key indicators and annual goals, as well as future initiatives, at the review meetings attended by the CEO
- Continuously conduct activities to achieve each indicator and goal under the persons responsible for each indicator and goal

1 Key Indicators for Continuous Corporate Value Enhancement P. 21-22
2 "Annual Sustainability Goals and Key Indicators" on our website www.tel.com/sustainability/goals-and-results/index.html

Intellectual Property and Other Intangible Assets

Positioning and Initiatives of Intellectual Property and Intangible Assets



1 Tokyo Electron's estimate

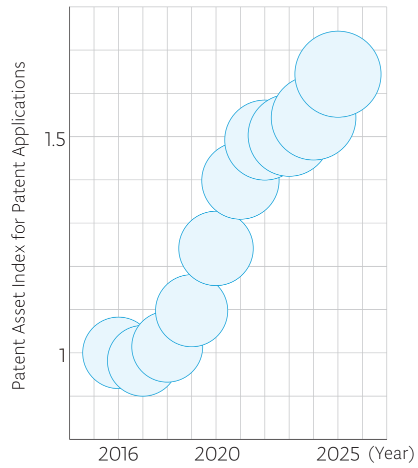
We believe that sustainable growth in the semiconductor industry, where technological innovation is the primary driver of growth, requires strengthening our intellectual property and other intangible assets, including our R&D capabilities and the innovations they generate. We are pursuing R&D utilizing our four strengths (Diagrams (1) to (4)), and we produce innovative and high-value proprietary technologies by actively engaging in collaborations (open innovation) with domestic and international customers, consortiums, and academia, incorporating diverse knowledge and technologies in our R&D. This enables the timely and continuous creation of next-generation equipment, which is the lifeline of our company, and the strategic construction of our patent portfolio (Diagram (5)), which is our fifth strength.

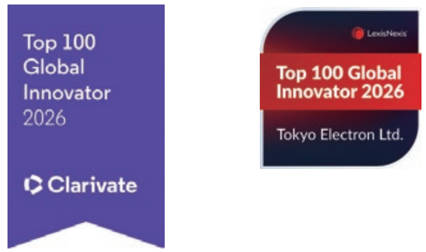
The number of inventions that we created is rising year by year. In 2025, we created 1,415 inventions in Japan and 345 overseas. We have also created almost 300 inventions through partnerships over the past five years. Our global patent application rate has been approximately 75% for seven consecutive years, and in response to the recent growth of the Global South market, we are also increasing the number of applications we submit in these regions. The allowance rate[2] of the filed patents was 84% in Japan and 83% in the United States. As of March 31, 2026, we held 26,592 patents, maintaining the No. 1 position in the semiconductor production equipment industry.

Our patent portfolio has also been recognized for aspects such as impact on other companies and growing technological value. We have been named among the Clarivate Top 100 Global Innovators 2026 (for the fifth consecutive year) and the LexisNexis Innovation Momentum 2026: The Global Top 100 (for the fourth consecutive year). This competitive patent portfolio is our fifth strength, and by supporting our other four strengths, it serves a vital role as the foundation for improving medium- to long-term corporate value, driving our sustainable growth.

2 Figures calculated in 2025

TEL Patent Asset Index (PAI[3]) Trend





3 We use the Patent Asset Index (PAI) issued by LexisNexis as an indicator of the competitiveness of the patent portfolio. The sizes of the circles indicate the size of the patent portfolio, with the PAI of 2016 set to 1.0.

Intellectual Property Governance System

Our intellectual property teams at headquarters and major development sites worldwide collaborate closely with our R&D and business divisions to accurately capture technological advances and market needs and strategically strengthen our intellectual property portfolio. We have also introduced our own inventor recognition program* to encourage the creation of intellectual property. By recognizing inventors at different stages, ranging from those submitting their first patent application to those recognized as outstanding role models, we seek to encourage proactive intellectual property creation and foster a culture of innovation that passes the spirit of invention on to future generations.

Also, intellectual property activities and intellectual property risks are regularly reported at the Board of Directors meetings and Corporate Officers Meetings. We strive for an even stronger intellectual property governance system through collaboration with management.

* "Inventor Prize Program" on our website www.tel.com/rd/intellectualproperty/index.html

Human Resources

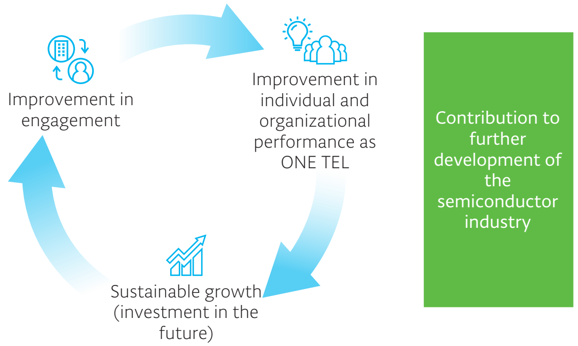
Human Resources Strategy Supporting Sustainable Growth

We believe that our corporate growth is enabled by people, and our employees both create and fulfill company values. Based on this belief, we align our management strategy and human resources strategy. Since our founding, we have achieved growth by contributing to the development of the semiconductor industry through our pioneering and innovative technologies, while quickly responding to changes in the business environment. The driving forces that have sustained this growth are the motivation of each employee and their willingness to take on challenges in uncharted areas.

High technological capabilities that drive technological innovation in semiconductors are essential for sustainable growth and enhanced corporate value. To achieve this, we have established, and are currently implementing, a growth investment plan to spend 1.5 trillion yen or more on R&D investment and aim to hire 10,000 people globally over the five fiscal years starting in fiscal 2025.

The core of our human resources strategy is motivation-oriented management. Through performance-linked compensation based on world-class profits and other measures, we encourage the motivation and actions needed to drive the behaviors we require. We also continuously enhance expertise through TEL UNIVERSITY, which supports employees' self-directed learning, leading to the provision of the Best Products with innovative technology and the realization of the Best Technical Service with high added value. This cycle of individual growth and corporate growth forms the foundation supporting our sustainable value creation. We aim to achieve both the convenience enabled by advanced technologies such as AI and the preservation of the global environment, and contribute to the development of a dream-inspiring society as ONE TEL, where diverse individualities come together.

Creating a Virtuous Cycle through Motivation-oriented Management



Employee Engagement

Under motivation-oriented management, we focus on improving employee engagement, which is crucial for sustainable growth and maximizing employee performance. To measure the effectiveness of engagement-related initiatives, we conduct an engagement survey every two years. Based on survey results, we repeat the cycle of identifying important issues, implementing measures, and verifying effectiveness and making improvements, and aim to create environments where each employee can work with enthusiasm while utilizing their abilities to the fullest. Our engagement survey score in fiscal 2025 was 19 points higher than in fiscal 2016. Based on the results, we are focusing on initiatives related to "enhancing career opportunities" and "recruitment and appropriate placement of human resources." In addition, to understand the status of implementation and improvement of measures between engagement surveys, we introduced pulse surveys starting in fiscal 2026. This enables us to visualize implementation status and strengthen support for organizations and departments requiring further improvement.

Recruitment

We are planning a large-scale recruitment expansion aiming to hire 10,000 people globally over the five fiscal years starting in fiscal 2025, in response to increasing demand for semiconductors and the need for improved performance and stable production of the manufacturing equipment that supports this demand. To realize this plan, it is crucial that we recruit exceptional semiconductor talent who are sought after by companies and research institutions from around the world. This requires not only securing talent through recruitment but also building a collaborative framework involving industry, academia, and government to develop next-generation human resources. As such an initiative for the future, we participate in UPWARDS*, a partnership between Japanese and American universities, and foster human resources and advance research development in the field of semiconductor technology. Furthermore, we provide an array of learning opportunities by holding seminars at numerous semiconductor related organizations, including the Japanese Society for Artificial Intelligence, Semiconductor Equipment Association of Japan (SEAJ), and the Fukuoka Semiconductor Reskilling Center, in addition to academia such as universities and technical colleges. Through such initiatives, while contributing to the development of researchers and personnel who will support future innovations in semiconductor technology, we aim to build the foundation for people with diverse perspectives to lead the industry.

* UPWARDS P. 51

Human Resources

Human Resources Development and Career

Our company is focusing on developing human resources that can play an active role on the global stage amid the rapidly changing business environment. To enable each employee to fully utilize their abilities, we increase company-wide innovative capabilities by establishing a systematic human resource development system and drawing out the potential abilities of our employees with diverse backgrounds. Furthermore, we are striving to maintain employee motivation by establishing systems that support employees' self-directed career development and personal fulfillment, providing an environment where employees can proactively set their own goals and grow.

TEL UNIVERSITY

TEL UNIVERSITY is our company's internal educational institution, established in 2007 as the foundation for company-wide human resource development. It supports each employee in considering their own growth and career and continuing to learn, while developing human resources who support our value creation through both technological expertise and human capabilities.

TEL UNIVERSITY

TEL Principles of Human Resource Development

1. Self-motivation and a sense of responsibility are the basic requirements for developing the talents of employees.
2. The workplace supports employee development.
3. The company provides employees with opportunities and incentives to learn and offers the necessary platform or framework.

Overview of TEL UNIVERSITY

<table>
<tr><th></th><th>New Graduates, Junior Employees</th><th>Mid-level Employees</th><th>Managerial Employees, Individual Contributors (ICs), and Officers</th><th>Top Management</th></tr>
<tr><td rowspan="4">Level-based Programs</td><td colspan="3">Introductory programs (new graduates, mid-career recruits)</td><td></td></tr>
<tr><td colspan="3">On-the-job-training (OJT) programs (new graduates, mid-career recruits)</td><td></td></tr>
<tr><td>Junior employee programs</td><td>Mid-level employee programs</td><td>Manager programs</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Leader programs</td></tr>
<tr><td rowspan="5">Goal-based Programs</td><td colspan="4">Technical programs (seminars, workshops)</td></tr>
<tr><td colspan="4">Business skills</td></tr>
<tr><td colspan="4">Global communication</td></tr>
<tr><td colspan="4">Career support</td></tr>
<tr><td colspan="4">Compulsory web-based training</td></tr>
</table>

Onboarding Reinforcement

New Graduates and Junior Employee Programs

With an eye to large-scale recruitment, we offer development programs centered on TEL UNIVERSITY so that each new graduate and junior employee can play an active role early. The programs are conducted systematically from the first to third year after entering the company and provide basic knowledge and skills required as members of society, in addition to an understanding of our corporate principles and values.

Through these initiatives, we work to instill awareness of being a member of the Group and foster an attitude of continued learning and growth, thereby improving employee engagement.

Mid-career Recruit Programs

Our company actively welcomes mid-career recruits and is expanding onboarding initiatives to support their early contribution, in order to achieve both global business growth and a stronger human resource foundation. In Japan, we conduct "Welcome to TEL Meeting!" at TEL UNIVERSITY, where employees can learn about the company's history, corporate culture and principles while deepening their understanding of our products and technology. We also promote the formation of personal networks across departments and sites through group work and discussion, establishing a foundation that enables employees to utilize their abilities with confidence in a new environment. Through these initiatives, we are creating an environment in which employees with diverse backgrounds can demonstrate their motivation and grow.

DX Human Resource Development

Amid the growing importance of digital utilization in business processes, and based on the recognition that DX leads to corporate competitive advantage, since 2022 we have rolled out mandatory "DX Basic Education" for all employees globally to provide basic knowledge and ways of thinking about DX. With advances in digital technologies, including generative AI, it has become important for employees to properly understand and utilize AI. Beginning in fiscal 2027, we will introduce AI literacy training for new graduates and gradually expand it to all employees, thereby developing a Group-wide foundation for the utilization of AI.

Human Resources

New Career Design

In 2024, we began introducing Seeker*, our proprietary career and learning portal app, and are rolling it out globally. Seeker uses AI functions to recommend learning content based on each employee's learning history and goals, encouraging employees to take on challenges. Through tools such as this, we support employees in clarifying their future vision for themselves, designing a career plan to realize it, and efficiently acquiring the necessary skills. These initiatives received the Grand Prize at the 14th Japan HR Challenge Awards.

* Some divisions and Group companies

Design Your Career

Employees set their career direction by referring to the career examples of various senior employees and colleagues in Seeker. They can identify the workplaces they should experience and the steps they should take to realize their future vision by referring to job information organized by group, and can further clarify what is needed to realize their career goals by asking career-related questions to generative AI and mentors.

Planning Your Skill Path

Employees consult with supervisors and determine the skills they want to strengthen to "Visualize Your Ideal Future Self." Based on employees' wishes, supervisors assign work in line with management strategy. Optimal learning content and mentors are recommended based on the skills that employees determine. Putting the knowledge acquired into practice enables employees to efficiently obtain skills.

Support for Career Development

Development of the Next Generation of Executives

We are focusing on identifying the next generation of executives early on and providing systematic development to support sustained value creation over the medium- to long-term. Candidates are given learning opportunities, including external training and exchanges with other industries, to develop broader perspectives and build external networks. Through these initiatives, as a company that operates globally, we are developing human resources capable of adapting to diverse values and changes in the environment. Management also systematically considers and reviews assignments and provides experience suited to each individual's motivation and stage of development, thereby establishing a system that supports their growth.

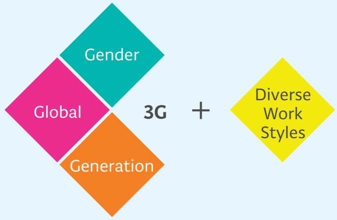
Development of Individual Contributors

We position highly specialized technologies and skills as an important source of corporate competitiveness and operate TCL (Technical Career Ladder) as a career development system centered on expertise. TCL is composed of chief engineers, technical experts and others, appropriately evaluates results achieved through specialist expertise, and enables employees to select careers in line with their motivation and strengths. Through the operation of TCL, we are establishing an environment where employees can continue to apply their specialist knowledge, while aiming to link specialized knowledge to business and organizational growth through programs such as technology exchange meetings and technical workshops.

Diversity, Equity and Inclusion (DE&I)

With the strong commitment of management, we actively promote DE&I as an important initiative that leads to the continuous generation of innovation and enhanced corporate value. Based on the idea that "ONE TEL, DIFFERENT TOGETHER™", we have taken on nationality, gender and generation as major themes and our promotion of DE&I is centered around the concept of 3G (Global, Gender, Generation). On the other hand, in addition to visible kinds of diversity such as the 3Gs, there are many forms of diversity that are less visible, such as personality, ways of thinking, work styles and values. Given this backdrop, we understand that DE&I is not something special, but instead, it is important to foster a culture of mutual trust by understanding the diversity inherent in everyone, and to accept each person's individuality and values, and we are taking various measures to promote this.

Human Resources



DE&I at Tokyo Electron

TEL's engagement in DE&I consists of four focus areas, including the 3Gs (encompassing Global, Gender, and Generation aspects) and Diverse Work Styles.

We are establishing a work environment where every employee can play active roles regardless of nationality, gender, age, or disability, so they can grow as creative sources of innovation.

"Diversity, Equity and Inclusion (DE&I)" on our website
www.tel.com/sustainability/management-foundation/human-resource/index.html#de_and_i

UPWARDS*

UPWARDS is a semiconductor collaboration project between Japan and the U.S. that involves five Japanese and six American universities, the supporting companies, Micron Technology and Tokyo Electron. The aim is to create a hub for human resource development and reinforce research and development in the field of semiconductors over the five-year period from 2023 to 2028. This initiative is not limited to financial support for the future, but provides multi-faceted support such as curriculum and organization support in universities and provides summer camps and internships for students. We continue our activities consistently to bring about positive influences on the semiconductor industry using new approaches through collaborations between industry and academia, and between Japan and the U.S.


