

## Tokyo Electron Corporate Governance Guidelines

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# Tokyo Electron Corporate Governance Guidelines

## Section I Principles

### **1. Basic Views on Corporate Governance** (Principle 3.1.i, 3.1.ii)

In view of Tokyo Electron's corporate philosophy that we strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support, Tokyo Electron (TEL) believes improving corporate governance is important for achieving success in global competition, realizing sustainable growth, and increasing corporate value over the mid- to long- term.

To reinforce our corporate governance, TEL will build a structure for utilizing to the maximum the worldwide resources TEL possesses, strengthen our business and technological bases, and put in place a framework that will enable us to establish earning power at a global level.

Moreover, TEL believes that continuing to be a company replete with dreams and vitality will form the foundation that will support the motivation of our employees and the sustainable growth of TEL.

These guidelines provide a governance framework that will contribute to the achievement of this aspiration.<sup>1</sup>

### **2. Corporate Principles** (Principles 2.1, 3.1.i)

TEL's corporate principles are comprised of four elements:<sup>2</sup>the Corporate Philosophy, Management Policies, CSR Policy and TEL Values. These elements encompass the values TEL holds as important in our mission as a company and specific behaviors for achieving it.



#### **Corporate Philosophy**

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

#### **Management Policies**

- Profit is Essential  
The TEL Group aims to contribute to the development of society and industry and to the enhancement of corporate value while continually pursuing profit.
- Scope of Business  
The TEL Group leads markets by providing high-quality products in leading-edge technology fields with a focus on electronics.
- Growth Philosophy  
We will tirelessly take on the challenges of technological innovation to achieve continuous growth through business expansion and market creation.
- Quality and Service  
The TEL Group strives to understand the true needs to achieve customer satisfaction and secure customer trust while continuously improving quality and service.
- Employees  
The TEL Group's Employees both create and fulfill company values, performing their work with creativity, a sense of responsibility, and a commitment to teamwork.

<sup>1</sup> In addition to these Guidelines, please also refer to the Integrated Report and the Sustainability Report.

<sup>2</sup> For details of the four elements of the corporate principles: <https://www.tel.com/about/ptc/>

- **Organizations**  
The TEL Group builds optimal organizations that maximize corporate value in which all employees can realize their full potential.
- **Safety, Health and the Environment**  
The TEL Group gives the highest consideration to the safety and health of every person connected with our business activities as well as to the global environment.
- **Social Responsibility**  
Feeling a strong sense of corporate social responsibility, we strive to gain the esteem of society and to be a company where employees are proud to work.

### CSR Policy

The CSR operations of TEL are initiatives that realize TEL's Corporate Philosophy. TEL pursue sustainable operations from the viewpoints of corporate governance, legal and regulatory compliance, and business ethics while creating new value through our products and services. Based on these efforts, we implement CSR activities to help address social issues. TEL will continue to pursue CSR activities to build stakeholder trust, improve corporate value and, by doing so, promote the growth of a sustainable and dream-inspiring society.

### TEL Values

The TEL Values together constitute a code of conduct that encapsulates the driving force of growth and important values of TEL, and are practiced by Corporate Directors, Audit & Supervisory Board Members and all employees of TEL.

<b>Pride</b>	We take pride in providing high-value products and services.
<b>Challenge</b>	We accept the challenge of going beyond what others are doing in pursuing our goal of becoming number one globally.
<b>Ownership</b>	We will keep ownership in mind as we think things through, and engage in thorough implementation in order to achieve our goals.
<b>Teamwork</b>	We respect each other's individuality and we place a high priority on teamwork.
<b>Awareness</b>	We must have awareness and accept responsibility for our behavior as respectful members of society.

### **3 . Building a Relationship of Trust with Stakeholders for TEL's Sustainable Growth<sup>3</sup>** (General Principle 2, Principle 3.1.i)

With the understanding that the support of our stakeholders is vital for TEL, TEL will build a relationship of trust with our stakeholders to achieve sustainable growth and create corporate value over the mid- to long-term based on the following views.

- **Shareholders and investors**  
To fulfill our fiduciary responsibility to shareholders and investors, TEL will endeavor to increase shareholder value by improving the profitability and capital efficiency.

<sup>3</sup> For details on TEL's relationship with our stakeholders: <https://www.tel.com/csr/materiality/>

- **Customers**  
Based on the customer-oriented principle, TEL will provide products and services with high added value through our expertise in providing creative proposals that integrate innovative technological know-how and diverse technologies.
- **Employees**  
Employees are the foundation of corporate development. TEL aims to continue to be a company replete with dreams and vitality, where each and every employee has creativity, a sense of responsibility and passion, and where diverse human resources can demonstrate their abilities to the fullest.
- **Business Partners**  
TEL will build on our expertise in the manufacture of advanced, high-quality products underpinned by a relationship of ongoing trust with our Business Partners.
- **Communities**  
TEL will endeavor to resolve social issues that surround its business operations through growth in our business, and will contribute to the development of a dream-inspiring society.

#### **4. Business Policies (Principle 3.1.i, Supplementary Principle 5.2.1)**

As a company that began as a trade company specializing in technology, TEL perceived at an early stage changes in the business environment and quickly responded to such changes. This involved making the transition to becoming a manufacturer with development production functions and building a global sales and support framework. In this way, TEL has provided products and services with high added value in world markets. Moreover, TEL has maintained growth through taking the lead in original technology mainly in semiconductor production equipment and related domains using its original technology, where innovations in technology will generate new value, and high added value and high earnings can be expected.

The driving forces of our company are comprised of abundant technical know-how cultivated as a leading company in semiconductors and FPD production equipment, the trust from customers based on our reliable technical services, and the challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

With the aim of becoming a leading world corporation, TEL will continue our efforts in the future in business creation where TEL will leverage our leading-edge technologies in growth areas based on electronics technology which value creation through technical innovation can be expected.

#### **5. Medium-term Management Plan (Principle 3.1.i)**

TEL Group is aiming for sustained growth in corporate value through a management base with global-standard strength. TEL Group seeks to revise our financial model to achieve even greater growth and set our sights on achieving a world-class operating margins and ROE(Return on Equity), while continuing to sustainably pursue provision of the best products and best services.

- **Vision**  
The TEL Group aims to be a real global company generating high added-value and profits in the semiconductor and flat panel display industries through innovative technologies and groundbreaking proactive solutions that integrate diverse technologies.
- **Financial model**  
While maximizing the growth potential of the TEL group, we will steadily strengthen our financial position, and by the fiscal year ending March 31 2024, we will aim to achieve sales of 2 trillion yen or more, operating margins of at least 30% and ROE of at least 30%.

