

Identifying material issues

Tokyo Electron (TEL) identifies material issues that are important for further improving its corporate value over the medium- to long-term, taking into account social issues, the business environment, stakeholder expectations, and the company's circumstances. For each material issue, we set medium-term and annual goals, and implement various projects aimed at achieving those goals.

Step 1

Issues awareness

Social environment

While steady growth is forecast for the global economy, humans are also faced with various social issues, including abnormal climate conditions and natural disasters, conflicts between states and terrorism, water and food crises, population problems and cyberattacks. TEL is deepening its awareness of social issues throughout the value chain, giving consideration to SDGs, the United Nations Global Compact, RBA and recommendations from third party organizations.

SDGs: Sustainable Development Goals

The SDGs were adopted by the United Nations in 2015 as a universal set of goals for humanity to achieve by 2030. We have clarified the SDGs related to material issues and endeavor to achieve the SDGs through the development of our business.



Tokyo Electron supports the SDGs

Business environment

With the arrival of the IoT era, applications for semiconductors are expanding further with the emergence of applications based on new technologies including artificial intelligence, AR and VR. Furthermore, opportunities for value creation are increasing in the field of FPD, with changes in technologies such as large screen and high resolution, and the spread of organic EL, which is accompanied by expansion in associated design and application areas. Consequently, semiconductors and FPDs are at a turning point, experiencing a new growth phase and playing a key role in social infrastructure. As technology becomes more sophisticated and diverse, semiconductor and FPD manufacturing equipment makers must have the foresight to develop innovative technologies and deliver them in a timely manner. Furthermore, maintenance and service to improve the productivity and lifespan of equipment is increasingly important.

Risks and opportunities

Given the social and business environment in which TEL finds itself, we examined the risks and opportunities closely related to sustainable business development.

Social trends	Risks for TEL	Opportunities
Environmental issues including climate change	<ul style="list-style-type: none"> Legal violations and non-compliance with industry codes of conduct Increases in business costs 	<ul style="list-style-type: none"> Reduction of operational costs Improvement of product environmental performance and creation of business opportunities
Evolution of technology	<ul style="list-style-type: none"> Reduction in product dominance Reduction in customer satisfaction 	<ul style="list-style-type: none"> Generating innovative products and services Maintaining competitive advantage
Changes in population trends	<ul style="list-style-type: none"> Securing human resources Decline in development and support capability 	<ul style="list-style-type: none"> Enhancing corporate competitiveness
Sustainable business management	<ul style="list-style-type: none"> Ethics and compliance violations Weakening of monitoring and checking functions 	<ul style="list-style-type: none"> Highly effective governance Sound and highly transparent business management that builds solid relationships of trust with stakeholders
Supply chain management	<ul style="list-style-type: none"> Weakening of supply system Worsened relations with suppliers 	<ul style="list-style-type: none"> Creation of new value through collaboration Establishment of sustainable procurement

Step 2

Issues considered from the stakeholder perspective

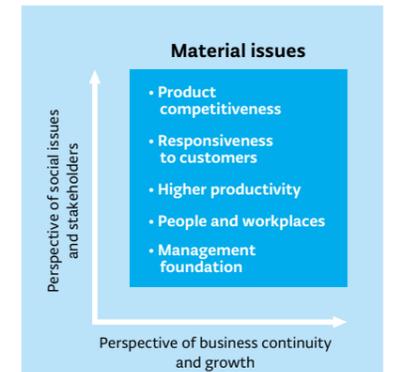
TEL considers the importance of the issues it faces based upon opinions and expectations gained through communication with its stakeholders. → Stakeholder engagement, p. 8

Step 3

Analysis and selection

TEL has grasped the social and business environment, as well as the opinions of stakeholders, has analyzed risks and opportunities, and compared this with our Corporate Philosophy and Management Policies to identify material issues.

Taking advantage of our strengths as a manufacturing equipment maker with multiple products, we offer a variety of values to customers, including production of advanced devices, productivity maximization and environmental impact reduction. We believe that in this way, we can contribute to the realization of a more convenient and prosperous society. We have established three pillars of product competitiveness, responsiveness to customers and higher productivity in our medium-term management plan, and identified two additional supporting factors to make five material issues: people and workplaces, and management foundation.



Step 4

Examination and identification of validity

TEL verified the validity of material issues at the Review Council, incorporating the opinions of external experts. As a result, we determined that product competitiveness, responsiveness to customers, higher productivity, people and workplaces and management foundation are appropriate as material issues for fiscal year 2019. From a medium- to long-term perspective, TEL will promote efforts in these material issues and aim for further growth.

Key opinions and advice obtained from Review Council

- Material issues are linked to the medium-term management plan and can be evaluated in connection to management strategy
- We have set our medium-term and annual goals, continuing from last fiscal year, and recognize the intention to promote initiatives
- Setting of targets incorporating transparency and improvement is desirable, including process indicators and goals which aim for a higher level
- The global trend of integrating non-financial initiatives into management is apparent, and it is hoped that promotion of this will continue

Material issues

Material issues	Medium-term goal	Priority themes
Product competitiveness	Create strong next-generation products	Tackling technological innovation
		Environmental contribution of products
Responsiveness to customers	Become the best and sole strategic partner	Solutions that create value for customers
		Improvement of customer satisfaction
Higher productivity	Constantly pursue higher management efficiency	Quality management
		Improvement of quality in the value chain
People and workplaces	Maximize dreams and drive	Diversity
		Career development
		Work-life balance
		Health and safety
Management foundation	Build a management foundation for increasing value	Governance and compliance
		Human rights
		Environmental management
		Supply chain management