Students' summer camp

* UPWARDS: U.S.-Japan University Partnership for Workforce Advancement and Research & Development in Semiconductors

Workshop on Childcare Leave for Male Employees

Our Group holds workshops on childcare leave for male employees several times a year. In addition to explanations about the system by the Human Resources Department, these workshops include sharing experiences by employees who actually took the leave, as well as Q&A sessions. The workshops draw a lot of interest every time, with many participants being not only employees considering taking childcare leave but also those who want to plan their life design for the future or learn how to support colleagues and subordinates raising children. Such initiatives foster a culture of mutual respect where employees understand the positions of others, and lead to higher rates of employees who take childcare leave.

Work-life Balance

Leave System

To create an environment in which each employee can work in good physical and mental health, we are working to properly manage working hours, enhance our leave systems and encourage employees to make use of them. We have set a target of achieving an annual paid leave utilization rate (Japan) of 80% or more. To achieve this, we educate employees on how to take leave in a systematic manner, regularly monitor leave usage, and promote management practices that support improved leave utilization rates. In fiscal 2026, the rate of employees taking advantage of paid leave was 78.0%, close to our target.

We also operate a "refreshment leave system" globally. This system aims to provide both mental and physical refreshment for employees, and so boost their motivation to work. In Japan, employees at service milestones from 10 years through 25 years or more are granted special, supplementary paid leave of between two weeks and one month. In April 2025, we expanded the system to include employees with five and 30 years of service. In fiscal 2026, 1,950 employees in Japan and 1,327 employees overseas took advantage of refreshment paid leave, an increase of 91.8% year on year.

Furthermore, we have introduced various other flexible leave systems for different life events, including childcare leave, leave to care for a sick or injured child[1], childcare support leave[2] and paid leave to provide nursing care. Employees are permitted to extend childcare leave until the day the child reaches three years of age; employees are now also eligible for the reduced working-hours program for childcare until the child graduates from elementary school.

1 Leave to care for a sick or injured child: Employees are granted five days of paid leave per year until the child enters elementary school.
2 Childcare support leave: Employees are granted five days of unpaid leave per year until the child enters junior high school.

Health and Productivity Management

We advance health and productivity management with the CEO serving as the Chief Officer for Health Promotion and implement initiatives that take into account the health of each employee. As for specific initiatives, in addition to conducting various medical checkups in accordance with laws and regulations and offering face-to-face consultations by designated occupational health physicians for employees who work long hours, we also offer counseling opportunities supported by external industrial counselors for those who request them. Furthermore, we organize regular line-care* seminars aimed at management, and where necessary, hold liaison meetings with the health officers and health professionals at each Group company in Japan, strengthening our health support system.

As a result of these efforts, all Group companies in Japan collectively received recognition under the 2025 Certified Health & Productivity Management Outstanding Organizations Recognition Program. Going forward, we will continue to improve these initiatives and further promote health and productivity management throughout the Group.

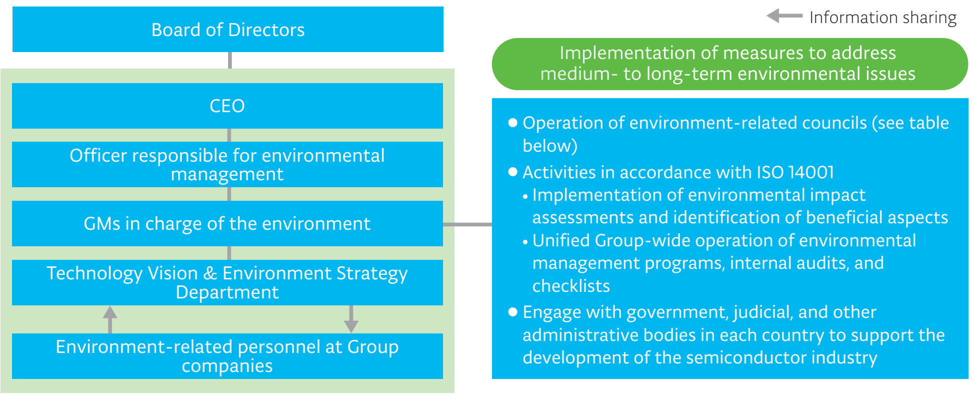
* Line-care: Measures for mental health in which managers (such as department and section managers) are mindful of and care for the mental health of their subordinates and team members.

Environment

Environmental Management System

As environmental measures are growing even more crucial, we have established a Technology Vision & Environment Strategy Department in our headquarters, headed by GMs in charge of the environment. This department oversees multiple councils to promote efforts to address medium- to long-term environmental issues throughout the Group. In addition, the progress of each initiative is reported to management, including the CEO, through the councils listed in the table below.

Environmental Management System Framework



Main Councils

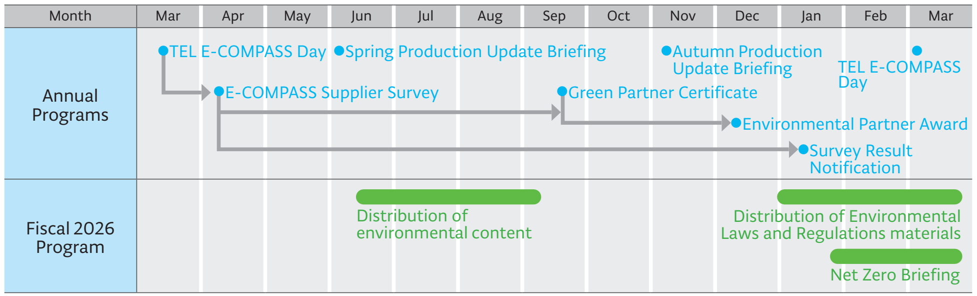
Conference Name	Main Participants	Function	Meeting Frequency
Council for the Regular Reporting of Environmental Activities	CEO, corporate officers, GMs in charge of the environment	Report on matters discussed at the Global Environment Council and the TEL Corporate Environment Council and review items for approval	Quarterly
Environmental Steering Council	Manufacturing companies' presidents, GMs in charge of the environment, etc.	Monitor and supervise progress related to environmental issues	Quarterly
TEL Corporate Environment Council	The GMs in charge of the environment and department heads, etc.	The promotion of environmental activities across the entire Group, set Group-wide goals	Twice a month
Global Environment Council	Appointed members by the executives at headquarters and the Group companies	Set individual goals related to environmental issues, monitor progress, work to achieve our goals	Twice annually

E-COMPASS

As a leading company in the semiconductor production equipment industry, we are rolling out the E-COMPASS environmentally-focused initiative. We will supply products and services with technological and social value through our entire supply chain, led by E-COMPASS, and will link this to sustainable growth.

Initiatives with Suppliers

To strengthen collaboration with business partners even further, we publish an annual schedule and hold various events. We have also implemented initiatives such as sharing targets with suppliers and conducting net zero briefings. These efforts have been recognized, and the Company was selected as an A List company, the highest rating, in the 2025 Supplier Engagement Assessment conducted by CDP, a non-governmental organization.



TEL E-COMPASS Day 2026

"TEL E-COMPASS Day 2026," a briefing session for our suppliers, was held in March 2026 using an online and in-person hybrid approach and was attended by 315 suppliers.

Environment

CO_2 Emissions across the Value Chain

We ascertain environmental impacts throughout the value chain and conduct business activities for reducing those impacts to solve environmental issues through leading-edge technologies and reliable services.

▌CO_2 Emissions in Scope 1, 2 and 3 (Fiscal 2026)

Scope 3 Upstream
6,029 kilotons (42.3%)
Not from our Group

- Category 1 Purchased goods and services: 5,215 kilotons
- Category 2 Capital goods: 650 kilotons
- Category 3 Fuel- and energy-related activities not included in Scope 1 or 2: 78 kilotons
- Category 4 Transportation and distribution (upstream): 24 kilotons
- Category 5 Waste generated in operations: 6 kilotons
- Category 6 Business travel: 49 kilotons
- Category 7 Employee commuting: 7 kilotons

TEL
63 kilotons (0.4%)
Own emissions

- Scope 1: 28 kilotons
- Scope 2: 35 kilotons

Scope 3 Downstream
8,173 kilotons (57.3%)
Not from our Group

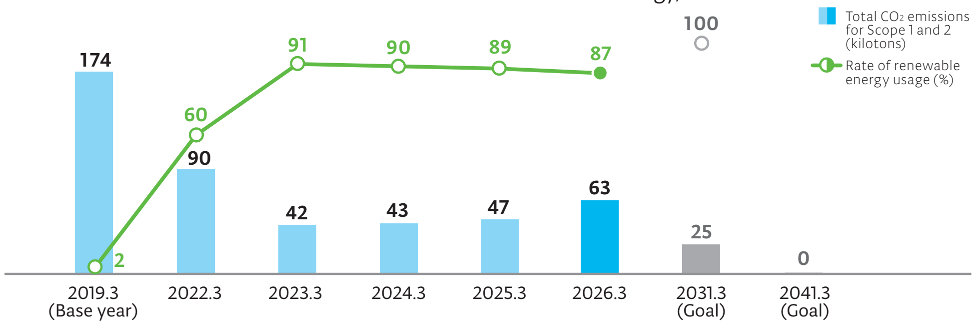
- Category 9 Transportation and distribution (downstream): 86 kilotons
- Category 11 Use of sold products: 8,080 kilotons
- Category 12 End-of-life treatment of sold products: 7 kilotons

Scope 1: Direct greenhouse gas (GHG) emissions from use of fuel and gas we owned or controlled
Scope 2: Indirect GHG emissions from use of electricity, steam, and heat we purchased
Scope 3: Emissions from corporate value chains (excluding Scope 1 and 2 emissions), such as product transportation, employee business travel, and major outsourced production processes. Scope 3 is divided into upstream activities, which include emissions associated with purchased or procured products and services, and downstream activities, which include emissions associated with sold products and services

Initiatives Concerning Own Emissions (Scope 1 and 2)

In fiscal 2026, the ratio of renewable energy use across the Group was 87%. At our overseas sites, electricity consumption increased due to the introduction of R&D facilities. Going forward, we will further accelerate the adoption of renewable energy power in our overseas operations.

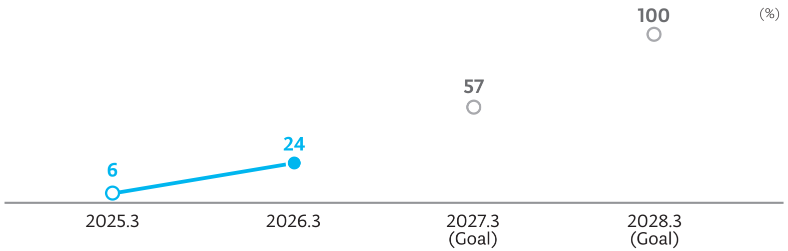
▌CO_2 Emissions Reductions from the Introduction of Renewable Energy, etc.



Initiatives Concerning Emissions Not from Our Group (Scope 3) (Category 1)

To reduce CO_2 emissions from purchased goods and services, we are acquiring actual data from suppliers. By holding briefing sessions and individual meetings, we are promoting efforts to enable all suppliers to calculate their Scope 3 (Category 1) emissions by fiscal 2028.

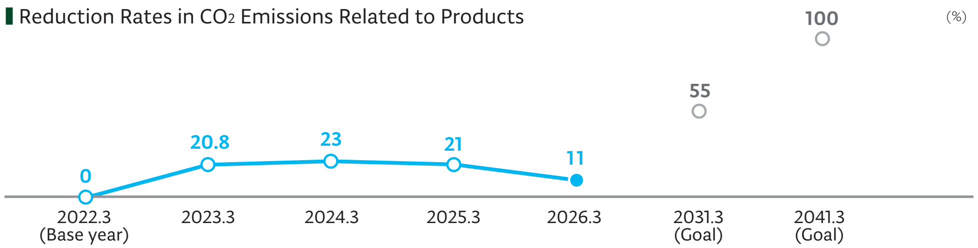
▌Ratio of Suppliers for which Scope 3 (Category 1) Emissions Have Been Calculated



Initiatives Concerning Emissions Not from Our Group (Scope 3) (Category 11)

In fiscal 2026, as the share of our product with higher CO_2 emissions increased, per-wafer CO_2 emissions during product use increased relatively, resulting in an 11% reduction versus the base year. Going forward, we will further strengthen the rollout of products with lower CO_2 emissions.

▌Reduction Rates in CO_2 Emissions Related to Products

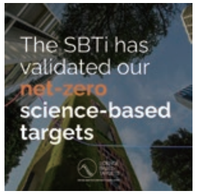


Environment

Targets recognized as SBTs

We have acquired SBT* certification regarding our environmental medium-term targets and net-zero targets and strive to reliably achieve science-based targets. We are also working to reduce greenhouse gas emissions throughout the supply chain.

* SBT: Science Based Targets. SBTs are targets that are set by companies for 5 to 15 years in the future and that match the standards required by the Paris Agreement.



Target Year	Scope		Target	Fiscal 2026 Progress
Fiscal 2031	Scope 1, 2	CO_2 emissions	70% reduction (compared to fiscal 2019)	64% reduction
	Renewable energy (electricity)	Use rate	100%	87%
	Scope 3	Per-wafer CO_2 emissions*	55% reduction (compared to fiscal 2022)	11% reduction
Fiscal 2041	Scope 1, 2, and 3	CO_2 emissions	Net zero (effectively zero)	Established a Group-wide structure and implemented measures for reduction

* Including reductions resulting from customers' introduction of renewable energy

Decarbonization Measures through Industry Collaboration

We joined the Semiconductor Climate Consortium (SCC) of the Semiconductor Equipment and Materials International (SEMI) in 2022. As the importance of responding to climate change increases, we are working in collaboration with other SCC member companies to reduce the carbon emissions of the global semiconductor industry. We also joined the SEMI Energy Collaborative (EC) in 2024. The EC promotes the introduction of clean energy in the Asia-Pacific region, engages in advocacy with policy decision makers and related organizations in each country, and makes various proposals.

Semiconductor Climate Consortium

EC Energy Collaborative

Initiatives for Product Development

We are actively developing products with reduced environmental impact, and we develop advanced environmental technologies through the E-COMPASS program.

New cryogenic etching technology (ultra-low temperature etching) achieves high aspect ratio etching

By replacing a large amount of fluorocarbons, which have high global warming coefficients, with hydrogen fluoride gas, we reduced per-wafer CO_2 emissions by **84**% and cut electricity consumption by **43**% compared to first-generation cryogenic etching machines

CLEAN TRACK™ LITHIUS Pro DICE™

Reduces wafer defects caused by flawed resist coating by **50**% or more[1] and cuts costs compared to earlier models

Clean room footprint efficiency: Improvement of **25**% or more[2] in productivity and environmental performance compared to earlier models

1 Estimated by Tokyo Electron. Comparison with earlier models regarding defect performance and chemical consumption.

2 Estimated by Tokyo Electron. Comparison with earlier models regarding throughput, footprint, utility requirements, and exhaust gas volume.

EVAROS™

Reduces per-wafer CO_2 emissions by approximately **25**% compared to the earlier TELINDY PLUS™ as a result of decreases in electricity consumption and cooling water and gas used

Logistics Initiatives

We are proactively promoting the adoption of STW* and modal shifts in logistics.