In addition, the financial model developed by the TEL Group seeks not to anticipate the scope of our future sales growth but the optimization of business management that we should seek to achieve for each kind of sales scope anticipated. By realizing this type of financial model, the TEL Group intends to attain a world-class operating margins and ROE.

<b>Net Sales</b>	<b>¥1,500B</b>	<b>¥1,700B</b>	<b>¥2,000B</b>
<b>Operating margin</b>	<b>26.5%</b>	<b>28%</b>	<b>&gt; 30%</b>
<b>ROE</b>	<b>&gt; 30%</b>		

#### ■ Engagement Status

- Principal initiatives to achieve the financial model going forward
  - In order to create the best products, operating business in the fields of semiconductors and FPD production equipment where we have strength and can leverage our accumulated technologies and management know-hows
  - Launching into the market state-of-the-art technological products with high added-value required by customers in the future, and providing the best technology services
  - In order to maintain and improve our world-leading technological innovation capabilities, continuing to make aggressive investments that take advantage of our strong financial foundation
  - Expanding earnings in aftermarket services by providing these advanced field solutions based on the largest number of shipped equipment in the industry
  - Establishing highly efficient, high-value-added services through the use of equipment operation data and AI

#### **6. Basic Strategy for Capital Policy (Principle 1.3)**

Based on the business policies and business plans stated above, TEL's objective in our capital policy is as follows.

##### ➤ **View regarding capital efficiency**

While securing and generating resources necessary for growth investment, TEL will make continuous positive efforts to provide returns to shareholders and keep appropriate balance sheet management with a view of medium- to long-term growth. Specifically, TEL will endeavor to improve return on equity (ROE) by further improving operating income to sales and capital efficiency and make efforts to expand cash flow.

##### ➤ **Shareholder Return Policy**

Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on consolidated net income attributable to owners of parent. However, the amount of annual dividend per share shall not be less than 150 yen. TEL will review our dividend policy if TEL does not generate net income for two consecutive fiscal years. TEL will flexibly consider share buybacks.

## Section II Cooperation with Stakeholders

### **1. Appropriate Cooperation with Shareholders**

TEL believes that cooperation with various stakeholders of TEL is indispensable for the sustainable growth of TEL. In particular, appropriate cooperation with shareholders as the providers of capital is important in the discipline of corporate governance. TEL will endeavor to engage in appropriate cooperation with shareholders to ensure that their rights are effectively secured and can be exercised with ease.

#### **(1) Securing the rights of shareholders (Principle 1.1, Supplementary Principle 1.1.2, 1.1.3)**

TEL will take appropriate measures to fully secure shareholders' rights including their voting rights at general shareholder meetings. Moreover, the board will put in place a framework for appropriately fulfilling our corporate governance role and responsibilities. In addition, the board will make adequate consideration for ensuring equality in regard to the rights of minority shareholders.

#### **(2) Exercise of rights at general shareholder meetings (Principle 1.2)**

TEL recognizes that general shareholder meetings are an opportunity for constructive dialogue with shareholders and, takes measures to ensure that shareholders can appropriately exercise their shareholder rights at the general shareholder meeting.

#### **■ Engagement Status**

Date of the general shareholder meeting	<ul style="list-style-type: none"><li>When setting the date for holding the general shareholder meeting, TEL avoids as much as possible days where the holding of a number of other general shareholder meetings is expected.</li></ul>
Date for sending the convocation notice	<ul style="list-style-type: none"><li>TEL endeavors to send out the convocation notice for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. Therefore, TEL forwards notices to shareholders at least three weeks prior to the date of the general shareholder meeting.</li></ul>
Provision of materials	<ul style="list-style-type: none"><li>Before sending out the convocation notice, TEL discloses details of the notice on the website of Tokyo Stock Exchange and TEL.</li><li>The English translation of the convocation notice is disclosed in the same manner at least three weeks prior to the date of the general shareholder meeting.</li><li>As necessary, TEL also discloses on our website supplementary information on proposals, etc. to enable shareholders to make appropriate decisions at the general shareholder meeting.</li></ul>
Exercise of voting rights	<ul style="list-style-type: none"><li>Through the introduction of electronic voting and the use of an electronic voting platform, TEL provides opportunities to enable all shareholders including institutional and foreign shareholders to exercise their voting rights with ease. When an institutional investor who holds shares in the name of a trust bank, etc. expresses an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, TEL will give consideration to the investor's wish to the extent possible after consulting with the trust bank, etc.</li></ul>

### **(3) Ensuring appropriate information disclosure and transparency (Principle 3)**

TEL works to contribute to the formation of fair prices for shares, etc. by disclosing corporate information to investors in an appropriate and timely manner, and to contribute to the soundness of the financial instruments market. With this perspective in mind, we established the “Timely Disclosure Rules,” and are working to ascertain and manage facts and settlement information that could have a significant impact on the investment decisions of investors, and to disclose such facts and information in a timely and appropriate manner.

In addition, we will strive to expand disclosure of non-financial information that we believe will be effective in helping our stakeholders gain a thorough understanding of TEL.

#### **■ Engagement Status**

- The dissemination of corporate information takes place through disclosure to public institutions, the publication of press releases and various reports, and the use of TEL website. TEL also makes efforts to facilitate prompt, appropriate communication. For example, as contact points where two-way exchanges of opinions are possible, TEL appoints an IR department responsible for responding to investors and a PR group in the General Affairs Department responsible for communicating with the media.

### **(4) Constructive dialogue with shareholders (Principle 5.1)**

To promote TEL’s sustainable growth and increase corporate value over the mid- to long-term, TEL will make efforts to engage in constructive dialogue with investors including shareholders on a regular basis. The following is our policy for establishing a framework and initiatives for promoting such dialogue.

#### **Policy for Establishing a Framework and Initiatives for Promoting Constructive Dialogue with Shareholders**

##### **1) Basic view (Supplementary Principle 5.1.1)**

TEL will endeavor to provide opportunities for constructive dialogue with a larger number of investors around the world, which will contribute to TEL’s sustainable growth and growth in corporate value over the mid- to long-term.

Furthermore, TEL thinks it important that the Chairman of the Board, CEO and Corporate Director in charge of finance themselves engage in direct dialogue within a reasonable and possible scope.

##### **2) Dialogue with shareholders in general (Supplementary Principle 5.1.2(i))**

The IR Department, a department under the direct control of the CEO, is responsible for dialogue with investors including shareholders, and the CEO is responsible for overseeing this. When there is an individual request from an investor, the CEO or a corporate director in charge will engage in dialogue as necessary.

##### **3) Measures to ensure positive cooperation between internal departments to support dialogue (Supplementary Principle 5.1.2(ii))**

In response to opinions and requests, etc. of shareholders, the IR Department will assume the core role in assisting the realization of constructive dialogue with shareholders through positive cooperation with relevant departments such as the business, marketing and corporate administration divisions.

