

## Q&A of fiscal year 2022 Annual General Meeting of Shareholders (including answers to questions submitted in advance)

### (Questions submitted in advance)

Q. What do you anticipate your 5-year path to net sales in excess of 3 trillion yen, as per your new Medium-term Management Plan, will look like? Furthermore, what investment amounts will comprise the 1 trillion yen in R & D expenses over 5 years, when do you expect to see returns, and what level of returns are projected?

A. Each year, there are a variety of variables, including macroeconomic matters and customer capital investment, but semiconductors are a growth industry, and we expect to see positive growth over the medium and long term. For our Medium-term Management Plan, our intention is not to achieve our goals 5 years from now, but to achieve them within 5 years.

Furthermore, just as with the semiconductor market, as TEL's TAM\*<sub>1</sub> and SAM\*<sub>2</sub> are trending toward expansion, our research and development expenses are trending upward as well. As semiconductors grow more and more important in the wake of advancing digitalization, it is important for us to maintain innovative technological capabilities that allow us to lead the world, and we will thus not be letting up on our research and development investments. Our investments span approximately four generations, and we are also working on technologies that are still 10 years in to the future. As we will be orienting ourselves toward short, medium, and long-term income at the same time, the recovery plan is linked to the Medium-term Management Plan.

\*1 Total addressable market (TAM): The largest market size that can be acquired

\*2 Served available market (SAM): The markets targeted by the Company from within the TAM

Q. How do you anticipate that your Company's competitive advantages on the global stage will change in the next year, and what further changes do you expect in the next year or two after that? Also, what companies will be your fiercest competitors?

A. As the level of technical requirements has become more sophisticated, TEL's competitive advantages have expanded significantly. Whereas the WFE\* market was analyzed to have grown approximately 40% between January and December 2021, TEL has outperformed the growth of the market, with new equipment sales, for example, having grown 65% year-on-year, and thereby granting TEL a greater share of the market.

TEL's strength lies in the fact that we retain 4 key processing devices meant for the patterning process that is critical for the evolution of semiconductors, and our share of the mass production market for coating and developing equipment meant for EUV lithography is 100%. We are also top-class in terms of our shares of market segments for other devices, and we can even fairly say that there are no state-of-the-art semiconductors in the world that have not passed through our equipment. We believe that our Company's advantages will continue to grow in the future under these conditions.

Furthermore, we at TEL don't spend much time dwelling on threats or competition, and instead focus on the creation of the Only One product, which has high added value that our customers will need in the future. It is therefore imperative to our competitive capabilities that we maintain innovative technological capabilities that will allow us to lead the world, and we will embark on our 5-year, 1 trillion yen+ R & D investments under the relationships of absolute trust we have built with our customers based on our various achievements, which is one of TEL's key driving forces. Our goal is always to be number one in the world.

\*WFE (Wafer Fab Equipment): Semiconductor pre-processing equipment

Q. Price competition appears to be growing more intense due to the depreciation of the yen. How much will this depreciation affect your profit and loss?

A. Sales of new equipment are made in yen, and the impact of the exchange rate on our profit and loss will be minimal. Furthermore, this industry places greater importance on technological competitiveness when it comes to selecting equipment, so the effect of exchange rates is limited.

Q. We would like to have TEL make the general shareholders meetings viewable via the web.

A. We consider general shareholders meetings to be important opportunities for direct dialogue between our shareholders and our management. We will make appropriate decisions regarding the web streams based on future developments and other factors.

**(Questions at the Venue)**

Q. The rise in stock prices has made it difficult for individual investors to purchase shares. Can you share with us the status of your considerations regarding a stock split?

A. The Company will make appropriate decisions regarding the stock split after scrutinizing the impact on shareholders and the impact it may have on efforts to improve the Company's corporate value.

Q. Can you tell us about the effects and expectations that the Metaverse will bring about?

A. Semiconductors are essential for operating the various applications created through the Metaverse. This will lead to various business opportunities, such as dedicated devices associated with each application, and expansions in data traffic caused by the Metaverse. We expect that the Metaverse will have a very significant effect.

Q. As recent geopolitical risks have grown more significant, can you share with us what sort of growth TEL is targeting?

A. It has been said that we have entered an age of extreme volatility, uncertainty, complexity, and ambiguity (VUCA), but the key is to capture the mega trends. When we look at the trends of our world today, we see that efforts are being made to firmly implement ICT by, for example, advancing digitalization to realize a strong, flexible society that can keep economic activity going no matter the circumstances, as well as efforts to further de-carbonize. High-performance, low-power semiconductors are essential for achieving a balance between digital and green initiatives. By pursuing technological innovation in semiconductors, we will contribute to these digital and green initiatives, which are values shared by society as a whole. To make this happen, we will need to lead the world in innovative technological capabilities, and our intention is to advance development investments in excess of 1 trillion yen over the next 5 years, and to continue providing our customers with equipment and services boasting high added value.

Q. How does TEL address the risk of technological leaks?

A. The Company conducts development and manufacturing at the same locations. The principal development and manufacturing factories are four factories located in Japan, but these locations experience a turnover rate of less than 1%. This low turnover rate is part of the reason our Company enjoys such strong trust from our global customers. In addition, by conducting development and manufacturing at the same locations, we are ensuring mass production performance and quality from the development stage. Semiconductor manufacturing equipment demonstrates matching performance under, in addition to specific technologies, all conditions for hardware, software, processes, and after-sales service. In addition, semiconductors are characterized by rapid technological innovation. It is important that we maintain our status as the world's leading technological innovator, based on our long-standing technological expertise as a leading company in the industry and the relationships of absolute trust we enjoy with our customers.

Q. Can you tell us about your governance structure going forward?

A. As a leading company, it is essential that we at TEL make faster, more optimal decisions to achieve further growth. To this end, TEL has implemented a corporate officer system, and holds corporate officers' meeting as the highest-ranking decision-making organization of the executive side to ensure faster and more agile execution of business. In addition, the Board of Directors strives to strengthen its supervisory functions over management by ensuring that half of the Board is comprised of directors from outside of the Company this term. We would like to achieve continuous growth through this type of governance system.

Q. What preparations have you taken in case the semiconductor market shows signs of dangerously poor performance?

A. We believe that the importance of semiconductors will continue to increase in the future. It is crucial that we pursue earning power while being aware of TEL's strengths, and to appropriately address the changes of the era. We believe that the semiconductor market is the field in which TEL can wield its strengths to their maximum extent and realize shared social values. Furthermore, data communication volumes are expected to be 100 times larger than they are now by 2040, and we believe that utilizing our strengths in the semiconductor market in order to continuously improve our corporate value and expand our profits for the short, medium, and long terms is the best path forward available to us at the present time.

Q. How effective are the outside directors in their roles as part of TEL's Board of Directors?

A. The Board of Directors of the Company is engaged in lively discussions based on active comments and questions from our outside directors, and the effectiveness of the Board of Directors is also evaluated by third parties. We believe that the various major contributions made by our outside directors, such as their ability to offer risk analyses from perspectives that differ from those of our internal members, has supported our recent, strong performance. Furthermore, for matters that cannot be fully discussed during Board of Directors meetings, off-site meetings are held to ensure that both outside directors and outside Audit & Supervisory Board members are able to participate in discussions intended to help continuously improve our corporate value.

Q. Can you tell us if your internal reporting systems are functioning appropriately from a compliance perspective?

A. The company operates a globally integrated internal reporting system on a 24-hour basis, and it is functioning effectively. In addition, we value both the completeness of the system, and highly open-ended work environments, and we would like to continue putting our efforts toward developing our corporate culture.