* STW: Strong Triple Wall. Refers to reinforced corrugated cardboard made with three layers.

Logistics Goals

Target Year	Scope	Target	Fiscal 2026 Progress
Fiscal 2027	CO_2 emissions	30% reduction	26% reduction
Fiscal 2026	Switch from wooden crates to STW	50%	48%

Environment

Reducing Environmental Impact in Logistics

Tokyo Electron Miyagi and Tokyo Electron Kyushu are continuing to promote modal shifts to rail to reduce environmental impact in transportation. We are also working to transition from fossil fuels to low-carbon fuels, and in addition to using biofuels for some vehicles, we are promoting the use of ships that use liquefied natural gas. As a result of these efforts, in fiscal 2026, for long-distance land transportation, we achieved a ferry utilization rate of more than 90% on routes where modal shifts are possible, and the use of EV trucks reached approximately 800 vehicle trips for the year.

Source: Tokyo Electron BP

E-COMPASS Logistics & Facility Day 2025

E-COMPASS Logistics & Facility Day 2025 was held as a hybrid event with both online and in-person participation, and 283 suppliers involved in logistics and facilities participated. At this event, we shared our environmental policies and vision, while our suppliers introduced their proactive adoption of EVs and other initiatives, including STW, that they are implementing in collaboration with us.

Natural Capital

Participation in the TNFD

In affirmation of the philosophy of the Taskforce on Nature-related Financial Disclosures (TNFD), we joined the TNFD Forum in fiscal 2024. We identified priority locations and assessed the current situation based on the LEAP approach* recommended by the TNFD and conducted interviews to confirm the status and awareness of business partners. Going forward, we plan to update the content periodically through further analysis and evaluation.

* LEAP approach: Locate, Evaluate, Assess and Prepare approach

"Biodiversity and Forest Conservation (TNFD)" on our website
www.tel.com/sustainability/management-foundation/environment/index.html#tnfd

Measures Concerning Water Resources

We set a target concerning water usage as an important indicator in the Medium-term Management Plan and are making company-wide efforts to achieve those targets. Tokyo Electron Kyushu is conducting paddy field water replenishment at its Koshi site as an environmental conservation measure in an effort to protect groundwater resources. We were selected as an A List company, the highest rating, in a survey on water resource management conducted by CDP, a non-governmental organization.

Circular Economy

The Company is working to achieve a circular economy through measures such as recycling parts, recirculating ultra-pure water, and reducing waste.

Parts Recycling

We leverage the technology cultivated over many years in the aftermarket business (maintenance, repair, etc.) to recycle large numbers of parts. As of September 2025, the reuse rate* for high-frequency RF systems among three major customers was 87%.

* The reuse rate is calculated as the number of specified parts reused divided by (the number of reused parts plus the number of newly purchased parts).

Recirculation of Ultra-pure Water

To reduce the amount of ultra-pure water used and achieve stable operations through recirculation, we created a system that recovers 95% of ultra-pure water* used in cleaning processes, which in the past was discharged from pipes while equipment was in standby, and recirculates it for reuse.

* Ultra-pure water is high-purity water suitable for cleaning that has contaminants reduced to extremely low levels.

Ultra-pure Water Recovery
95.0%

Waste Reduction

To reduce waste, we are striving to curb the amount of waste we generate and to recycle waste. In addition to using an electronic manifest system to properly manage waste, we are confirming statistical data regarding waste and performing on-site equipment confirmation and implementing measures to reduce waste. As a result of these efforts, we achieved a global recycling rate of 98.5%, meeting our target of a recycling rate of 97% or above for 20 consecutive years starting in fiscal 2007.

Recycling Rate
98.5%
(Global)

Environment

Initiatives Related to Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD[1])

We are conducting deliberations and taking various measures based on the framework of governance, strategy, risk management and metrics and targets relating to the risks and opportunities that climate change presents to our business.

Timeline: Short-term = five years or less; medium-term = fiscal 2031; long-term = fiscal 2051
Scope: The entire Group as well as the entire value chain including upstream and downstream

Matters considered: Current and emerging regulations related to existing and new businesses, technical risks, legal risks, litigation risks, market risks and acute and chronic physical risks

Type (Scenario)	Risk or Opportunity Items	Timeline of Manifestation	Anticipated Risks or Opportunities	Impact on Tokyo Electron	Impact Evaluation[2]	Our Response
Transition Risks (1.5°C scenario)	• Cost increases associated with the low-carbon transition	Short- to medium-term	• It has been projected that the levels of carbon tax[3] will be levied: Fiscal 2041: Approx. 31,775 yen/t-CO_2 • Reinforcing goals and measures for reduction in carbon emissions in each country • Soaring electricity/fuel costs • Soaring green power and renewable energy certificate unit prices	• Assuming that our greenhouse gas (GHG) emissions and renewable energy usage levels remained at the levels of fiscal 2026, the carbon tax burden in fiscal 2041 would increase by 2 billion yen/year • Increased transportation costs • Increased procurement costs	Low	• Putting our initiatives to achieve our medium-term environmental goals based on SBT certification goals (promotion of energy preservation and promotion of renewable energy implementation) into practice • Through our initiatives to reduce GHG emissions, the estimated increase in our carbon tax burden for fiscal 2041 is 6 billion yen lower based on fiscal 2026 calculations[4] • Installation of self-consumption solar power generation equipment in new building at Tokyo Electron Taiwan • Promotion of modal shifts, such as introduction of EV trucks, joint shipping and transition to delivery by rail and sea
	• Changes in customer and market demands associated with the low-carbon transition	Short- to long-term	• Poorer evaluations among customers, investors, job seekers, nongovernmental organizations (NGOs) and local communities • Uncertainty in environmental measure developments • Delayed implementation of renewable energy	• Increased reputational risks • Increased costs of capital investment/R&D expenses • Decreased net sales • Legal proceedings and fines if regulations are violated	Low ~ High	• Acquiring certification for SBT net zero goals • Develop activities to achieve medium- to long-term environmental goals through E-COMPASS activities • Respond appropriately and promptly to environmental laws and regulations revised in each country • Implementing risk management utilizing the TCFD framework and our support for its recommendations • Promote disclosure of information on the above activities through integrated reports, our websites, etc.
Physical Risks (4°C scenario)	• Abnormal weather such as floods, landslides, disasters, storm and flood damage (storms, typhoons)	Short- to medium-term	• Impacts on us, our customers and suppliers (supply chain disruptions, production/shipping delays, operation stoppages and other factors)	• Increased procurement costs • Decreased net sales • Increased insurance premiums	High	• Update and implement our business continuity plans (BCP) based on our business continuity management (BCM) framework • Implementation of risk response through suppliers' BCP assessments • Set out standards for a company-wide response to storm/flood damage (storms, typhoons) etc. Implement online training for all employees and enter into disaster insurance • Maintain a database of suppliers' production sites to promptly identify impacted suppliers and quickly collaborate in recovery efforts
	• Higher temperatures	Medium- to long-term	• Increased usage of air conditioning and chillers in clean rooms and others with rising temperatures	• Increased energy costs	Low	• Develop activities to achieve medium- to long-term environmental goals through E-COMPASS activities in the supply chain • Globally promote the latest in research and development such as dealing with abnormal weather in the supply chain, responding to environmental regulations and innovations in environmental technology to continually supply the Best Products with innovative technology in a timely manner
Opportunities (Common)	• Improved operational efficiency relating to the environment	Short- to medium-term	• Higher productivity	• Reduced energy costs	High	• Make a call for submissions on examples of internal initiatives related to the environment and recognize excellence with the Sustainability Award • Aim to achieve medium- to long-term environmental goals through E-COMPASS activities to promote responses to abnormal weather and adapt to environmental regulations in the supply chain and through environmental technological innovation • Conduct leading-edge technological development on a global level and offer the Best Products with innovative technology in a timely and sustainable manner
	• Generation of added value to products and services based through technological innovation	Medium- to long-term	• Promote innovation toward development of low-GHG products and services and develop equipment and technologies that contribute toward the manufacture of lower power consumption devices	• Increased net sales • Improved reputation	Medium ~ High	

Please refer to the "TCFD" on our website for details.
www.tel.com/sustainability/management-foundation/environment/index.html#tcfd

1 Subsequently integrated into the International Sustainability Standards Board (ISSB).
2 Impact evaluation: Sets out the findings of evaluations of the impact of risks or opportunities within Tokyo Electron.
3 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. 1 U.S. dollar was converted at 155 yen.
4 Assuming that GHG emissions in fiscal 2041 remain at the same level as in fiscal 2026.

Human Rights

Human Rights Policy and Promotion Framework

We recognize corporate social responsibility and believe that it is important for us to conduct ourselves with a strong sense of integrity. We recognize the importance of human rights and the responsibility of businesses to respect human rights.

Based on this recognition, we formulated the Tokyo Electron Group Human Rights Policy[1] with reference to the United Nations' Guiding Principles on Business and Human Rights, the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work referred to therein, the Ten Principles of the United Nations Global Compact, and the RBA Code of Conduct[2].

United Nations' Guiding Principles on Business and Human Rights

Our Human Rights Policy specifies five focus areas of human rights. We thoroughly familiarize all of our executives and employees with the Policy and request that our suppliers also conduct their business activities in line with the Policy. In addition, we engage in active dialogue with all of our stakeholders, including shareholders, investors, and suppliers, striving to meet the demands and expectations of society.

Led by our Corporate Sustainability Management Department, human rights issues and initiatives are shared and activities to promote respect for human rights are advanced at the Sustainability Global Committee, which is attended by sustainability managers from across the Group. Important matters are deliberated by the Sustainability Committee and approved at the Corporate Officers Meeting attended by the CEO. The Division Officer in charge reports the status, progress, and results of important matters to the Board of Directors, which supervises these efforts.

Human Rights of Most Importance

- Freedom, Equality & Non-Discrimination
- Freely Chosen Employment
- Product Safety & Workplace Health and Safety
- Freedom of Association
- Appropriate Working Hours & Breaks/Holidays/Vacations

1 "Tokyo Electron Group Human Rights Policy" on our website www.tel.com/sustainability/management-foundation/human-rights/index.html

2 RBA Code of Conduct: A set of standards established by the Responsible Business Alliance (RBA) for supply chains in the electronics industry, to ensure that labor environments are safe, that workers are treated with respect and dignity, and that companies take responsibility for the environmental impacts of manufacturing processes and procurement.

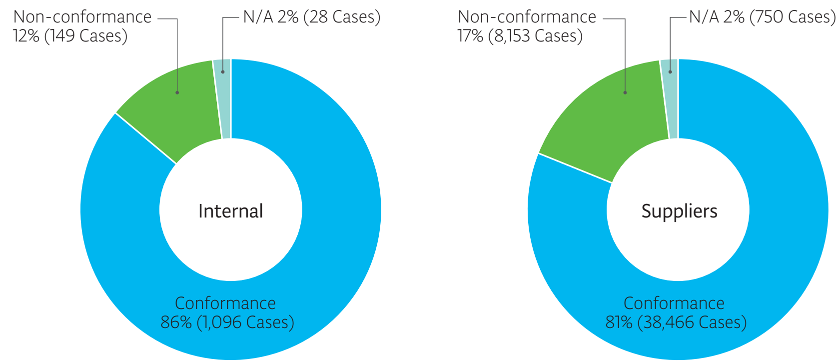
Human Rights Due Diligence

Every year, we identify and evaluate adverse effects on human rights (human rights risks) across the entire Group and among our suppliers, based on the United Nations' Guiding Principles on Business and Human Rights. We then implement initiatives to prevent and mitigate the identified adverse effects and actively conduct human rights due diligence that tracks and evaluate the effectiveness of those initiatives and appropriately disclose information.

Identification of Human Rights Risks and Corrective Actions

In fiscal 2026, we conducted a Human Rights Survey based on RBA audit standards at 19 Group sites in Japan and overseas and among 707 suppliers in materials, staffing, customs clearance, packaging, and other areas.

Human Rights Survey for Fiscal 2026



Our classifications and definitions of conformance as well as human rights risks based on RBA auditing standards are as follows.

Conformance: No issues were recognized in each area and requirements are being met.

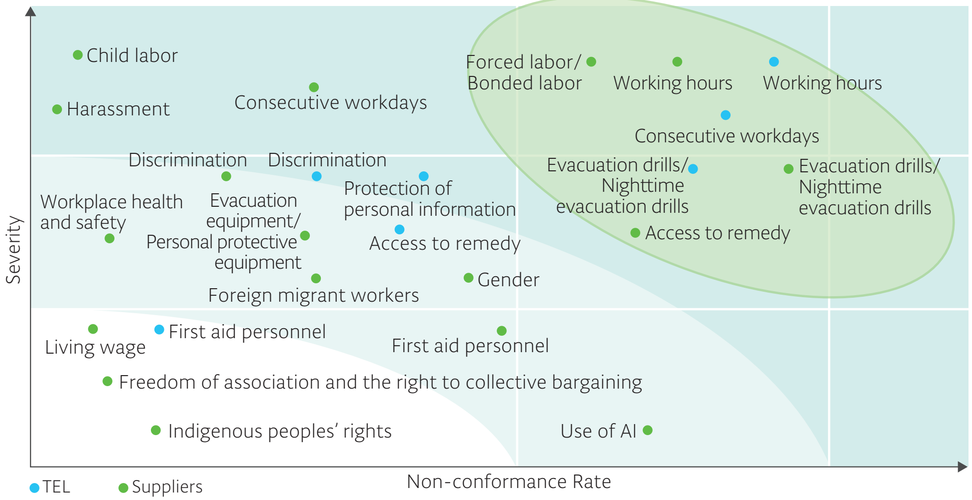
Non-conformance: Requirements are not fully met.

N/A: Indicates that the respondent answered that "the question is not applicable."

Human Rights

Based on the results of the Human Rights Survey, we identified the following high-priority human rights risks from the perspectives of severity and non-conformance rates. To prevent and mitigate adverse impacts throughout the supply chain, we are developing corrective and mitigation plans and implementing remediation and improvement measures for the identified risks.