##### **4) Measures to promote opportunities for dialogue aside from individual meetings (Supplementary Principle 5.1.2(iii))**

TEL will provide opportunities for shareholders to engage in dialogue through business briefing sessions including quarterly results briefings and teleconferences, as well as opportunities to participate in overseas road shows, conferences sponsored by securities companies in Japan and overseas, and inspection tours of TEL’s factories. Moreover, TEL will endeavor to transmit company information through various means including our integrated report, fact book and TEL website.

**5) Measures to relay shareholder views (Supplementary Principle 5.1.2(iv))**

The IR Department will regularly provide reports to the CEO, Representative Director and corporate director in charge and engage in discussion with them regarding investors' views and questions obtained through individual meetings, to ensure that these resources are being utilized to increase business and corporate value. Moreover, the CEO and others will provide reports to and engage in discussion with the board in regard to important matters.

**6) Control of insider information (Supplementary Principle 5.1.2(v))**

TEL will appropriately manage important corporate information and disclose them in a fair, equitable and timely manner. Moreover, TEL will establish internal rules to prevent insider trading and thoroughly familiarize employees with these. In addition, every quarter TEL will establish the period from the bookclosing date until the announcement of financial results as a period during which officers and employees of TEL are prohibited from buying and selling company shares.

**7) Identifying shareholder ownership structure (Supplementary Principle 5.1.3)**

TEL will endeavor to identify our shareholder ownership structure by periodically investigating shareholding conditions of beneficiary shareholders and using these in constructive dialogue with investors.

**8) Establishing and disclosing business strategy and business plan (Principle 5.2)**

In formulating management strategies and management plans, TEL strives to realize capital efficiency exceeding the cost of shareholders' equity, focusing on the balance with business stability, although TEL is aware of its cost of shareholders' equity as a comprehensive indicator reflecting fluctuations in the business environment and expectations from shareholders. TEL articulates our earnings plans and basic objectives regarding our capital policy, and along with indicating targets for profitability and capital efficiency such as net sales, gross profit margin, operating margin, net profit, and return on equity (ROE), will provide explanations to shareholders in a manner that is easy to understand about specific measures it intends to take to achieve our plans and target.

**(5) Policy on cross-shareholdings (Principle 1.4)**

1) Policy concerning cross-shareholding of listed shares

TEL does not hold crossheld shares in principle. Only when TEL believes there to be a strong rationale for holding such shares in our relationship with an issuer will TEL hold the shares of another company, such as investing in business partners to maintain medium- to long-term relationships, investing in business partners for stable procurement, investing in business partners to maintain technical alliance.

Regarding the shares held, the executive management should annually verifies the rationale of holding shares of another company and provides a report to the Board of Directors from the viewpoint of the investment purpose at the time of stock acquisition, consistency with the latest business strategy, etc., and the benefits and risks of holding the shares. As a result of the above verification, if it is determined that the holding is not rational, we will consider selling the shares.

2) Policy on the exercise of voting rights in relation to cross-shareholdings

When TEL exercises our voting rights for shares TEL holds, as a shareholder it carefully considers proposal details, engages in dialogue with the issuer as necessary and makes decisions regarding proposals from the viewpoint of increasing corporate value of TEL and the issuer over the mid- to long-term. TEL will cast an opposing vote on any proposal it believes may harm shareholder value.

**(6) View regarding anti-takeover measures (Principle 1.5)**

TEL will not introduced any so-called anti-takeover measures. We believe that improving corporate value is the ultimate anti-takeover measure. TEL will address any acquisition proposals made after first comprehensively assessing the short-, medium-, and long-term impact on corporate value and shareholder value.

### **(7) Capital policy that may harm shareholder interests (Principle 1.6)**

With respect to capital policy that results in the change of control or in significant dilution, TEL conscientiously examines the necessity and rationale of such measures to ensure they do not unduly harm shareholders' interests. Moreover, TEL provides adequate explanation to shareholders and follows appropriate procedures.

### **(8) Related party transactions (Principle 1.7)**

TEL requires Corporate Directors or Audit & Supervisory Board Members to obtain the approval of the Board of Directors when engaging in transactions with TEL or transactions that are in conflict with the interests of TEL and the Corporate Directors or Audit & Supervisory Board Members. This includes engagement in competing business with TEL. Moreover, after such transactions take place, a report must be presented to the board regarding material matters concerning such transactions.

#### **■ Engagement Status**

- TEL undertakes regular annual investigations whether or not there are transaction between TEL and a Corporate Director, an Audit & Supervisory Board Member, or a relative thereof.
- With respect to transactions between TEL and major shareholders, there are currently no shareholders that equate to major shareholders (defined as shareholders with at least 10% of voting rights) in TEL. If major shareholders emerge, TEL will take procedures to ensure appropriateness of transactions according to the previously stated policies.

## **2. Appropriate Cooperation with Stakeholders Other Than Shareholders**

Appropriate cooperation with stakeholders other than shareholders is also essential for the sustainable growth of TEL. TEL believes that respecting the rights and position of stakeholders and fostering a climate that conforms with corporate ethics will promote the development of society and the economy as a whole and, in turn, will establish the foundation for the further growth of our company's business.

### **(1) Establishment of "Tokyo Electron Group Code of Ethics" and actions for ensuring compliance of it (Principle 2.2, Supplementary Principle 2.2.1)**

TEL maintains corporate ethics and compliance with laws and regulations by TEL Group as a whole at a high standard. Giving primary importance to acting in compliance with laws and international rules, TEL has established "Tokyo Electron Group Code of Ethics"<sup>4</sup> and makes efforts to ensure all employees are familiar with this.

Moreover, TEL appoints a Chief Business Ethics Director from among Corporate Directors who is responsible for ethics and has established an ethics committee as a steering organization for promoting corporate ethics throughout TEL.

Furthermore, TEL has established a set of TEL Values (see Section I No. 2) which summarizes intrinsic values that act as a driving force in TEL's growth and which serves as a code of conduct that all Corporate Directors, Audit & Supervisory Board Members, and employees must practice.

### **(2) Positive actions for sustainability issues (Principle 2.3, Supplementary Principle 2.3.1, 3.1.3, 4.2.2)**

In order to realize sustainable growth and medium- to long-term improvements in corporate value, we believe it will be necessary to use our entire supply chain to actively and dynamically address social problems pertaining to sustainability, starting with the environment and human rights. We will contribute to the realization of common values by harmonizing the social themes of digital capabilities and green business, by taking full advantage of our expertise as a semiconductor and FPD production equipment manufacturer, built up through our experience as a leading company in the industry, and utilizing our various management resources, including our employees, who are the source of our value creation.