Main Human Rights Risks Identified through the Human Rights Survey



Internal: High-priority Human Rights Risks and Corrective Actions

Human Rights Risks	Main Issues	Sites Subject to Corrective and Mitigation Measures	Sites Where Actions Have Been Implemented*	Corrective Actions
Working Hours	Excessive working hours	11 sites	5 sites	• Thorough internal awareness of working hours • Weekly working hours management • Regularly monitoring to call for attention and confirm effectiveness
Consecutive Workdays	Excessive number of consecutive workdays	9 sites	4 sites	• Thorough communication of requirements regarding consecutive workdays • Weekly consecutive workdays management • Regularly monitoring to call for attention and confirm effectiveness
Evacuation Drills	Less than 100% of employees take part	5 sites	1 site	• Reinforcing awareness that participation is required in principle • Encouragement of participation by managers • Follow-up with nonparticipants
Nighttime Evacuation Drills	No evacuation drills conducted after sunset	8 sites	4 sites	• Planning and conducting drills simulating dark conditions

* As of June 2026

Suppliers: High-priority Human Rights Risks and Corrective Actions

Human Rights Risks	Main Issues	Suppliers Subject to Corrective and Mitigation Measures[1]	Suppliers Where Actions Have Been Implemented[2]	Corrective Actions
Forced Labor/ Bonded Labor	• Employment-related fees borne by workers • Establishment of policies and procedures	11 suppliers	9 suppliers	• Payment of employment-related fees and establishment of operating practices • Formulation of policies
Working Hours	• Excessive weekly working hours • Excessive number of consecutive workdays	7 suppliers	4 suppliers	• Thorough internal awareness of working hours • Weekly working hours management • Regularly monitoring to call for attention and confirm effectiveness
Evacuation Drills/ Nighttime Evacuation Drills	• Evacuation drills not conducted • Compliance with the requirement for all employees to participate • No evacuation drills conducted after sunset	26 suppliers	11 suppliers	• Preparation of evacuation drill plans, including the requirement for all employees to participate • Coordination with fire departments • Conducting drills after sunset and providing training on nighttime evacuation
Access to Remedy	• Establishment of reporting channels and operating procedures • Acceptance of anonymous reports	7 suppliers	5 suppliers	• Establishment of reporting channels • Preparation of operating procedure manuals • Beginning to accept anonymous reports

1 Of the suppliers subject to corrective and mitigation measures, the number individually requested to develop and implement improvement plans.
2 As of June 2026

Tracking and Assessing Effectiveness

To prevent and mitigate identified human rights risks, we verify the effectiveness of corrective actions by reviewing conditions before and after their implementation. When corrective actions are not sufficiently effective, we review their content and work to improve them.

"Human Rights Due Diligence" on our website www.tel.com/sustainability/management-foundation/human-rights/index.html#dd

Addressing Grievances

For human rights initiatives in companies, it is critically important to ensure access to remedy for those affected by human rights violations. We have established and operate a highly reliable grievance mechanism (complaint handling mechanism) with due consideration to confidentiality and anonymity and prohibit retaliation and unfavorable treatment. We take feedback from stakeholders, including employees and suppliers, seriously and respond promptly and appropriately, while working to firmly establish a grievance mechanism dedicated to human rights to provide access to remedy.

Supply Chain Management

Principles and System of Supply Chain Management

To build a supply chain that is sound and sustainable, we have 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 our suppliers, we are implementing activities based on this policy.

We are also working to build relationships of trust with our suppliers, including material suppliers, staffing agencies, contracting companies, customs-related operators and other logistics companies, and facility management companies, who support our business as partners. Through ongoing communication with our suppliers, we identify issues in the supply chain across all relevant areas, such as labor, health and safety, the environment and ethics. These issues are shared with the relevant departments which then develop and implement improvement measures under the supervision of the CEO. We will continue to strive to create value across the supply chain by working with our suppliers to implement our operations in compliance with global standards.

"Principles and System of Supply Chain Management" on our website
www.tel.com/sustainability/management-foundation/supply-chain-management/index.html

Initiatives in the Supply Chain

Responsible Sourcing of Minerals

We conduct responsible mineral sourcing surveys as part of our corporate social responsibility to address conflict minerals and other minerals that may be linked to human rights violations and poor working conditions, including those sourced through fraudulent methods. In fiscal 2026, we conducted our 12th annual survey, adding cobalt to our 3TG (tantalum, tin, tungsten, and gold) target minerals. We were able to identify 293 smelters that comply with RMAP*, one of the standards used to determine that minerals are not associated with conflict. In addition, no sourced materials were found to contain 3TG or cobalt sourced through illicit methods.

We have shared the results of the survey with our suppliers, and we are conducting due diligence activities while improving the accuracy of the survey and requesting a switchover to certified smelters.

* RMAP: Responsible Minerals Assurance Process

"Responsible Sourcing of Minerals" on our website
www.tel.com/sustainability/management-foundation/supply-chain-management/index.html#minerals

Procurement BCP

As part of our business continuity plans, we collaborate with suppliers on ongoing disaster preparation. This entails preparing for geopolitical and other risks by using multiple suppliers for our major parts and materials, and jointly developing low-risk parts and materials, to build a highly secure and flexible supply chain. In addition, to appropriately grasp the increasingly complex supply chain, we enhance the supply chain visibility by leveraging IT systems. We also conduct BCP assessments with our suppliers and analyze the results to provide feedback to promote improvements in areas of concern.

"Procurement BCP" on our website
www.tel.com/sustainability/management-foundation/supply-chain-management/index.html#bcp

RBA Programs

We joined the Responsible Business Alliance (RBA) in 2015 and strive to comply with the RBA Code of Conduct. We also require our suppliers to understand and comply with the RBA Code of Conduct, and we engage in RBA promotion programs throughout the year to reduce risks and address challenges.

Obtain Agreement

To ensure that all workers in our supply chain can work of their own free will, we have stipulated our zero-tolerance policy for forced labor and bonded labor in the Tokyo Electron Group Human Rights Policy. To ensure that these efforts are also implemented by suppliers, we ask them to sign an agreement confirming their understanding of and compliance with the RBA Code of Conduct, which respects the rights of workers.

Supply Chain Management

TEL Supply Chain Sustainability Assessment

1 Implementation of Assessments

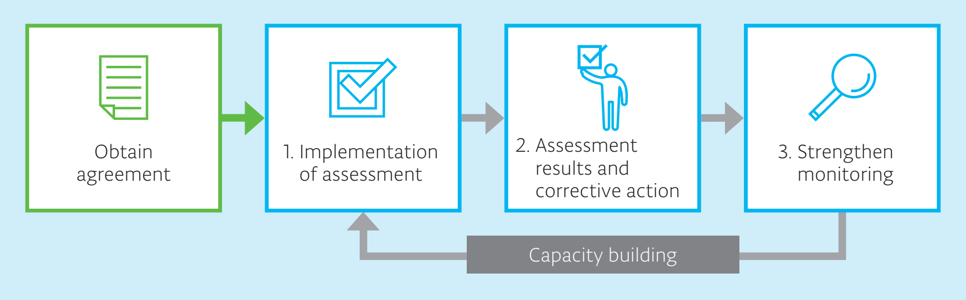
To assess the potential risks of suppliers, we implement the TEL Supply Chain Sustainability Assessment (TSSA) once a year. The TSSA is based on the RBA audit standard and comprises key requirements that we consider important. In fiscal 2026, we implemented the TSSA for a total of 707 suppliers, including material suppliers, staffing agencies, contracting companies, customs-related operators and other logistics companies, and facility management companies, and achieved a 100% response rate. As part of our human rights due diligence, we added questions related to respect for human rights and confirmed the status of human rights-related initiatives.

2 Assessment Results and Corrective Action

Supplier responses are assessed on a three-level scale: Low Risk, Medium Risk, and High Risk. We provide individual feedback to the suppliers and request that they correct any risks that were identified. In the case of non-conformity with any of our priority initiatives in particular, we ask that they prioritize related corrective actions. In fiscal 2026, we assessed 88.8% of suppliers as Low Risk, 11.2% as Medium Risk, and none as High Risk.

3 Strengthen Monitoring

We strengthen monitoring of suppliers for which risks are identified in specific areas and support their improvement activities. In fiscal 2026, we selected 48 suppliers for individual monitoring and, through interviews and other communication, confirmed their corrective action plans, corrective actions taken, and completion status.



Capacity Building

When starting to implement the TSSA, we hold briefing sessions where we explain the RBA Code of Conduct and introduce best practices to support the various initiatives of our suppliers. In this way, we are facilitating improved understanding and autonomous improvement among our suppliers.

"Sustainability Operations" on our website
www.tel.com/sustainability/management-foundation/supply-chain-management/index.html#sustainability

RBA Audits at Tokyo Electron

We conduct annual compliance assessments at our major manufacturing facilities using the RBA's Self-Assessment Questionnaire (SAQ) in its online tool. The aim is to identify potential risks, confirm the status of initiatives, and promote corrective action in the event of issues being identified. From fiscal 2026, we expanded the program to also include our headquarters and Group companies, and we are enhancing efforts for Group-wide compliance with the RBA Code of Conduct.

Furthermore, we continue to undergo the RBA's third-party Validated Assessment Program (VAP) at our major manufacturing sites, and were certified with Platinum Status for all audits conducted between fiscal 2024 and fiscal 2026.

Company Name	Plant/Office Name	Acquisition Date	Score	Status*
Tokyo Electron Technology Solutions	Head Office, Hosaka	Jul. 2023	200	Platinum
		Aug. 2025	200	Platinum
	Tohoku	Nov. 2025	200	Platinum
Tokyo Electron Kyushu	Head Office	Mar. 2025	200	Platinum
Tokyo Electron Miyagi	Head Office	Apr. 2025	200	Platinum

* Platinum: 200 points; Gold: 180-199 points; Silver: 160-179 points; Scores below 160 points are not eligible for certification.

We aim to reduce business risks and build a robust business foundation by continuing to implement these initiatives and make improvements. We will also build trust with all stakeholders and contribute to enhanced corporate value by improving competitiveness and addressing social challenges.

"Our approach to RBA" on our website
www.tel.com/sustainability/management-foundation/supply-chain-management/rba/index.html

Safety

Approach to Safety

Our Management Policies, which view safety as our first priority, have been clarified in writing.

As a company that fulfills its social responsibilities, everyone in the Group, from top management to field representatives, gives safety the highest priority when carrying out all kinds of operations such as development, manufacturing, logistics, installation, and maintenance under the "Safety First" slogan.

Safety Training

We provide safety foundation training for all employees.

We also provide more highly specialized safety technical training for engineers, who work on production lines and in cleanrooms, when they join the company. We update the safety technical training program every year and provide refresher training as well.

As a new initiative, we are conducting a safety campaign using digital signage. Furthermore, we are working to improve safety awareness overall by displaying actual incidents, near-misses, and hazards from our company on screens installed in the halls and entrances of each of our sites.

Hazard example

Product Safety

We carry out risk assessments that take the entire product lifecycle into consideration, starting from the development phase. We implement inherently safe design[1] by incorporating the assessment results into the design. In addition, we conduct compliance checks through third-party assessment bodies to ensure conformity of equipment we ship with international safety standards and SEMI Standards[2]. Furthermore, we build relationships of trust with our customers by responding appropriately to the laws and regulations of each country and region to which we deliver our equipment and by ensuring the equipment is high quality and safe.

1 Inherently safe design: A design concept that eliminates the cause of the machine's harm to humans through the safety design of the machine
2 SEMI Standards: SEMI Standards are regulations formed by SEMI, an international industry body which serves manufacturers of semiconductor production equipment, flat panel display production equipment, materials and the like, to unify all of these international industrial standards.

Responding to Incidents

In the event of an incident, we quickly share information with all the people in the Group involved in safety, including management, through the TEL Incident Reporting System (TIRS)*. Each department takes the lead in confirming the implementation status of incident responses and recurrence prevention measures, and the results are reported at meetings attended by management. We share this information with all employees as well through the Safety and Health Committee and other means.

* TIRS: TEL Incident Reporting System. System that makes the first report within 24 hours of the incident and shares with all relevant parties

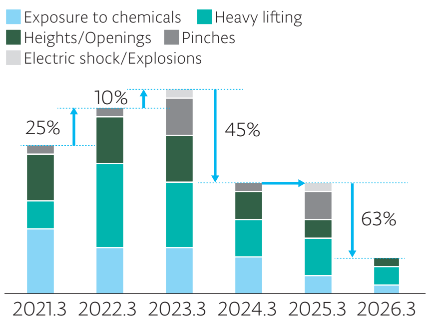
Activity Results and New Initiatives

We are focusing on the prevention of significant control injuries[1] through Stop Work retraining and strengthening onsite inspections. In fiscal 2026, we were able to reduce significant control injuries by 63% year on year.

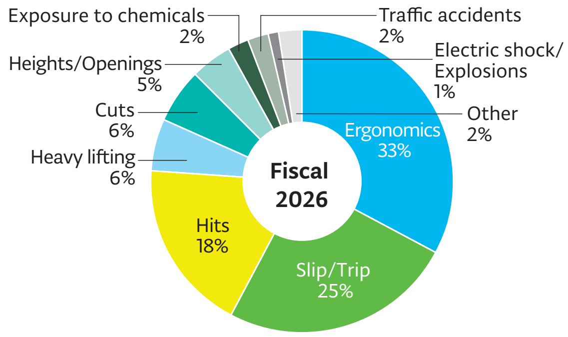
We have also adopted AI-based posture analysis software and are implementing recurrence prevention measures in response to ergonomics-related incidents, which account for the greatest number of reports. We analyzed causes for more than 50 job types that place physical stresses on the body, and implemented the most appropriate measures, including optimization of work postures and reduction of stresses, for similar jobs performed at Group companies. As a result, we were able to achieve a TCIR[2] of 0.22.

1 Significant control injuries: Incidents that we have identified as requiring recurrence prevention. They include workplace injuries that have the possibility of causing severe physical impact, such as injuries from heights and openings, incidents resulting from heavy lifting, exposure to chemicals, and contact with machinery in operation.
2 TCIR: Total Case Incident Rate. The number of workplace incidents per 200,000 work hours

Ratio of Increases and Decreases in Significant Control Injuries



Percentages of Injury Type



Quality

Approach to Quality

In order for each employee to correctly understand and practice quality assurance activities, it is important to clearly define the goals to be achieved, and to create an environment and foster a culture in which those goals are widely understood. Upon clarification of the ideal form of quality assurance, we established "Our Approach to Quality[1]" and "Quality Policy[2]" and set quality indicators to be achieved. Based on such policies and approaches, we are working toward sharing goals and establishing awareness by continuously communicating the importance of quality to our employees. Furthermore, we regularly review regulations and basic education on quality as appropriate, while striving to enhance quality awareness among all employees through various training programs. In addition to providing newly hired employees with basic quality training, we also conduct ongoing operation improvement training for all employees. Through this, we are conducting the prevention of product quality issues. Additionally, we work toward continuous business growth by having employees thoroughly confirm each other's quality in various situations and engage in the continuous improvement of business processes. Through these initiatives, we are able to provide high quality products and services that exceed customer expectations.

1 "Approach to Quality" on our website www.tel.com/sustainability/productivity/value-chain/index.html#basic

2 "Quality Policy" on our website www.tel.com/sustainability/productivity/value-chain/index.html#acc_1

Activities for Quality Improvement

We have established rules based on our Group-wide Quality Policy, which are systematically organized as the TEL Manual (TM) and the TEL Guidelines (TG) for each major business category, such as development, design, manufacturing, and service. These rules are shared with, and applied to, the entire Group, including manufacturing sites, and our suppliers. As compliance with common rules becomes the foundation for quality assurance of products and services, the corporate quality division at the head office regularly confirms the level of understanding of, and compliance with, the operational rules in our manufacturing and service sites. Additionally, we are working with our suppliers on enhancing our quality improvement system by having each manufacturing site implement regular quality audits for our suppliers.

Furthermore, each manufacturing site has established a quality management system based on the TM and the TG and has attained ISO 9001:2015, the international standard for quality management systems. In addition, we are striving for continuous improvement in our quality management system by efficiently operating the PDCA cycle through repeated internal audits and third-party organization audits. The Quality Assurance Division in each Group company sets quality goals every year based on the results of the previous fiscal year, and regularly reviews the progress of achievement of those goals. Specifically, we monitor the number of non-conforming products delivered from suppliers and track monthly progress of defect rates using KPIs to evaluate the status of reductions based on the number of defective parts delivered in the previous fiscal year.