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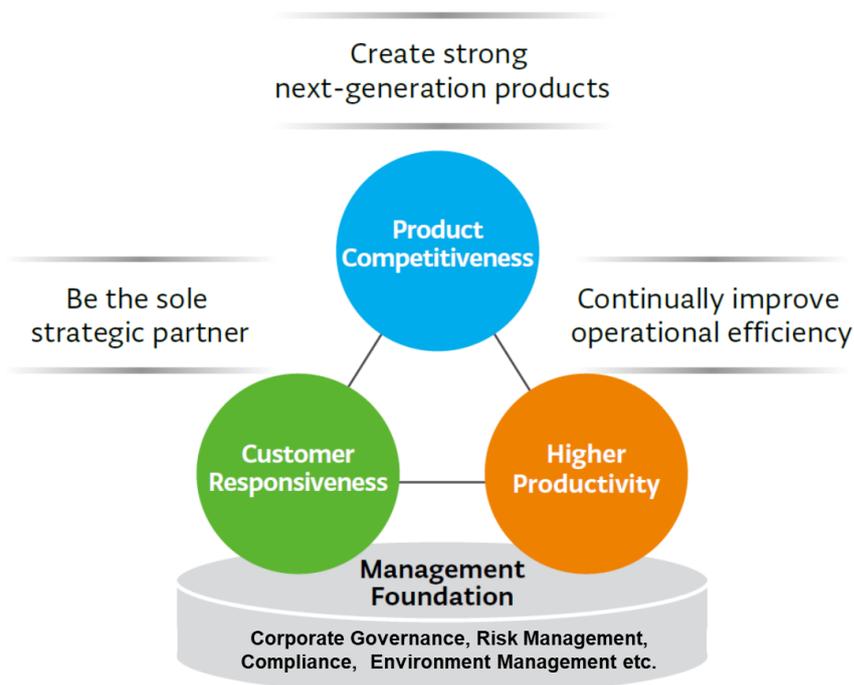
<sup>4</sup> For details on "Tokyo Electron Group Code of Ethics":  
<https://www.tel.com/about/compliance/>

Based on this way of thinking, we will identify vital material issues we should prioritize in order to improve our medium- to long-term corporate value, by organizing social and business environments, considering risks and opportunities, and engaging in proactive discussions with our stakeholders.

TEL intends to contribute to the resolution of industrial and social issues and the achievement of Sustainable Development Goals (SDGs) adopted by the United Nations, and to the creation of a sustainable society.

**■ Engagement Status**

- Material issues are determined at the Sustainability Meeting attended by the Chairman of the Board, the CEO/President and Representative Director, as well as the directors involved in sustainability. We take into consideration the focal themes of each material matter, set fiscal year goals and medium-term goals, and endeavor to accomplish said goals through business activities.<sup>5</sup>



- In order to realize a sustainable supply chain, TEL began E-COMPASS (Environmental Co-Creation by Material, Process and Subcomponent Solutions), a new environmentally focused initiative. As a leading company in the industry, we will devote the entire supply chain toward reducing environmental impact caused by products during their operation and work to enhance the competitiveness and added value of products.

**(3) Ensuring diversity (Principle 2.4, Supplementary Principle 2.4.1)**

At TEL, diversity and inclusiveness are pillars of management that help realize continuous innovation and increase corporate value, and our management is strongly committed to, and actively engaged in, pursuing diversity around the themes of nationality, gender, and generation.

**■ Engagement Status**

- With respect to the diversification of the Board of Directors, as of December 2021, of the 12 directors on the Board, 1 is a foreign national and 2 are women. Furthermore, as a global company, TEL promotes the right person in the right place across countries, such as appointing local personnel to the position of president at its overseas group companies in the United States, Europe, Asia, and

<sup>5</sup> For details on initiatives related to our material issues: <https://www.tel.com/csr/materiality/>

other areas, and having overseas personnel take on the position of the headquarters. Simultaneously, we hold the Corporate Senior Staff (CSS) meeting on a quarterly basis, comprised of executive officers and the management members of overseas group companies, among other members, and work to advance the deployment of our management strategy at a global level with a sense of urgency.

- In order to advance diversity and inclusiveness, we consider the characteristics of each region, establish target values and action plans for each region, and engage in a variety of initiatives.
  - We develop a talent pipeline (plan for developing human resources) for succession planning that takes diversity into account, and are engaged in efforts to increase the ratio of women in management positions
  - Given that the majority of TEL's employees are engineers, we utilize recruiters and invest heavily in branding in order to hire women at a level at least equivalent to the general ratio of women in each region (for engineers, the ratio of women with majors in science and engineering)
  - By utilizing technology and employing common personnel systems around the world, we develop mechanisms that allow overseas entities to fulfill headquarters roles and functions, even from outside Japan
  - We hold events such as talks on diversity and inclusiveness by internal and external experts and leaders, create networking opportunities for employees with similar characteristics and experiences, and implement career roundtable discussions for people who are about to take, or have just returned from, maternity or childcare leave
- In Japan, given the large number of opportunities we have to improve diversity, starting with gender, when compared with other countries, in 2021 we set a goal to achieve a female manager ratio (2.2% as of March 31, 2021) of 5.0% by 2026, and are working to achieve this ratio.

#### **(4) Investments in human capital (Supplemental Principles 3.1.3, 4.2.2)**

Based on the thinking that “corporate growth is about people, and employees are a foundation for creating value”, TEL's management deliberates on the investments in human capital that should be made to powerfully advance management strategies for the company, and strategically implement these investments.

#### **■ Engagement Status**

- Global personnel management

TEL has deployed business to 76 bases of operation in 18 countries, and we believe that it is important for personnel with diverse personalities, skills, experiences, and strengths to share a global sense of values as “One TEL,” and strive as one to create value. In 2017 we introduced a globally uniform job-based human resource system (GTC: Global TEL Career-Paths) and personnel management system, and focused on developing a common platform for personnel activities, and developing and enhancing the careers of our personnel around the globe. This has allowed us to arrange flexible and optimal resource distribution based on changes in business environments.
- Practicing our Corporate Philosophy and code of conduct (TEL Values) etc.

The basis of our global personnel management are our corporate principles and sense of value, which we have treasured since our founding. Management, including the CEO, took the initiative to create opportunities for direct dialogue with employees, through the use of venues like employee meetings, in order to communicate the ideal TEL state to employees. TEL management also implements programs to share and practice our Corporate Philosophy and the TEL Values through our level-based training, which is also provided when an employee is hired.
- Motivated management

TEL supports every one of our employees so that they may exercise their capabilities to the fullest, and regularly challenge themselves to achieve ambitious goals. Such initiative help realize continuous improvements in employee engagement scores, work to enhance product competitiveness and customer support capabilities, and improve productivity.