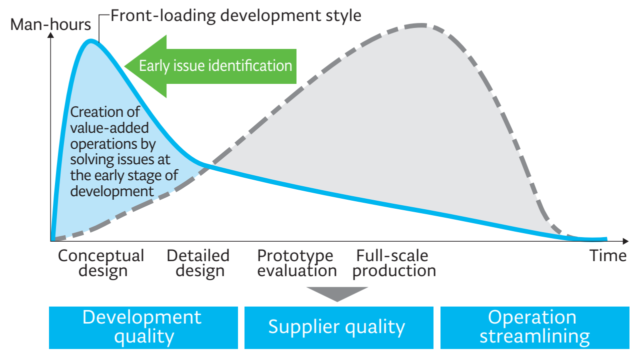
In addition, through self-process assurance[1], we conduct strict quality risk management and development/design inspections and thoroughly pre-validate customer operations through simulations. Through these initiatives, we work to improve the accuracy of each process, reduce reworking costs[2], and promote "Shift Left" (front-loading)[3], which enables employees to focus on high-value-added work in the upstream processes. Specifically, we are shifting from a design process that identifies risks according to each development and design project to a design process that centralizes and shares risks, which leads to the prevention of failing to identify risks. We are also improving our ability to respond to innovative development by identifying newly anticipated risks based on examples of past issues and establishing frameworks in which those risks are reflected in business processes.

1 Self-process assurance: Comprehensive measures that prevent non-conformance in each process and prevent non-conforming products from being passed to downstream processes

2 Reworking costs: Costs incurred when there is non-conformance by going up the chain of processes to perform reworking

3 "Quality" on our website www.tel.com/sustainability/productivity/value-chain/index.html#shift_left

Shift Left (Front-loading) Initiatives



Digital Transformation (DX)

Semiconductors are essential to economic activity and society, and the market in which we operate is expected to continue expanding. We have enhanced corporate value by providing Best Products with innovative technology and Best Technical Service with high added value. To achieve further growth through sustainable value creation, we have positioned two initiatives as key pillars of DX-driven transformation and are executing these initiatives: the creation of high added value centered on development and manufacturing* and the enhancement of strategic execution capabilities through the advancement of our management and operational model.

As core capabilities, we are advancing the development of Epsira™, a DX solution that provides an end-to-end framework from equipment development through to services. At the same time, we have integrated corporate planning, business process re-engineering, and digital/IT functions, establishing a structure that enables seamless execution from strategy formulation to business transformation in close collaboration with business divisions across the Company.

* Research and Development P. 29-32 | Installation and Maintenance Services P. 41-44

Please refer to the "Digital Transformation (DX)" on our website for details. www.tel.com/sustainability/dx

Operating Model Enabling a Continuous Strategy-execution Cycle

The operating model we aim to establish is characterized by a cyclical mechanism in which strategies are consistently executed at the operational level, and insights generated from business activities are reflected in management decisions in a timely manner. Based on an ideal operational state, we design and operate business processes, data, IT, and organizational roles in an integrated manner, enabling agile decision-making and execution in response to changing conditions.

Through these efforts, we are strengthening the foundation that supports business growth by improving productivity and organizational efficiency, without relying on increases in headcount to absorb higher workloads associated with business expansion. At the same time, we are implementing a new way of working (New Work Style) in which employees can focus on high-value-added activities, and fully leverage their capabilities. By creating an environment where individual motivation and strengths translate into proactive action and results, we are advancing our "Motivation-oriented Management." We monitor and manage the impact of these initiatives using indicators such as productivity, process lead times, and man-hours. Progress and outcomes are regularly reviewed at the Top Management Conference and Division Officers Meeting. These insights are also utilized in deliberations by the Board of Directors.

Data-driven Management and Business Process Re-engineering

To embed this operating model into our management and operations, we have established two strategic focus areas: data-driven management and business process re-engineering.

In data-driven management, we strengthen the Group-wide data platform and improve the quality and speed of decision-making through role-based KPI design. In business process re-engineering, we redesign operations from an end-to-end optimization perspective using digital technologies. Standardized and optimized processes enhance data quality and visibility, supporting data-driven management.

By linking these initiatives, we embed the strategy-execution cycle into daily operations and achieve advanced data utilization and operational optimization across all business activities, including development and manufacturing. We formulate roadmaps aligned with management objectives and establish an environment that enables the effective use of digital technologies, including AI and citizen development. Through on-the-ground execution, we drive transformation and enhance management and operational frameworks, thereby supporting the continuous creation of high value-added and sustainable company-wide value.

Strategic Focus Areas

Data-driven Management

Objectives
- Enhance management decision-making
- Accelerate visibility into operations, including predictive insights
- Improve organizational agility and responsiveness

Key Challenges
- Balancing ease of data utilization with governance
- Data integration and connectivity

Interaction

Optimized Outputs →

← Streamlined Inputs

Business Process Re-engineering

Objectives
- Shift toward higher value-added activities
- Improve productivity

Key Challenges
- Lack of clarity in aligning processes with business objectives
- Partial optimization

Information Security

An environment where data can be used safely and securely is crucial for the continuous and steady development of the operations of the Company. For this reason, we view the assurance of information security as an important managerial issue, and continuously reinforce the protection of information about our customers and suppliers as well as confidential information on leading-edge technology. In addition, we strive to strengthen information security to ensure the stable operation of the entire supply chain.

Main Activities

Information Security Systems

We have established the TEL Group Information Security Committee, chaired by an executive officer at the Head Office, to formulate information security strategies for the entire Group. We also coordinate with the Information Security Committees of each company to build shared understanding, ensuring a unified level of information security across the Group and establishing a system under the supervision of the Head Office that enables the swift deployment of various security measures.

Information Security Management

We formulate an Information Security Policy with reference to requirements set out in international standards such as NIST[1], roll them out globally, and review them as needed. We also provide ongoing information security training for all employees to improve security awareness and literacy. In addition, we are working to obtain ISO/IEC 27001[2] certification starting from the Head Office and are gradually expanding the scope across the Group.

Supply Chain Security

To protect the entire supply chain from information security threats, we regularly conduct information security assessments on our suppliers. We are working on the continuous enhancement of security measures by making improvements with our suppliers on identified issues.

Responding to Security Threats

In response to changes in threats and technology trends, we continuously implement technical measures such as strengthening security for PCs and servers, introducing multi-factor authentication, and enhancing network security. We also monitor threats, including cyberattacks and internal fraud, 24 hours a day, 365 days a year. In the event of an incident, we have a system in place to promptly share information with relevant divisions and respond swiftly.

Security at Manufacturing Sites and in Products

We are strengthening security at our manufacturing sites to ensure the safe and stable operation of our manufacturing systems. Furthermore, we are also implementing security measures, not only in our products, but also in our manufacturing processes and field support so that our customers can use our products and services with assurance.

External Activities and Strengthening of Information Security Human Resources

We participate in external security activities, including initiatives to standardize security at SMCC[3], and contribute to improving information security levels in the semiconductor industry and society as a whole. We are also members of external security organizations joined by a wide range of organizations from industry, government, and academia, where we share various types of security information. In addition, we are actively recruiting and developing human resources to support our information security.

1 NIST: National Institute of Standards and Technology
2 ISO/IEC 27001: International standard for Information Security Management Systems
3 SMCC: Semiconductor Manufacturing Cybersecurity Consortium. A consortium that deliberates on strengthening cybersecurity within SEMI, an international semiconductor industry association

Please refer to the "Information Security Report" on our website for details.
www.tel.com/sustainability/management-foundation/security/index.html#report

Risk Management

Approach to Risk Management

Our Group has built a risk management system to respond effectively and promptly to various risks, such as geopolitical and market changes in the semiconductor industry, and to ensure sustainable growth. We believe that it is crucial not only to make sufficient considerations in anticipation of the future and to minimize the impact of potential risks that may arise during business operations, but also to view these risks as potential business opportunities and address them in a manner that earns the trust of society.

Risk Management System and Implementation

We established the Corporate Project & Risk Management Office (CPRO) in the Corporate Planning Division at the head office to promote more effective enterprise risk management* in the Group as a whole.

* Enterprise Risk Management (ERM): An integrated framework and continuous process for managing risks across the Group.

- Risk owners for major risk items conduct risk assessments
- The identified major risk items are reported on and discussed at the Risk Management Committee, which includes each risk owner

- Risk assessments are performed by domestic and overseas Group companies and site risk is analyzed
- Analysis results are reported to Group company management and each company's risk owners review the status of risk responses

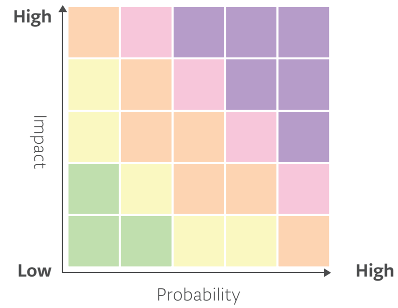
- Risk areas which have an overall high priority are identified and reported to head office management
- Risk owners and CPRO collaborate to develop and implement response measures for high priority areas

Risk Assessment Method

Risk analysis based on Company evaluation standards (impact and probability)

	Impact		Probability
5	Critical	5	Highly Probable
4	Major	4	Probable
3	Moderate	3	Possible
2	Minor	2	Remote
1	Insignificant	1	Improbable

Visualization of high priority risks (risk map)



The Group's risk management activities are regularly reported to the Audit & Supervisory Board members and the Board of Directors, which oversees various initiatives implemented by each risk owner. In addition to oversight by the Board of Directors, the Group periodically undergoes audits by RBA-certified third-party organizations through the Validated Assessment Program (VAP) and receives external evaluation of its management and execution systems, including risk management.

Additionally, we are also continuing to revise and improve the operation of our BCPs for all Group companies, and we regularly conduct BCP drills and disaster drills to enhance our actual implementation capabilities so that we can maintain uninterrupted business operations in the event of an emergency.

Furthermore, we are actively promoting DX in our risk management activities and have introduced a dashboard that utilizes digital technology. This allows us to visualize the assessment of risks and response measures across the entire Group as well as to conduct global, cross-sectional information sharing between each owner and each responsible department.

Going forward, each owner will take the lead in implementing activities across the entire Group to further strengthen risk management for the major risk items with the aim of continuing to practice autonomous and highly effective risk management.

Please refer to the "Risk Management" on our website for details. www.tel.com/about/riskmanagement/

Risk Management

16 Key Risk Categories

Risks are reviewed annually using our risk assessment methodology, and the 16 key risk items are listed below.

	Categories	Key Risk Scenarios
1	Market Fluctuations	A rapid contraction of the semiconductor market could lead to overproduction or an increase in excess inventory. Lost sales opportunities due to the inability to handle sharp increases in demand
2	Research and Development	Decline in the competitiveness of products due to delays in the launch of new products or the mismatch of such products with customer needs
3	Geopolitics	Geopolitical tensions and regional conflicts, and the national security or industrial policies of countries and regions, can lead to supply chain disruptions or deterioration of the macroeconomic environment, restricting the Company's ability to operate business
4	Procurement, Production, and Supply	Increased demand that exceeds suppliers' capacities, delays in component procurement stemming from changes in laws and regulations and a shrinking working population, strains on domestic or international logistics and interruptions in production due to natural disasters can lead to delays in the supply of products to customers
5	Safety	Safety problems with the Company's products or liability for damages and decline in public trust due to serious accidents resulting in workplace injuries
6	Quality	Liability for damages and increased costs for countermeasures due to product defects and decline in the credibility of the Group's brand
7	Environmental Issues	The inability to respond appropriately to each country's climate change policies, environmental laws and regulations can lead to additional related costs, reduced product competitiveness and diminished public confidence, as well as fines and liability for damages
8	Legal	Violations of the laws and regulations of the countries and regions where the Company operates could lead to interruptions or restrictions on business activities, diminished public confidence and fines and liability for damages
9	Intellectual Property Rights	Decline in product competitiveness from the inability to obtain exclusive rights to proprietary technology as well as restrictions on the production and sale of products and liability for damages due to infringements of the intellectual property rights of third parties
10	Information Security	Data breaches from cyberattacks or internal fraud against the Company or suppliers can lead to loss of technological superiority, interruptions of operations, diminished public confidence, and liability for damages
11	Human Resources	The inability to recruit and retain necessary human resources on an ongoing basis or the inability to create an environment where people with diverse values and expertise can play an active role could lead to diminished product development capability or customer support quality
12	Pandemics, Natural Disasters etc.	Impact on business operations caused by travel restrictions between countries due to large-scale infectious diseases, natural disasters or terrorism around the world or in particular regions that threaten the safety of executives, employees or their families
13	Finance	Impact on business performance due to sharp exchange rate fluctuations stemming from international situations or interest rate fluctuations. Also, additional taxes due to differences in interpretation from the authorities of each country concerning tax laws in each country or region
14	M&A	Inability to realize the intended results due to insufficient due diligence of acquisition target companies and their business or PMI (post-merger integration). Additionally, the impact on competitiveness stemming from competitors purchasing potential targets first
15	IT & Operations	Impact of large-scale failures in enterprise systems on business and the lack of capability in growth areas and new regulations due to delayed digitalization efforts and operational process innovations
16	Business Locations	Inefficiencies in the development of new locations and in the strengthening and control of existing locations due to delays in the deliberations and plans for global location strategies despite increases in new business around the world

Compliance

Approach to Compliance

As an industry leader, we regard business ethics and compliance as important values.

"Approach to Compliance" on our website www.tel.com/about/compliance/index.html#compliance01

Compliance System

In order to effectively promote compliance programs that are expected of a global company, we have appointed a Chief Compliance Officer (CCO) and established a dedicated Compliance Department at our headquarters. We have also appointed Regional Compliance Heads at key overseas sites and have established a framework for direct reporting to the CCO and Compliance Department, through which we strengthen our overall global compliance system.

Compliance Initiatives

Business Ethics and Compliance

To more effectively instill and promote business ethics and compliance, we have formulated the Tokyo Electron Group Code of Ethics as a Group-wide code of conduct, and established the Business Ethics Committee.

In February 2026, we conducted training on the Code of Ethics for directors and employees of the Group, and received their pledge of compliance. As part of the training, which included a message from the CEO, directors and employees were encouraged to maintain a strong sense of ethics and reaffirm their role in supporting company growth. The message also explained that compliance with the Code of Ethics is essential for fulfilling our social responsibilities and realizing sustainable development.

Initiatives for Anti-bribery and Corruption and for Competition Laws

As detailed in the section on Bribery and Corruption in the Code of Ethics, we do not bribe* anyone, anywhere, for any reason under any circumstances. Under Fair and Open Competition as well, we strive to operate in a fair, open and competitive marketplace and do not engage in illegal anti-competitive activities.

We have established the Basic Policy on the Prevention of Bribery and Corruption and the Basic Policy on Competition Law Compliance, and we strive to put them into practice.

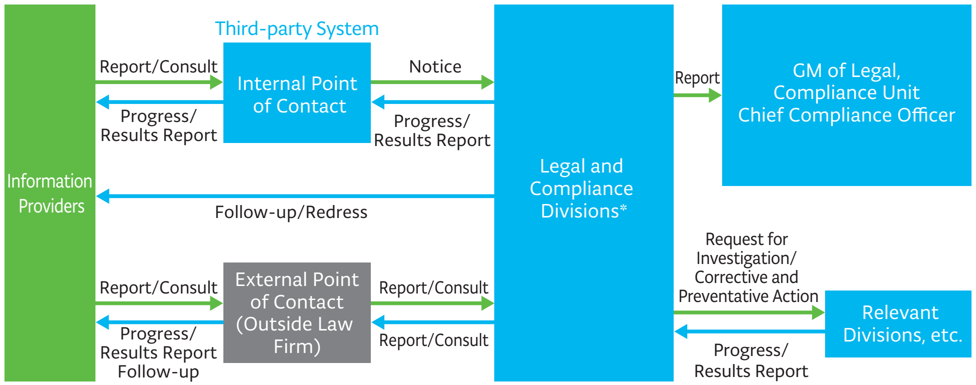
* Bribes include cash, entertainment, gifts, tours in connection with visits to Company facilities, travel invitations, healthcare services, employment, sexual services, and payment made in disguise of donations or sponsorships.

"Initiatives for Anti-bribery and Corruption and for Competition Laws" on our website www.tel.com/about/compliance/index.html#compliance05

Internal Reporting System

We have established an internal reporting system that allows employees to safely and securely raise concerns and seek redress outside the chain of command, and to report and consult any behavior that is, or may be, in violation of laws, regulations, or business ethics. This system ensures complete confidentiality, anonymity and the prohibition of retribution and unfavorable treatment. An internal leniency system has also been introduced, whereby any disciplinary action may be reduced or exempted in the event that an employee involved in a compliance violation has made a report or sought advice on their own volition. This encourages employees to proactively provide information and leads to problem-solving at earlier stages.

Basic Global Response to Internal Reports



* Company-designated internal reporting response personnel

Compliance

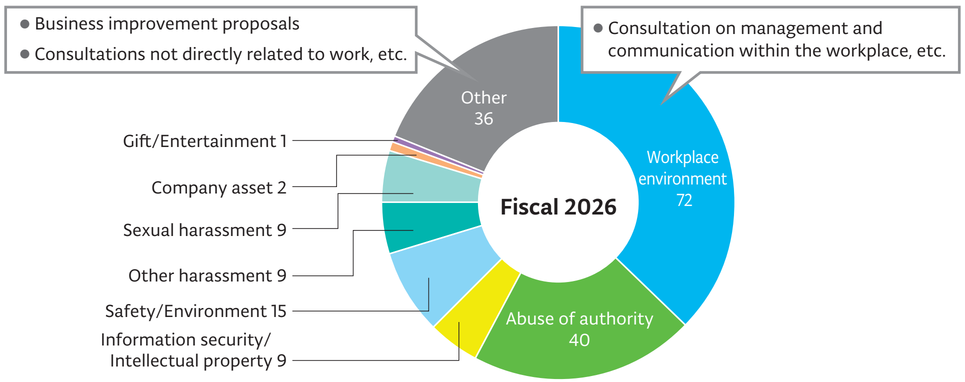
As part of this internal reporting system, we have been operating the Tokyo Electron Group Ethics & Compliance Hotline – a global internal point of contact that uses a third-party system and is also accessible to our suppliers and retirees – as well as an external point of contact that allows direct 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.

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 actions in accordance with the Rules of Employment, corrective measures such as improvements to the workplace environment and preventive measures are implemented as necessary.

In fiscal 2026, a total of 193 reports and consultations were received via the internal reporting system, of which 19 were recognized as compliance violations (with no cases resulting in indictment or prosecution). Main reports were related to the work environment, including harassment. We therefore continue to conduct regular training programs for our employees with the goal of preventing harassment, and we provide thorough follow-up with those concerned or involved.

On the other hand, also in light of the incident that occurred in Taiwan in fiscal 2026, we are working to strengthen our company-wide systems and improve employee literacy in information security. As part of these efforts, we are conducting information security training and practical workshops for all employees.

Breakdown of Report/Consultation Contents



Engagement with Capital Markets

Our management actively engages in IR (Investor Relations) and SR (Shareholder Relations) activities to contribute to our sustainable growth and increase corporate value over the medium- to long-term.

In terms of IR activities, the CEO and executives in charge present at quarterly earnings briefing, the Medium-term Management Plan briefings and IR Day to share our business strategies and growth story with stakeholders and institutional investors. We have a dedicated IR Department to promote deeper discussions with our investors, and we provide the opinions shared in these dialogues as feedback to management to help increase our corporate value. In fiscal 2024, we established the IR branch in New York, which increased opportunities for face-to-face dialogue with investors in North America, and we continue to work on increasing awareness of our company and Japan's semiconductor production equipment industry. Furthermore, the items of interest to investors in fiscal 2026, which we determined through our investor dialogues, were, in addition to market trends and business performance overviews, leading-edge technology, competitiveness, and geopolitical risk.

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, such as corporate governance and sustainability initiatives, which include the environment, human rights, and human capital. We continue to deepen mutual understanding while maintaining our efforts to improve disclosure.

Opinions gathered from dialogues with investors through our IR and SR activities are regularly reported to management and the Board of Directors.

Main Activities

Engagement with Capital Markets[1]	IR Activities	● Individual meetings for institutional investors: 223 times with domestic investors, 359 times with overseas investors, 332 securities company conferences, 8 domestic roadshows[2], 35 overseas roadshows, 2 small meetings hosted by the Company, and 45 other meetings[3] Total: 1,004 times (of which, 70 were attended by management) ● Tours of plants and facilities: 5 times (of which, 1 tour of overseas research facility)
	SR Activities	● Individual meetings with institutional investors: 25 times
Provision of Information	Earnings Briefing Medium-term Management Plan Announcements IR Day	● Broadcasting using simultaneous interpretation ● Broadcasting of archives from announcements/conferences within one business day; disclosure of Q&A within two business days
	Shareholders' Meeting	● Posting of convocation notices on the website and dispatch of convocation notices at an early stage ● Disclosure of presentation and Q&A material
Disclosure of Materials	IR-related	● Consolidated Financial Statements, Integrated Report, Data Book (annually for each item) ● Summary of Consolidated Financial Results, Earnings Briefing Presentation, Investors' Guide (quarterly for each item)

1 Fiscal 2026 2 Road show: IR activities presented directly to shareholders and investors 3 SEMICON West, SEMICON Japan, etc.

Corporate Governance

Hybrid Governance Structures

We have enhanced the independence of the Board of Directors and strengthened its supervisory function by having outside directors make up the majority of the board, while ensuring an auditing function by the Audit & Supervisory Board, which is independent of the Board of Directors. We have also established a Nomination Committee and a Compensation Committee, both of which are chaired by outside directors, and in which outside directors make up the majority of each. Furthermore, we have also introduced a Corporate Officer system, and through the appropriate delegation of authority, we are working to establish a strong management execution system with quick decision-making and agile business execution. In this way, we have established an effective, hybrid type of governance system that utilizes the advantages of the Audit & Supervisory Board system and also incorporates elements of the Company with Three Committees.

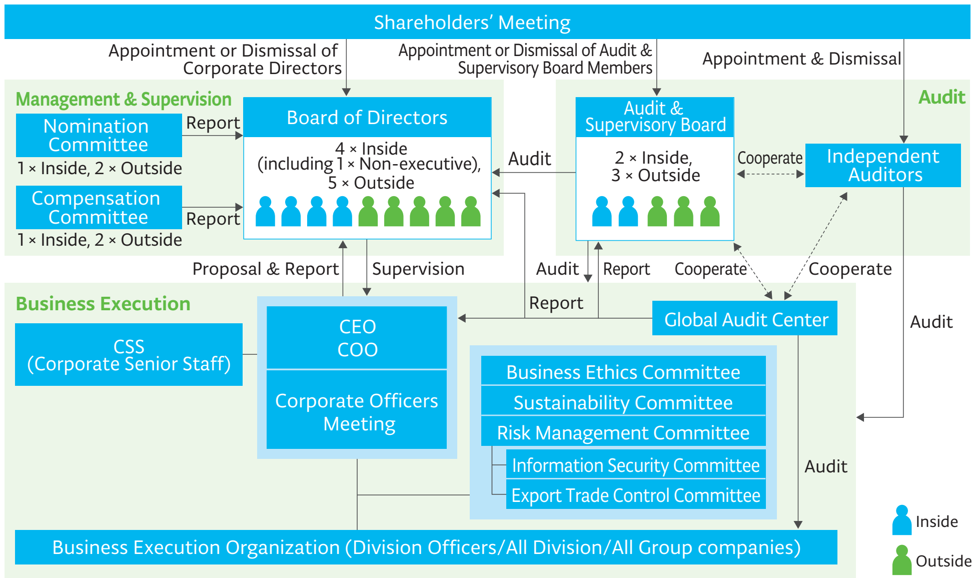
Changes in Corporate Governance

■ Systems ■ Nomination/Compensation Committees ■ Evaluation of the Effectiveness of the Board of Directors

CY	Outside Directors (Ratio)	
1998	One	■ Compensation Committee Established
		■ Stock Option System Introduced
1999		■ Disclosure of Compensation of Individual Representative Directors
2000		■ Nomination Committee Established
2002	Two	■ Term of Office of Corporate Directors Changed from Two Years to One Year
2003		■ Executive Officer System Introduced
2016		■ Self-evaluations begin
2017		
2018	Three	■ Medium-term Performance-linked Compensation System Introduced
2019		■ Chairperson of Compensation Committee: Outside director
		■ Involvement of third-party organizations begins
2020		■ Stock-based Compensation System for Outside Directors Introduced
2021	Four (33%)	■ Chairperson of Nomination Committee: Outside director
		■ Shareholding Guidelines, Clawback Policies Introduced
2022	Three (50%)	■ Corporate Officer System Introduced
		■ Outside directors make up the majority in the Nomination Committee and Compensation Committee
2023		
2024	Four (57%)	
2025	Five (63%)	■ Corporate Director Compensation System Revised
2026	Five (56%)	

For details on our corporate governance framework, please refer to the "Corporate Governance" on our website.
www.tel.com/about/cg/index.html

Corporate Governance Framework



Composition and Status of the Activities of the Nomination Committee and Compensation Committee

	Nomination Committee	Compensation Committee
Composition	As of July 1, 2026 Chairperson Yukari Suzuki (Outside Director) Member Yukihiro Shinohara (Outside Director) Kazushi Tahara (Inside Director)	As of July 1, 2026 Chairperson Joseph A. Kraft Jr. (Outside Director) Member Jenifer Rogers (Outside Director) Kazushi Tahara (Inside Director)
Frequency of Meetings (Fiscal 2026)	7 times	8 times
Main Matters Deliberated	• Related matters concerning proposals to the General Meeting of Shareholders on the appointment and dismissal of corporate directors • Matters related to the appointment and dismissal of the CEO • Corporate Director candidates who satisfy the requirements for independent directors stipulated by the Tokyo Stock Exchange • Supervision of Succession Planning for the CEO and Others	• Discussions concerning compensation systems and processes • Determination of the Medium-term Incentive 2025 Plan • Determination of the missions and individual evaluations of representative directors • Determination of the Fixed Basic Compensation and Short-term Performance-linked Compensation of representative directors • Confirmation of the compensation determination process for inside directors, etc. • Determination of disclosures concerning the Corporate Director Compensation System and proposals to the General Meeting of Shareholders

Corporate Governance

Corporate Directors, Audit & Supervisory Board Members and Corporate Officers (As of July 1, 2026)

Corporate Directors

Toshiki Kawai
Representative Director
President & CEO
Corporate Officer

Hiroshi Ishida
Representative Director
Senior Executive Vice President & COO
Corporate Officer

Kazushi Tahara
Corporate Director
Chairman of the Board of Directors

Shinichi Hayashi
Corporate Director
Corporate Officer
Executive Vice President & General Manager
President & Representative Director, Tokyo Electron Kyushu Ltd.

Michio Sasaki
Outside Director
Director and Chairman, SHIFT Inc.

Joseph A. Kraft Jr.
Outside Director
CEO, Rorschach Advisory Inc.
Outside Director, SONY GROUP CORPORATION
Outside Director, NEC Corporation

Yukari Suzuki
Outside Director
Outside Director, SECOM CO., LTD.
Outside Director, Isetan Mitsukoshi Holdings Ltd.

Yukihiro Shinohara
Outside Director

Jenifer Rogers
Outside Director
General Counsel International, Asurion Japan Holdings G.K.
Outside Director, Sumitomo Mitsui Financial Group, Inc.
Outside Director, ASICS Corporation

For details on the reasons for the election of each Corporate Director, please refer to the "NOTICE OF FISCAL YEAR 2026 (the 63rd FY) ANNUAL GENERAL MEETING OF SHAREHOLDERS" on our website.
www.tel.com/ir/stocks/asm/si16i000000000f7-att/63_01e.pdf

Audit & Supervisory Board Members

Yutaka Nanasawa
Audit & Supervisory Board Member

Tsuguhiko Matsuura
Audit & Supervisory Board Member

Ryota Miura
Outside Audit & Supervisory Board Member
Partner, Miura & Partners Legal Profession Corporation

Yutaka Endo
Outside Audit & Supervisory Board Member

Ayako Makino
Outside Audit & Supervisory Board Member
Representative, Makino Certified Public Accounting Office
Outside Director (Audit and Supervisory Committee Member), Daiichi Life Group, Inc.

Corporate Officers

Keiichi Akiyama
Corporate Officer
Executive Vice President & General Manager

Shingo Tada
Corporate Officer
Senior Vice President & General Manager

Tatsuya Aso
Corporate Officer
Senior Vice President & General Manager

Kazuhiro Doh
Corporate Officer
Senior Vice President & General Manager

Corporate Governance

Skills Matrix

We will realize medium- to long-term profit expansion and continuous corporate value enhancement through each corporate director and Audit & Supervisory Board member, who have demonstrated their skills in Global Business, Governance, Sustainability, and others listed below as determined by the Nomination Committee and the Board of Directors.

	Name			Expected Skills					
				Corporate Management	Semiconductor Markets	Manufacturing/ Development	Sales/Marketing	Finance, Accounting/ Engagement with Capital Markets	Legal Affairs/ Risk Management
Corporate Directors	Toshiki Kawai	Reappointed		●	●	●	●		
	Hiroshi Ishida	Newly appointed			●		●		
	Kazushi Tahara	Reappointed		●	●	●	●		
	Shinichi Hayashi	Newly appointed		●	●	●			
	Michio Sasaki	Reappointed	Outside	●		●	●		
	Joseph A. Kraft Jr.	Reappointed	Outside					●	●
	Yukari Suzuki	Reappointed	Outside	●			●		
	Yukihiro Shinohara	Reappointed	Outside	●		●			●
	Jenifer Rogers	Newly appointed	Outside						●
Audit & Supervisory Board Members	Yutaka Nanasawa				●			●	
	Tsuguhiko Matsuura			●	●	●	●		
	Ryota Miura		Outside						●
	Yutaka Endo		Outside	●				●	
	Ayako Makino		Outside					●	●
				8	6	6	6	4	5

Definition of Expected Skills and Reasons for Nomination

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

Message from the Chairman of the Board of Directors

Kazushi Tahara
Corporate Director
Chairman of the Board of Directors

Tokyo Electron's Vision is to be "A company filled with dreams and vitality that contributes to technological innovation in semiconductors."

Since becoming Chairman of the Board of Directors in June 2025, I have been continuously working to establish and strengthen our corporate governance structure to realize this Vision. During this time, I have maintained a focus on ensuring fair and transparent management, and on anticipating and responding to various evolving global risks from a medium- to long-term perspective.