Based on our globally uniform human resources platform, positions and career opportunities at TEL are made public to all employees, thereby making it possible for employees to autonomously form their careers and visualize their career paths. With respect to career formation, we actively invest in

capability development through TEL UNIVERSITY (an internal shared training platform that allows employees to personally form their careers and support employee self-realization). In addition, TEL provides employee treatment that is fair and competitive at a global level, depending on the company's performance and the degree of employee's individual responsibilities and contributions, and works to secure and retain superior human resources.

#### **(5) Investments in intellectual property (Supplemental Principles 3.1.3, 4.2.2)**

TEL's basic policy pertaining to intellectual property is to acquire intellectual property, and have it contributed to the enhancement of TEL corporate profit by using it to support business activities. In order to continue growing in the semiconductor industry, which continues to experience its own unique evolution, TEL expands research and development on a global scale, including collaborations between industry and academia. In addition to assignments at headquarters, TEL assigns personnel responsible for intellectual property at R&D and production bases located in various areas throughout the world, considers projects from various angles, such as R&D and marketing perspectives, develops intellectual property portfolios that match technological and property strategies, and works to increase TEL's competitive capabilities.

##### **■ Engagement Status**

- We previously announced R&D investments of approximately 400 billion yen over a three-year period starting from FY2020, and we are proceeding with these investments in accordance with these plans. Going forward, we will engage in proactive growth investments on top of a strong financial foundation based on profit.
- In addition to collaboration with world-wide R&D bases (6 bases of operation) centered around domestic R&D bases (6 bases of operation), by utilizing alliances with external consortia, research institutions, and academia, we are working to enhance TEL research and development capabilities and continue R&D that contributes to the creation of value for our customers.
- As engineers are the crux of our development strategies, we provide continuous training to enhance their awareness of intellectual property, and a cumulative total of around 4,370 of our engineers (as of March 31, 2021) have become inventors. Furthermore, as engineers frequently handle highly confidential information, such as the technical information of customers and business partners, we also focus on providing them with training pertaining to confidential information management.
- TEL owns 18,692 patents (as of March 31, 2021), and maintains superiority in the field of intellectual property at a global level.

#### **(6) Roles of corporate pension funds as asset owner (Principle 2.6)**

The Tokyo Electron Pension Fund defines its basic policy as preserving the beneficiary interests of its participants, recipients, and others. It also stipulates the roles and responsibilities of related parties who implement the policy, as well as management policies.

##### **■ Engagement Status**

- The Asset Management Committee, which is responsible for managing the pension fund, is composed of persons with expertise from the personnel, accounting, and finance departments. It also receives assessments and advice concerning asset allocation and selection of investment management institutions from external experts.
- The Asset Management Committee receives reports from investment management institutions concerning the performance of the pension fund, the results of the exercise of voting rights and stewardship activities and monitors the activities against the investment management institutions.

## Section III Governance Structure

### **1. Basic View on Governance that will Lead to Sustainable Growth for TEL**

TEL upholds the vision of being a real global company that generates high added value and profits in the semiconductor and flat panel display industries through innovative technologies and groundbreaking proactive solutions that integrate diverse technologies. In an environment where over 80% of our sales come from overseas sales, TEL regards building governance structure as essential in order to become a real global company that achieves success in global competition achieves sustainable growth.

To that end, TEL has built a framework to maximize use of worldwide resources, and has incorporated a wide range of opinions to strengthen our management platform and technology base, establishing a governance structure capable of ensuring that TEL attains global-level earnings power.

### **2. Structure for Achieving Growth-Oriented Governance Directed at Sustainable Growth (Principle 4.2, 4.10)**

TEL uses the Audit & Supervisory Board System, which consists of a Board of Directors and an Audit & Supervisory Board. Effective governance is achieved based on the supervision of management by the Audit & Supervisory Board.

Furthermore, in addition to the Board of Directors, whose role is to make major operational decisions, play a supervisory role in the executive management's execution and support appropriate risk-taking by them, TEL has also established systems that will facilitate growth-oriented governance directed at sustainable growth for TEL, including the following:

- The Nomination Committee and Compensation Committee, to ensure fair, effective, and transparent management
- The Corporate Senior Staff (CSS), to advance company strategy
- The Business Execution Meeting, to play a role in deliberations of the executive management

#### **■ Engagement Status**

- A Board of Directors

The Board of Directors, which supports appropriate risk-taking by executive management, is aware that its main responsibility is to provide a strategic direction for the TEL Group, and thus conducts constructive deliberations regarding management strategies and management plans, and functions as a venue for supervising the progress of TEL's Medium-term Management Plan, and other similar matters. Furthermore, regarding decision-making authority delegated to the executive management by the Board of Directors, reports and explanations on the status of the Business Execution Meeting's deliberations must be presented to the Board of Directors in order to oversee that the decision-making of executive management is functioning appropriately (see 3. Board of Directors, below, for further details). Note that, in FY2021, the Board of Directors meeting held 12 times.

- The Nomination Committee and Compensation Committee

The Board of Directors has both a Nomination Committee and a Compensation Committee: both committees engage in proactive deliberations with appropriate guidance and involvement on the part of Independent Outside Directors regarding the nomination of candidates for CEO and directors, as well as the compensation system for officers, respectively.

The existence of these two committees ensures fairness of corporate management and facilitates the sound Growth-Oriented governance of TEL.

### **Nomination Committee**

Purpose: To ensure a fair and effective Board of Directors composition through the nomination of candidates for CEO and Corporate Director.

Role: To nominate candidates for the Board of Directors to be elected by the General Shareholder Meeting and candidates for CEO to be elected by the Board of Directors and propose these to the Board of Directors.

Composition: A total of 4 directors: 3 Internal Directors, and 1 Independent Outside Director (FY2022)

Frequency of Meetings: 10 times (FY2021)

### **Compensation Committee**

Purpose: To ensure transparency, and fairness in management and adequacy of compensation through the compensation system.

Role: To propose the policy and the system for compensation received by Corporate Directors and executive officers of the TEL Group, as well as individual compensation amounts for the Representative Directors.

Composition: A total of 4 directors: 2 Internal Directors, and 2 Independent Outside Directors (FY2022)

Frequency of Meetings: 7 times (FY2021)

#### – Business Execution Meeting

TEL has established the Business Execution Meeting to play a role in deliberations regarding executive management.

Purpose: Regarding matters for referral to the Board of Directors, the Business Execution Meeting aims that the executive management fully considers in the meeting in order to clarify points that must be discussed by the Board of Directors, and also ensures rationality in the decision-making process for decisions made by executive management.

Structure: The meeting consists of Executive Directors and Audit & Supervisory Board Members (Observers), with executive officers attending as necessary.

#### – CSS (Corporate Senior Staff)

TEL has established the Corporate Senior Staff (CSS) as one effective mechanism for utilizing TEL's worldwide resources to the fullest extent, and to realize aggressive governance.