Evaluations of the effectiveness of the Board of Directors in fiscal 2025 identified four challenges as necessary initiatives. They were: "Aligning the supervisory and executive sides on the role and desired state of the Board of Directors in line with the Company's growth and future direction"; "Further deepening ongoing discussions on the Company's governance structure, including its organizational design"; "Accelerating initiatives for executive succession planning"; and "Reviewing the Corporate Officer system comprehensively and considering the future direction of the executive structure." In fiscal 2026, we discussed these challenges in a variety of forums, including the Board of Directors, the Nomination Committee, off-site meetings, and open discussions with outside officers after meetings of the Board of Directors. While we have seen some progress toward improvement through these discussions, we have become aware of new issues as a result. In fiscal 2027, based on our awareness of these issues, we will further deepen discussions on taking Tokyo Electron's corporate governance to the next level and translate them into concrete action.

We will preserve our strength of an open, flat, and transparent corporate culture, even within the Board of Directors. Through open and agile discussions and the best possible decision-making, we will ensure that the Board of Directors operates effectively to meet the expectations of capital markets, drive sustainable growth, and enhance medium- to long-term corporate value.

Corporate Governance

Messages from Newly Appointed Executives

Hiroshi Ishida
Newly Appointed Corporate Director

Tokyo Electron has grown by emphasizing technological capabilities and translating them into semiconductor production equipment. Based on the strong relationships of trust we have built with our customers over many years, we have conducted marketing activities and continuously pursued sophisticated, high-value-added technological innovation.

As long as the semiconductor market continues to grow, we will continue concentrating our business on semiconductors while placing even greater emphasis on areas that need even more complex technological innovation. Our aim is to contribute to the development of the industry while achieving ongoing enhancement of corporate value.

In addition, our human resources are our greatest asset. Going forward, we will focus more closely on securing and fostering outstanding talent while developing organizational structures that enable each and every employee to contribute more than ever to high value creation. By supporting employees' development and growth, we will enhance their morale and ability to execute, further strengthen the foundations of trust with customers and increase our success rate in technological development.

With the increasingly complex nature of technological challenges that come with an expanding semiconductor market, we aim to strengthen both our technological capabilities and our human resources to deliver ongoing business growth and contribute to society.

Shinichi Hayashi
Newly Appointed Corporate Director

Since joining Tokyo Electron Kyushu, I have spent over 20 years engaged in the development of coater/developer. Since becoming president, I have also continued to be involved in the development and production of cleaning systems and 3D integration systems. Although I have experienced countless challenges and failures, I have always remained focused on meeting the expectations of customers.

Innovation emerges from combining a wide range of ideas, concerns, failures, and experiences. And we have developed an environment that fosters this kind of innovation. We now boast an extensive product lineup unmatched by other companies, an integrated development and production framework, an open corporate culture that provides opportunities to take on challenges, and the ability to adapt to customer needs and changing markets.

Going forward, I will work with other members of the Board of Directors to support the company in various ways, including further strengthening ties across development and production as ONE TEL, maintaining and enhancing a climate of challenge within the company, and creating numerous differentiated technologies that take advantage of our strengths.

In this way, I will contribute to technological innovation in semiconductors and help achieve sustainable growth and medium- to long-term corporate value enhancement.

Jenifer Rogers
Newly Appointed Outside Director

I am truly honored to have been appointed by the shareholders as an outside director of Tokyo Electron, a global company playing a critical role in the semiconductor production equipment industry.

Semiconductors are an essential foundation for many industries, and their importance is expected to continue growing with the advancement of generative AI and technological innovation. In a market environment shaped by ongoing change and geopolitical developments, TEL's global role is becoming increasingly significant, and efforts to support sustainable growth are more important than ever.

Having worked in six countries over the course of my career, I have driven business from a global perspective while leading diverse teams. From this experience, I believe that maintaining competitiveness requires not only an accurate grasp of geopolitical and financial risks but also the ability to identify opportunities and implement change swiftly.

Drawing on my experience on the global stage, my knowledge of the financial industry and my legal and regulatory compliance background, I hope to contribute to sustainable company growth and to help meet the expectations of shareholders and stakeholders.

Corporate Governance

Evaluation of the Effectiveness of the Board of Directors

Reflecting on the activities of the Board of Directors during fiscal 2026, we conducted a self-evaluation in light of the analysis by external experts based on questionnaires and individual interviews, following extensive discussion at meetings for the exchange of opinions between outside directors and outside Audit & Supervisory Board members and at meetings of the Board of Directors.

"Summary of Results of Evaluation of the Effectiveness of Tokyo Electron's Board of Directors" on our website www.tel.com/news/ir/2026/qncnjq00000000p7-att/20260529_003_e.pdf

Issues and Responses in Fiscal 2025

Issues	State of Responses
Role and function of the Board of Directors ● The Company will ensure that the supervisory and executive sides align with each other on the Board of Directors' role and what it should aim for so as to match on the Company's growth and future. ● Ongoing discussions on the Company's governance system, including its corporate organizational structure, will be further deepened.	We have worked continuously, through discussions on a variety of topics, to ensure that the supervisory and executive sides align with each other on the role of the Board of Directors and the Company's governance system. ● Based on the results of interviews by the Chairman of the Board of Directors with Corporate Officers regarding the issues during the effectiveness evaluation in the fiscal year ended March 2025, discussions took place at a Corporate Officers Meeting, followed by a discussion among the members of the Board of Directors. ● Through in-depth discussions at off-site meetings, including focused deliberations on the medium-term management plan, we shared between the supervisory and executive sides the key oversight issues that the Board of Directors considers important. ● During open discussions held after the Board of Directors meetings, views were exchanged on various topics, including the matters discussed on the day, and a shared understanding of issues related to the Board of Directors, such as the setting of agendas and points for discussion, was shared. ● To consider the organizational structure best suited to the Company, individual meetings were held on several occasions to share perspectives from both the supervisory and executive sides and engage in in-depth discussions.
Operational systems ● The Corporate Officer system will be reviewed, and how the operational system should be in the future will be considered. ● Initiatives for executive succession planning will be accelerated.	● Corporate Officers conducted a review of the Corporate Officer system and agreed on the need to further enhance strategy discussions at Corporate Officers meetings. ● At meetings of the Division Officers, which are composed mainly of next-generation management personnel, the development of successors to executive personnel was promoted through discussions on the Company's management issues, with the CEO in attendance. ● Through ongoing discussions with outside directors and outside Audit & Supervisory Board members, progress was made on succession planning, and the need to enhance the Nomination Committee was reaffirmed.

Overview of Fiscal 2026 Evaluation Results and Future Initiatives

Overview of Evaluation Results	Future Initiatives
● The Board of Directors, including the Nomination Committee and the Compensation Committee, is functioning effectively and appropriately fulfilling its roles and responsibilities, while maintaining a high level of overall effectiveness. ● Based on the results of the external experts' analysis and evaluation, discussions at the Board of Directors will continue on the functions and roles that it should play in light of the Company's desired vision for sustainable growth, and on the executive side, the necessity to further strengthen its management and execution functions has been recognized.	● The Board of Directors' strategic agenda-setting and discussions will be further enhanced for increasing the Company's corporate value. ● To enhance the Nomination Committee, efforts will continue to improve matters such as how information is shared with the Board of Directors in selecting director candidates. ● Ongoing concrete discussions will be held on the Company's governance system that it should aim for in the future, including its corporate organizational structure.

Fiscal 2026 Main Topics for the Board of Directors and Off-site Meetings

CEO	● Reports on status of business execution by CEO (each meeting) ● Sharing of CEO missions
Medium- to Long-term Growth Strategies	● Review of the current Medium-term Management Plan ● The new Medium-term Management Plan ● Medium- to long-term development strategies ● Current status of business in the U.S. ● Capital policy (capital allocation and shareholder return policy) ● Effects of introducing DX and AI ● Human capital
Sustainability	● Disclosures in accordance with SSBJ Standards ● Human rights and environment ● Supply chain management ● Intellectual property activities
Risk/ Compliance	● Risk management ● Legal affairs and compliance ● Information security ● Geopolitics ● Incident Reports
Corporate Governance	● Reports on internal audits ● Status of investments (partial sale of cross-shareholdings) ● Status of IR activities ● Status of the activities of the Nomination Committee and Compensation Committee ● Status of progress of successor development plan ● Partial revisions to the Board of Directors Regulations and Corporate Officers Meeting Regulations ● Confirmation of progress on issues in evaluation of the effectiveness of the Board of Directors ● Closed session on evaluation of representative directors

Corporate Governance

Succession Plan

Our Nomination Committee Activity Guidelines define the required qualities and qualifications of the CEO and corporate directors (figure below), and the criteria that serve as starting points for considering the appointment or dismissal of the CEO.

Regarding the development of CEO successors, we have formed a pool of candidates for the next generation of management personnel in accordance with the TEL Succession Plan, and we are working on the development of successor candidates under the supervision of the CEO, and in accordance with the Group's management mission. Attended by the representative directors, members of the Nomination Committee, the executive officer in charge of human resources, and others, the Top Management Review Meeting functions in coordination with the Nomination Committee and the Board of Directors to advance the identification of specific successor candidates, their development plans, and the implementation of those plans. It is our policy that, while the CEO is involved in promoting human resources development at the levels that could yield successor candidates, the CEO is not involved in the actual process of nominating specific candidates from the pool of successor candidates.

Qualities and qualifications required of the CEO

- Capability to be the driving force of the Group as a whole
- Strong leadership with the ability to execute
- High level of management ability

Qualities and qualifications required of corporate directors

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

Succession Plan Framework

Top Management Review Meeting
Reviews the pool of successor candidates, specific successor candidates, development plans and implementation of those plans

Cooperate

Nomination Committee
Verifies, analyzes and scrutinizes the abilities and readiness of successor candidates

Cooperate

Feedback

Report

Division officers and Group company presidents
Identifies successor candidates within each division and implements development programs with a company-wide perspective, in coordination with the Human Resources Department

Board of Directors
Discusses reports from the Nomination Committee and appropriately supervises the progress of the successor candidate training plan

Provision of Information to Outside Officers

To improve the effectiveness of the Board of Directors, we use a dedicated information-sharing tool to share important information, including materials for Board of Directors meetings and other relevant information as appropriate. We also provide outside officers with individual advance briefings on agenda items for Board of Directors meetings and, as necessary, opportunities to receive detailed explanations of individual matters, thereby ensuring appropriate information sharing.

We provide newly appointed outside officers with opportunities to receive briefings from relevant divisions on our management strategies and business operations (a total of 10 briefings were held in fiscal 2026), helping them deepen their understanding of the Company.

In fiscal 2026, we also visited the Fujii Head Office and Hosaka Office (Yamanashi) and the Tohoku Office (Iwate) of Tokyo Electron Technology Solutions together with outside officers. By touring the manufacturing sites and providing opportunities for dialogue with employees working on-site, we deepen their understanding of semiconductor production equipment and contribute to constructive discussions at Board of Directors meetings.

Site Visit to Tokyo Electron Technology Solutions Fujii Office (Yamanashi)

Corporate Governance

Director Compensation System

To further strengthen the link with improving corporate value and performance over the medium to long term, we have adopted the following compensation system for inside directors.

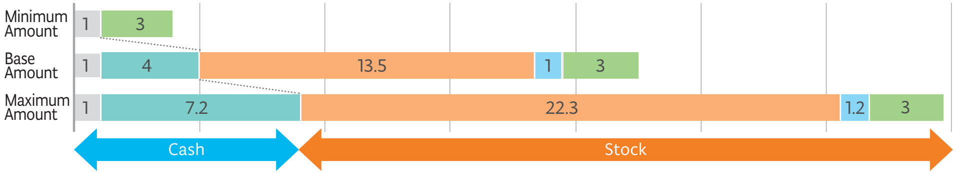
Compensation for outside directors consists of Fixed Basic Compensation and Non-performance-linked Compensation, while compensation for Audit & Supervisory Board Members consists solely of Fixed Basic Compensation in light of their primary role of auditing and supervising management.

Overview of the Director Compensation System (see table at right for details)

Types of Compensation	Fixed Basic Compensation	Short-term Performance-linked Compensation	Medium- to long-term Performance-linked Compensation	Medium-term Incentive	Non-performance-linked Compensation	
	Cash	Cash	Stock Compensation-based Stock Option	Stock Grant Trust	Stock Compensation-based Stock Option	Stock Grant Trust
Inside Directors	●	●	●	●	●	
Outside Directors	●					●
Audit & Supervisory Board Members	●					

Composition of CEO Compensation

* Percentages are based on the fixed basic compensation being set as 1



Message from the Compensation Committee Chairperson

Michio Sasaki
Outside Director
Former Compensation Committee Chairperson

From fiscal 2025, we replaced annual performance-linked compensation (cash compensation) for inside directors with short-term performance-linked compensation (cash compensation) and medium- to long-term performance-linked compensation (stock-based compensation). This created a more competitive compensation system by increasing the proportion of stock-based compensation and further strengthening the link to medium- to long-term improvements in corporate value and performance. Over the past year, we verified KPIs for performance evaluation centered on the financial aspects of short-term performance-linked compensation; evaluated missions established at the start of the year (non-financial performance evaluation); and verified interim progress of quantitative KPIs (three-year) for medium- to long-term performance-linked compensation. We also discussed revising the base amount of medium- to long-term performance-linked compensation, taking into account competitor benchmarking and compensation competitiveness, and the revision was approved by the Board of Directors.

Short-term Performance-linked Compensation (Cash)

- Linked to annual performance
- Formula of calculating the payout amount (figure on right)
  [Mainly financial performance evaluation]
  Evaluated based on metrics such as the consolidated operating margin, which is a key indicator in achieving world-class goals
  [Non-financial performance evaluation]
  Evaluated based on individually set missions (evaluation items). These missions include content related to sustainability for sustainable growth and medium- to long-term corporate value improvement, as well as initiatives toward short- and medium-term management strategy goals

Base Amount	×	Mainly Financial Performance Evaluation	×	Non-financial Performance Evaluation	=	Payment Amount
Set according to the scope of responsibilities, etc.,		0–150%		±20%		0–180%

Medium- to long-term Performance-linked Compensation (Stock compensation-based Stock Option)

- Performance evaluation period: 3 years
  Proportion of shares becoming exercisable is determined based on performance evaluation at the end of the evaluation period
- Formula of calculating the number of shares that become exercisable (figure on right)
  [Quantitative evaluation]
  Relative TSR (Total Shareholder Return) compared to the Philadelphia Semiconductor Index, comparison of consolidated operating margin and consolidated operating margin growth ratio with competitor companies
  [Qualitative evaluation]
  Initiatives toward long-term corporate value improvement are evaluated by the Compensation Committee

Grant ratio based on the base amount	×	Quantitative Evaluation	×	Qualitative Evaluation	=	The number of shares that become exercisable
Set according to the scope of responsibilities, etc.,		0–150%		±10%		0–165%

Medium-term Incentive (Stock Grant Trust)

- The number of our shares granted fluctuates between 0% and 50% to 120% based on the achievement rate of performance targets in the final fiscal year of the target period (three fiscal years)
- Formula of calculating the share delivery points (figure below)
  Consolidated operating margin and consolidated ROE are used as performance evaluation indicators

Reference points (set according to scope of responsibilities, etc.) × 70% × Consolidated operating margin attainment factor + Reference points (set according to scope of responsibilities, etc.) × 30% × Consolidated ROE attainment factor = Share delivery points

Non-performance-linked Compensation (inside directors: Stock Compensation-based Stock Option, outside directors: Stock Grant Trust)

- Inside directors
  [Stock compensation-based stock option]
  The payout amount is determined according to the scope of responsibilities, etc., and a three-year vesting period is established
- Outside directors
  [Stock grant trust]
  Shares are delivered after the expiration of the applicable period (three fiscal years)

Corporate Governance

Audit & Supervisory Board Activities

Each Audit & Supervisory Board member audits the overall business execution of corporate directors in compliance with the audit standards established by the Audit & Supervisory Board, and in accordance with the audit policies and plans.