Purpose: In order to advance the corporate strategy effectively and powerfully, CSS aims not only to foster common understanding of the management strategy throughout TEL group through CSS members, but also to manage the progress on strategy execution and review additional measures from a global, cross-organizational perspective and a mid- to long-term management perspective, without being encumbered by short-term perspectives focused primarily on the division where each member is in charge.

Composition: executive officers and members of management from overseas group companies, etc.

#### – Liability-limiting contracts, Directors & Officers Liability Insurance contract

The Company has concluded liability-limiting contracts specified by Article 423, Paragraph 1 of the Companies Act of Japan with Outside Directors and Audit & Supervisory Board Members. The liability limitation under these contracts is the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act of Japan, provided that the Directors perform their duties in good faith without gross negligence.

Furthermore, the Company has concluded a Directors and Officers Liability Insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan with an insurance company. The insurance contract covers damages, such as compensation for damages, settlements, and litigation expenses, arising from acts and nonperformance of acts committed in relation to the execution of duties by the insured.

### **3. Board of Directors**

#### **(1) Role and responsibilities of the Board of Directors (Principle 4.1)**

The Board of Directors works to achieve sustainable growth and increase corporate value over the medium- to long-term based on its fiduciary responsibility to shareholders. The roles and responsibilities of the Board of Directors are as follows:

##### **① Establishing management strategy and vision**

The Board of Directors establishes the vision and strategy TEL should target in order to be successful in global competition by setting forth the Corporate Philosophy, Management Policies and other Corporate Principles; presenting the long-term strategic vision; and determining the Medium-term Management Plan and capital policy.

##### **② Making major operational decisions based on strategic direction (Supplementary Principle 4.1.1)**

Proactive risk-taking and a risk management structure to support it are essential for being successful in global competition and achieving sustainable growth. The Board of Directors incorporates a wide range of opinions that stem from the extensive knowledge and experience of Independent Outside Directors and Audit & Supervisory Board Members in addition to Executive Directors who are well-versed in the business, making major operational decisions that are of particular importance to the business. Major operational decisions of particular importance refers to matters that have a major impact on such as TEL Group performance and financial status and mid- to long-term growth and corporate value, including approval of the Medium-term Management Plan, policies on shareholder return, corporate reorganization and Mergers & Acquisition, and similar matters. Furthermore, reports and explanations on the status of the Business Execution Meeting's deliberations must be presented to the Board of Directors in order to supervise that the decision-making of the executive management is functioning appropriately.

The strategy determined by the Board of Directors and the Business Execution Meeting is implemented expeditiously by the executive officers responsible for each division.

##### **③ Engaging in constructive, open-minded debate**

The Board of Directors seeks the active participation of those present in discussions in order to obtain a wide-range of opinions, and supervises management and operational execution based on active debate.

The Board of Directors respects opinions even when they are minority or opposing viewpoints, including opinions voiced by Outside Directors; revises the conditions for implementation or the content of proposals as necessary; and engages in extensive debate with the goal of reaching decisions based on consensus. However, emphasis is placed on making necessary decisions quickly to avoid missing opportunities.

#### **■ Engagement Status**

- The criteria for determining the importance of matters for referral to the Board of Directors are continually revised in light of the environment surrounding TEL, and in light of the provisions of the Companies Act. In order to allow the Board of Directors more time for deliberation of major operational decisions, the Board of Directors rules were partially amended with heightened referral criteria in May and October 2020.
- In the TEL Board of Directors meetings, proactive, frank opinions are always presented aggressively, not only by internal Corporate Directors, but also by Independent Outside Directors and Audit & Supervisory Board Members, thereby enabling active debates.

**(2) View on overall balance of knowledge, experience, and skills in the Board of Directors, its diversity and size (Supplementary Principle 4.11.1)**

**① Policy on election of Executive Directors (Principle 3.1.iv, 3.1.v)**

Executive Directors of TEL are required to have superior executional abilities underpinned by experience, insight, and a track record in management, high sensitivity to all possible risks, being able to properly analyze and judge matters, and frankly state the opinion that they believe to be correct during debates.

Moreover, in electing Executive Directors, consideration is given to achieving a balance of Corporate Directors who are well-versed in each division of TEL, including

- Sales and Service
- Manufacturing
- R&D
- Corporate Administration

and other divisions, to the extent possible in order to ensure constructive debate in Board of Directors meetings born out of a broad range of backgrounds and knowledge.

**■ Engagement Status**

- The current Executive Directors have been elected in a manner that has achieved the balance described above.
- The role of Executive Directors does not end with referring and explaining proposals as the representative of each division. They also contribute to active debate, proper decision-making, and supervision of execution through objective, constructive opinions coming from different perspectives of each Executive Director.

**② Policy on election of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members (Principle 3.1. iv, 3.1.v, 4.7, 4.8, 4.9)**

Stating their unreserved opinions from an independent perspective, Independent Outside Directors and Independent Outside Audit & Supervisory Board Members guide Board of Directors debates in the proper direction for success in global competition that does not follow the same line of discussion proposed by internal Corporate Directors.

From the aforementioned

perspectives, Independent Outside Directors and Independent Outside Audit & Supervisory Board Members shall have:

- Knowledge of global business
- Broad insight into related industries
- An extensive network of personal contacts
- Social perspectives
- Objectivity from capital market and other perspectives
- Knowledge of finance and accounting
- Broad legal knowledge

Each Independent Outside director and Outside Audit & Supervisory Board Member shall have a proper balance of the above traits, and others.

Furthermore, TEL also ensures the independence of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members through separately specified Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members<sup>6</sup>, in addition to the requirements under the Companies Act.

TEL will also take a positive stance on considering people equipped with the knowledge and character that TEL thinks will contribute to sustainable growth for TEL in the future as Independent Directors, etc.

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<sup>6</sup> For details of Independence Requirements, please refer to Appendix 2 “Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members”.

## ■ Engagement Status

- Currently, 7 of the 17 participants in the Board of Directors meetings, including the Audit & Supervisory Board Members, are outside members, consisting of 4 Independent Outside Directors and 3 Independent Outside Audit & Supervisory Board Members. TEL believes that the current Board of Directors meetings achieve an appropriate sense of productive tension and constructive debate that are essential for business execution decisions and supervision due to the combined perspective of Executive Directors familiar with the business, and the perspective of non-executive directors including outside members.

### ③ Size and diversity of the Board of Directors

TEL considers it essential to maintain a Board of Directors with the appropriate size to ensure high quality, active debate, and in addition, to have a good balance of knowledge, experience and skills as well as the diversity (including gender and international aspects) expected of both Executive Directors and Independent Outside Directors. The number of Corporate Directors shall therefore be the appropriate number for the operating environment at the time, considering a good balance in terms of knowledge, experience, and skills. The number of Corporate Directors shall therefore be the appropriate number for the environment at the time, considering the balance of knowledge, experience, and skills, up to the 18 Directors set forth in the Articles of Incorporation, in light of such factors.