Status of Main Activities in Fiscal 2026

Status of Activities		Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members
Audit & Supervisory Board meetings (8 times)		●	●
Key meetings	Board of Directors (10 times)	●	●
	Corporate Officers Meeting (23 times)	●	
	Management meeting	●	●[1]
	Quarterly review meeting, Business Ethics Committee, etc.	●	
Exchange opinions with representative directors (4 times)		●	●[2]
Interviews with executive officers, including domestic and overseas subsidiaries (59 people)		●	
Regular meetings with KPMG AZSA		●	●
Verification of various approval requests, important contracts, and documents related to benefits without compensation, etc.		●	
Group Audit & Supervisory Board Member liaison meetings (3 times)		●	●
Reports from Internal Audit Department (Global Audit Center) (6 times)		●	
On-site audits at Group companies (3 locations)		●	
Regular reports from Legal & Compliance Unit (3 times)		●	●

Group Audit & Supervisory Board Member Liaison Meetings

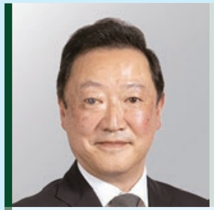
Group Audit & Supervisory Board Member liaison meetings are held three times a year at our locations across Japan to strengthen cooperation between the Audit & Supervisory Board members of each Group company in Japan. At the meetings, we have shared our audit policies and plans, each company has reported the results of internal audits, and members have exchanged information on internal control evaluations (J-SOX), governance, compliance, and information security. In addition, most recently, members have toured Tokyo Electron Miyagi (December 2025) and Tokyo Electron's TEL Digital Design Square in Sapporo (June 2026), where they held discussions with local employees.

Tour of TEL Digital Design Square

1 Management meetings are held twice a year, in spring and fall, to share and instill management policies, business strategies, and medium-term management plans. Meetings are attended by general managers and above from Tokyo Electron, and executive officers and above from affiliated companies. Outside Audit & Supervisory Board members also attend meetings on a voluntary basis.

2 Outside Audit & Supervisory Board members participate once each half (twice a year).

Message from the Chairperson of the Audit & Supervisory Board



Yutaka Nanasawa
Audit & Supervisory Board Member

The Audit & Supervisory Board comprises full-time inside members who have experience and knowledge acquired in business, administration, and other divisions inside the Group, and outside members who each have their own extensive specialist knowledge acquired outside the Group. They come together to share opinions from diverse and multifaceted perspectives. Outside the Audit & Supervisory Board as well, members receive regular reports from internal administration divisions, risk and compliance divisions, and internal audit departments, while full-time members attend key meetings as observers and conduct individual interviews with executive officers and others from Group companies. They focus on timeliness and firsthand verification and also make proposals directly to the representative directors as needed. With the rapid expansion of markets and businesses, coordination with internal control divisions and corporate directors will also become much closer going forward, as we focus on preventing problems in advance.

Message from an Outside Audit & Supervisory Board Member

Ryota Miura
Outside Audit & Supervisory Board Member

Within the Audit & Supervisory Board, we employ a range of channels for gathering information from diverse sources and layers of management. They include regular reports from internal administration divisions, including finance and accounting, legal and compliance, intellectual property, and internal audit; exchange opinions with representative directors, auditing firms, and Audit & Supervisory Board members of Group companies; and exchange opinions with outside directors at off-site meetings. We have created an effective audit system through cooperation with full-time Audit & Supervisory Board members who have extensive knowledge of matters within the Company, and outside Audit & Supervisory Board members who have expertise drawing from their own careers. Last year as well, various incidents occurred. We hope to continue developing systems that prevent problems before they occur, while also building mechanisms that ensure rapid first responses and prevent expansion if problems do occur.

Roundtable with Outside Officers

The evolution of corporate governance will be essential for Tokyo Electron to achieve further growth toward its goal of becoming a truly excellent global company. On this occasion, our five outside officers discussed, from multiple perspectives, the current state and challenges of our corporate culture, methods of improving the effectiveness of the Board of Directors, and strategies to accelerate growth, rather than simply expanding.

—Please share your impressions of Tokyo Electron's corporate culture from your positions as outside officers.

Endo If I were to describe the distinctive feature of our corporate culture in a single phrase, it would be the "enduring spirit of youthfulness and a willingness to take on challenges." Since its founding in 1963, Tokyo Electron has grown along with the electronics industry, but we recognize that in the process of the Company's growth, it is now approaching an inflection point, more than 60 years after its establishment. Although it is wonderful that the scale of business and the organization are growing, that governance and disclosures to stakeholders are being expanded and enhanced, and that advanced environmental initiatives such as E-COMPASS are making progress, these developments are inevitably accompanied by the refinement of internal rules, which poses a risk of reducing the Company's vitality and stagnating innovation capabilities as a result of bureaucratization. To overcome this inflection point and remain a truly excellent global company 10 years from now, we need to protect and cultivate a corporate culture where issues can be discussed openly across hierarchies and departments, young employees are nurtured, and each and every employee is able to demonstrate their full abilities and achieve a sense of accomplishment.

Suzuki I agree with Mr. Endo's view that the Company is at an inflection point. The pillars that have supported the Company throughout its history as it developed from a startup to a leading position in the industry in a short period are a customer-oriented approach, passion for technological development, and an entrepreneurial spirit. This spirit is still alive today, but now that the organization has grown to a massive size and the competitive environment is becoming increasingly complex, we cannot simply follow the previous ways of doing things. While maintaining the Company's entrepreneurial spirit, we need to concretely redefine it as a code of conduct tailored to the current context and instill it in employees on a global basis. In the coming phases, it will be increasingly important to build mechanisms that embed, from top management to the front lines, youthful vitality regardless of age and a commitment to deepening engagement with stakeholders and sharing value with them.

Kraft The phrase I would use to describe the Company's culture would be "above all else, an earnest company." Attitudes regarding KPIs and passion for development are admirable, and a merit-based culture has taken root in a positive sense. However, an issue that must be confronted head-on is that the organizational climate is "domestically oriented" in nature. The Company's earnest and honest attitude is one of its strengths, but conversely, there is a gap: while most of our revenue comes from global markets, many manufacturing sites and personnel are concentrated in Japan. I believe that the Company is now standing at an important crossroads in its corporate history. Now is the time for the Company to identify those aspects that must be changed in line with the changing global environment while preserving the positive aspects of the existing corporate culture.

Makino Mr. Kraft's mention of the term "crossroads" as well as his indications regarding the Company's earnest and domestically oriented nature deeply resonate with me as well. The Company's greatest strength is indeed its earnestness—always pursuing cutting-edge technology, building deep relationships of trust with customers, and steadily accumulating results through honest and straightforward methods rather than relying on shortcuts or ambiguous methods. I could also mention as positive aspects of being domestically oriented the

Roundtable with Outside Officers

strong sense of commitment to local communities, centered around the Company's plants, as well as the spread throughout the company of a stance rooted in local communities. However, from the perspective of an Audit & Supervisory Board member, I am concerned that unless the Company can establish mechanisms for the proper operation of an organization that has become so large, this crossroads could become a major negative turning point. We are now being asked how to strike a balance between mechanisms for managing a massive organization that supports global growth and this exceptional, earnest, community-based culture.

Shinohara The earnestness mentioned by Mr. Kraft and Ms. Makino and the deep relationships of trust with customers are strengths of the Company as a manufacturer. However, as the Company becomes this big, we are entering a new phase where, in addition to the existing approach of staying close to customers and providing better products, we need to get ahead of customers and propose and provide excellent products and services. This too is a major crossroads in how we approach business. The corporate culture is open and unrestricted, but there is also an aspect that is a little too well-behaved and overly sensible. Although there is a tendency for everyone to work together to address major issues, there is also a tendency to overthink while the circumstances are still unclear. Although setting targets and working together to achieve them is positive, I also get the impression that a bit more ingenuity is needed to turn these targets into highly detailed plans in order to achieve them. I believe that this is a point that must be addressed in order to transition to the next growth stage as a global company.

—Based on the discussions in the past year, please share what you believe are the characteristics and issues of the Company's Board of Directors.

Shinohara What I feel is superior about the Company compared to others in terms of operation of the Board of Directors is the reporting on the status of management by the CEO. The key points are concisely summarized, and the reports provide an effective means of organizing what should be done now on the executive side. On the other hand, I also feel that it is necessary to conduct more discussion regarding more concrete strategies, and it is also a fact that the role of the Board is being seriously called into question.

Kraft I share this feeling regarding the lack of macro-strategic scenarios. Improving efficiency and redefining roles are clearly issues for the Board of Directors. Rather than spending a lot of time on formal agenda items and minor reporting matters, the Board needs more time to discuss the medium- to long-term strategies and the risks that we should fundamentally be focusing on. I believe that if we are to seek to be a truly global excellent company, now is the time to learn from international governance trends and begin discussions on reviewing corporate governance.

Makino The issues that Mr. Kraft mentioned—redefining the roles of the Board and the lack of time for discussing medium- to long-term topics—are important ones. In situations where discussion has not been fully conducted or explanations are not convincing, it is necessary to discuss the matter at the next Board meeting. The Company's governance structure is already quite advanced, with outside directors accounting for a majority of the Board. The downside to this is that the outside directors face a lack of specialized knowledge concerning the semiconductor industry and business, but this is being addressed through detailed information sharing through corporate officers attending meetings and providing adequate time for the CEO's report on the status of management. Nonetheless, there are still some differences among officers regarding what the ideal Board should look like and what the main focus of its discussions should be. With respect to those points where there are differences of opinions between the executive side and the Board or among officers, Chairman of the Board Tahara is currently conducting careful collection and consolidation of opinions in settings outside Board of Directors meetings. Based on this leadership by the chairman, we need to deepen discussions by the Board even further.

Suzuki The Board of Directors has an open atmosphere, and the participation of corporate officers allows real on-the-ground information from the frontlines to be conveyed, making it an extremely valuable venue for outside directors. However, due to the need to respond to individual matters and the time constraints pointed out by Mr. Kraft, last year, we were unable to allocate sufficient time to the discussion of medium- to long-term strategy. On the other hand, the creation of opportunities for independent outside officers to communicate with one another in informal settings outside of the Board of Directors and the resulting frank exchanges of opinions was a positive change. Going forward, we need to enhance collaboration among outside officers while increasing opportunities for dialogue with internal management to achieve "evolution" toward structures that can respond promptly to a rapidly changing environment.

Endo Although some issues remain, the Board of Directors has achieved solid results over the past year. First of all, communication among the Nomination Committee, the CEO, and the outside directors has deepened and discussions on succession planning for the next generation have progressed. Second, the Board engaged in active discussions under a business environment where risks and opportunities intersect. There was momentum for outside directors to express their candid opinions regarding the strengthening of governance, and there was a stance of sincere acceptance of this on the executive side. The coming year will test our true value in areas such as getting succession plans on track. Also, looking toward historic technological innovation, the Board's most important mission is to provide strong support based on close collaboration so that the executive side can flexibly adjust

Roundtable with Outside Officers

strategies in response to unexpected changes in circumstances.

—Please discuss the issues involved in accelerating a company's growth rather than expansion.

Makino Whether the increase in the size of a company is simply "expansion" or is true "growth" comes down to whether value creation, profitability, and organizational capabilities are all strengthened simultaneously. Continuously honing the sources of value is a strength of the Company, but if the profit margins or cash flow deteriorate despite increasing revenue, we won't be able to withstand the next round of growth investment and will fall into expansion. To prevent this, it is essential that we manage the Company's portfolio by concentrating resources into growth products and reducing or withdrawing from non-growth areas. Accordingly, strengthening management accounting that visualizes the profitability of individual products is an urgent matter. Also, mechanisms to promote the delegation of authority and the standardization of work will be crucial so that the quality and speed of decision-making do not deteriorate even when the headcount increases. As advances in AI and rising geopolitical risks may lead to changes in business models, it is important that we strengthen internal controls and compliance even further and establish governance that can withstand the pace of growth.

Endo This is also related to strengthening profitability, and it is my understanding that the true meaning of the phrase "growth, not expansion" expressed by CEO Kawai is to limit the expansion of facilities for existing products to an extent that does not reduce the marginal profit rate while expanding SAM (served available market) by introducing new high-value-added products to achieve profit growth accompanied by an improved profit margin. Until now, the Company has built up absolute trust by anticipating customer needs and providing highly customized service. To accelerate growth even further while keeping this as our core business strategy, we will need to adopt a more proactive stance regarding the development of next-generation semiconductor production technology to secure the advantages of being a pioneer. To do this, we need to reorganize and strengthen R&D strategies, including strategically pursuing basic research not directly linked to short-term profit, and also further reinforce organizational structures and talent development to successfully conduct strategic M&A and the post-merger integration (PMI) process.

Kraft I agree with Mr. Endo's point about the importance of M&A. M&A and investing in startups will be essential as a powerful strategy for accelerating growth. "Time-buying" M&A can be an extremely effective tactic to rapidly expand the Company's SAM. Investing in promising domestic and overseas ventures will also be a crucial driver of next-generation businesses. To achieve this, I hope that rather than simply pursuing KPI targets, the executive side will build a medium- to long-term growth investment plan specifying the technologies and markets to be acquired and present it to the Board.

Suzuki It is people who put strategies into action. As the business environment rapidly changes, accelerating growth will require that frontline leaders grasp activity results in a timely manner, immediately share their awareness of issues, and quickly translate that into company-wide action. Advancing the systemization of performance management and the design of organizational collaboration is a top priority for the Company, which is committed to generating profit. Furthermore, in fiercely competitive markets, acquiring exceptional talent from around the world is a paramount priority. To continuously generate innovation, it is necessary to accelerate workforce diversity at every level. The Company practices "motivation-oriented management" that emphasizes the sense of contribution from one's work to the advancement of society and fair evaluations of performance, but to draw out the full potential of diverse human resources, it will be essential to transform the current talent landscape, which, for example, is currently dominated by Japanese male employees, while fostering an internal environment where diverse talent can make full use of their abilities and strongly empowering frontline leaders. These types of measures should lead to the cultivation of a corporate culture suitable for a new phase.

Shinohara It is necessary to reconsider day-to-day operations to enhance organizational capabilities and make the most of diverse talent. First, we need to clearly distinguish between what should be done and what should not be done as well as what machines (AI and robots) should do and then translate these distinctions into bold plans and execute them. Also, humans need to focus to the utmost degree on creative work that should be performed by people, such as formulating policy and creating plans. Drawing out and supporting everyone's vitality is a wonderful thing to do, but rather than having everyone act based on personal optimization, we need to thoroughly ensure that the organization is focused and sees things through toward achieving its goals. To promote this, developing and recruiting strong leaders with clear responsibilities and authority who can powerfully lead frontline operations is an urgent matter. I am confident that building this type of strong organizational foundation will be the key to leading the Company from expansion to growth.