Regarding candidates for the Board of Directors and Audit & Supervisory Board Members, TEL will make efforts going forward to appoint a variety of personnel, including gender and international aspects, who have the combination of knowledge, experience and skills expected of them.

## ■ Engagement Status

- The current Board of Directors consists of 12 Corporate Directors, including 2 women Corporate Directors and one Corporate Director of foreign nationality, and TEL believes this to be the appropriate size for achieving a well-balanced composition of directors at the present time.
- We have disclosed a skill matrix that lists the skills of each Corporate Director and Audit and Supervisory Board Member.<sup>7</sup>

### (3) Nominations for Corporate Director and CEO (Principle 3.1.iv, Supplementary Principle 4.3.2, 4.3.3)

TEL has established a Nomination Committee to ensure fairness and efficiency in management. The Nomination Committee Rules stipulate that the CEO is not a member of the Nomination Committee. The authority to propose election or dismissal of the CEO and Corporate Directors is entrusted to Nomination Committee members.

Furthermore, the Nomination Committee has formulated the Nomination Committee Activity Guidelines to enable it to conduct activities every year based on the same standards. These guidelines define the required qualities and eligibility of the CEO and Corporate Directors, and the trigger for investigations for dismissing of the CEO, and efforts are made to ensure the objectivity, timeliness, and transparency of the procedures for appointment and dismissal.

For Corporate Directors, the eligibility and qualities that are considered to be required are:

- Judgement 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, popularity, personality
- Ethical views appropriate to a global company
- Sensitivity and ability to understand risk

For the CEO, in addition to the required qualities and eligibility of Corporate Directors listed above, TEL considers the following to be requirements: the capability to be the driving force of the Group as a whole, strong leadership with the ability to execute, and a high level of management ability.

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<sup>7</sup> For individual skills of Corporate Directors and Audit & Supervisory Board Members, please refer to Appendix 4 "Skill Matrix and Board Diversity".

Regarding dismissal of a CEO, in situations such as when doubts arise concerning these qualities and eligibility based on the Nomination Committee Activity Guidelines, the Nomination Committee will conduct a review.

#### ① Role of the Nomination Committee

- 1) The Nomination Committee nominates candidates for Corporate Director to be elected by the general shareholder meeting and proposes these to the Board of Directors.
- 2) The Nomination Committee nominates Representative Director candidates for the Chief Executive Officer (CEO) to be elected by the Board of Directors, and proposes these to the Board of Directors.
- 3) The Nomination Committee refers to TEL's Independence Requirements when making proposals from among the Corporate Directors and candidates for Corporate Director to the Board of Directors; note that these requirements were established based on the requirements for Independent Directors set forth by the Tokyo Stock Exchange.

#### ② Ensuring the independence of the Nomination Committee (Supplementary Principle 4.10.1)

The Nomination Committee shall consist of three or more members including Outside Directors or Outside Audit & Supervisory Board Members. In order to ensure the independence of those members, CEO may not be elected to the Nomination Committee. Moreover, the Nomination Committee recommends Nomination Committee members for the next period and the Board of Directors elects the members based on those recommendations. This method achieves a high degree of independence and fairness in the election of candidates and ensures the authority of the CEO does not extend to the management of the Nomination Committee.

The term of Nomination Committee members shall be one year. Re-election in principle up to four years is permitted.

#### ■ Engagement Status

##### – Procedure for proposing nominated candidates

##### • Proposal of candidates for CEO and candidates for internal Corporate Director

When proposing candidates from inside TEL, the Nomination Committee will independently select multiple candidates for nomination from a pool of suitable candidates, and will screen them through interviews with the candidates and relevant people inside and outside of TEL, and other means. The Nomination Committee will then propose candidates who possess the above-listed eligibility and required qualities for a CEO and Corporate Directors to the Board of Directors as candidates for CEO or Corporate Director for the next period, after having exchanged opinions with Outside Directors in advance and having engaged in other careful consideration.

##### • Proposal of candidates for Outside Director

When proposing candidates from outside of TEL, the Nomination Committee will consider people from the pool of candidates who are appropriate because they have the knowledge and background to contribute to the Board of Directors, and other points stated in the proposal of candidates who possess the required eligibility and qualities for internal Corporate Director noted above. They will propose candidates for Outside Director to the Board of Directors after also taking the opinions of the currently appointed Outside Directors into consideration.

The respective personal networks of members of the Board of Directors, including Outside directors and Outside Audit & Supervisory Board Members will be used in electing candidates, not the personal networks of the Nomination Committee members alone.

##### • Proposal of candidates for Audit & Supervisory Board Member

Nominees for Audit & Supervisory Board Member are not subject to nomination by the Nomination Committee. When electing candidates for Audit & Supervisory Board Member, the Audit & Supervisory Board will consider candidates recommended by the Audit & Supervisory Board and from executive management and consider those persons deemed appropriate because they have the knowledge and background to contribute to TEL. Finally, after consented by the Audit & Supervisory Board, candidates for Audit & Supervisory Board Member are proposed to the Board of Directors.

#### **(4) Planning directed at developing a successor to the CEO and other executive management (Supplementary Principle 4.1.3)**

TEL has formed a pool of candidates for the next generation of management personnel in accordance with the TEL Succession Plan and is working on the development of successor candidates under the supervision of the CEO, and in accordance with the Group's management mission. The Nomination Committee analyzes and scrutinizes the abilities and readiness of successor candidates, and the Board of Directors holds discussions based on reports from the Nomination Committee, and appropriately supervises the progress of the successor candidate training plan. Note that policy dictates that while the CEO is involved in promoting the development of management levels eligible to become successor candidates, the CEO is not involved in nominating specific candidates from the pool of successor candidates.

##### **■ Engagement Status**

- The CEO and Representative Directors continually evaluate the skill, character, dignity, and insight of successor candidates from multiple perspectives in the course of performing day-to-day duties, and continually support education of the candidates through assignments, training, and other opportunities. They will use the Corporate Senior Staff (CSS), internal seminars for select leaders, and other resources as a pool of promising human resources.
- The abilities and readiness of the successor candidates are confirmed at the Top Management Review Meeting<sup>8</sup> at which missions that lead to the accumulation of knowledge and experience including important challenges related to Group management are assigned, and then their performance is checked.

#### **(5) Fair evaluation of the executive management, including the CEO (Supplementary Principle 4.3.1)**

TEL takes the following steps to ensure fair and highly transparent evaluation of the executive management, including the CEO.

##### **① Evaluation of the CEO**

- The formula for calculating the performance-linked compensation of the CEO is determined by the Board of Directors, based on the proposal of the Compensation Committee. It is decided fairly and in a highly transparent manner.
- In nominating candidates for CEO, the Nomination Committee will evaluate the appropriateness of the candidate based on past performance, including an evaluation of performance on assigned duties, and considering his or her personality, including the character and dignity, as a manager. They then determine whether or not he or she is capable of shouldering those responsibilities. The Nomination Committee has formulated the Nomination Committee Activity Guidelines that summarize CEO requirements up until appointment, such as eligibility and required qualities, as well as the trigger for investigation for dismissal, and these guidelines have been reported and shared with the Board of Directors. In the above manner, efforts have been made to increase the objectivity and transparency of the CEO selection and dismissal process.

##### **② Evaluation of the Executive Directors**

- Executive Directors bear the responsibility of achieving performance goals for the division where they are in charge based on the budget and Medium-term Management Plan. The degree to which that is achieved is an important factor in personnel evaluations for performance-linked compensation.
- Executive Directors' annual performance-linked compensation is ultimately determined by the CEO based on an evaluation of each director's duties and performance, the bonus amount being within the scope decided at the general shareholder meeting based on a decision by the Board of Directors.

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<sup>8</sup> The Top Management Review Meeting: The meeting is attended by Representative Directors, members of the Nomination Committee, the executive officer in charge of human resources, and others, who are responsible for formulating training plans and selecting candidates for successors.

The Compensation Committee also verifies the appropriateness of the evaluation and decision of the bonus amount for each director, with reference to advice from external experts.

**(6) Director and CEO compensation (Principle 3.1.iii, Supplementary Principle 4.2.1, 4.10.1)**

① Policy on compensation

The TEL Group emphasizes following points with regard to policies on compensation for Corporate Directors and Audit & Supervisory Board Members:

1. Levels and plans for compensation to secure highly competent management personnel with global competitiveness
2. High linkage with business performance in the short term and medium-and-long term increase of corporate value aimed at sustainable growth
3. Securement of transparency and fairness in the decision process of compensation and appropriateness of compensation

② Composition of compensation

Compensation for inside Directors consists of fixed basic compensation, annual performance-linked compensation, and medium-term performance-linked compensation as the table below.

Outside Directors have a role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision. The Company has introduced non-performance-linked stock-based compensation as a system that is more consistent with their expected role, and the compensation for Outside Directors consists of fixed basic compensation and non-performance-linked compensation (stock-based compensation).

Compensation for Audit & Supervisory Board Members consists solely of fixed basic compensation, in consideration of their role being primarily audit and supervision of management. Payment of retirement allowances, which constituted a significant portion of fixed compensation to Corporate Directors, was abolished in and after ended March 2006.

	Fixed basic compensation	Annual performance-linked compensation		Medium-term performance-linked compensation	Non-performance-linked compensation
		Cash bonuses	Stock compensation-based stock option	Performance share (Stock-based compensation)	Restricted stock units (stock-based compensation)
Corporate Directors (excluding outside Directors)	○	○	○	○	—
Outside Directors	○	—	—	—	○

③ Policy and decision method according to types of compensation

**1. Fixed basic compensation**

Fixed basic compensation for Corporate Directors is determined within the limit of total fixed basic compensation, which has been resolved at the Annual General Meeting of Shareholders. The amount of compensation for Representative Directors is discussed and decided by the Board of Directors based on the proposals by the Compensation Committee, while the amount of compensation of Corporate Directors excluding Representative Directors is finalized by CEO based on the resolution of the Board of Directors. The amount of compensation for Directors are determined with reference to the compensation standards of industry peers in Japan and overseas provided by the external research organizations, along with advice from external experts, and for Executive Directors, commensurate with the scale of job responsibilities based on the job grade framework. Furthermore, the Compensation Committee also verifies its appropriateness with reference to the advice from the external experts.

## 2. Annual performance-linked compensation

<< Policies on composition and payment ratios on fixed basic compensation >>

Among Directors, only inside Directors are eligible for annual performance-linked compensation, and its amount is linked to the business performance in the relevant fiscal year. In principle, annual performance-linked compensation consists of cash bonuses and stock compensation-based stock options; the composition is roughly 1:1. Stock compensation-based stock options are subject to a three-year exercise restriction period from the date of allotment of rights, designed to motivate recipients to share a shareholder perspective, while contributing to increasing corporate value over the medium- to long-term.

Annual performance-linked compensation is a profit-sharing type compensation paid commensurate with business performance for each fiscal year, therefore no policy is in place for the payout proportion of fixed basic compensation.

<<Calculation indicators and reason for choosing the indicators>>

As an incentive for Corporate Directors including Representative Directors toward corporate business performance, actual net income attributable to owners of parent is selected as the basis of calculation indicators, among profit indicators. In addition, actual consolidated ROE performance achieved during a fiscal year, which is an indicator to represent capital efficiency, is incorporated in the formula.

<< Calculation method and decision method >>

- Representative Directors

In calculating annual performance-linked compensation for Representative Directors, we have set a formula that uses net income attributable to owners of parent and a consolidated ROE as performance indicators. Based on that calculation, the Compensation Committee deliberates on a proposal that reflects the performance evaluation (targets based on short-term and medium-term management strategies) of each Representative Director, with reference to the advice from the external experts, and proposes to the Board of Directors. The Board of Directors determines the final amount of compensation based on the proposals.

Setting the mission (evaluation items)	Performance evaluation	Determination of the amount of compensation
Set the mission after deliberations by the Compensation Committee as well as deliberations by the members of the Board of Directors excluding the Representative Directors	After deliberations by the Compensation Committee, evaluated by the members of the Board of Directors excluding the Representative Directors	Determined by resolution of the Board of Directors upon proposal of the amount to be paid by the Compensation Committee to the Board of Directors

- Corporate Directors other than Representative Directors

With regard to the amount of annual performance-linked compensation for Corporate Directors that links to net income attributable to owners of parent and consolidated ROE, CEO makes a final decision based on the resolution of the Board of Directors, within the scope of the bonus resolved at the General Meeting of Shareholders. Such final decision is made in reference to the compensation standards of industry peers in Japan and overseas, provided by the external research organizations, and based on the job responsibilities and performance evaluation (targets based on short-term and medium-term management strategies) of each Director. Furthermore, in evaluating each Director and determining the amount of compensation, the Compensation Committee also verifies the appropriateness, with reference to the advice from the external experts.

### 3. Medium-term performance-linked compensation

<< Policies on composition and payment ratios on fixed basic compensation >>

Medium-term performance-linked compensation is to award performance shares (stock-based compensation) to inside Directors only, with the objective of motivating recipients to contribute to improving medium-term business performance, as well as to share a shareholder perspective by holding Company shares and raising awareness toward enhancing corporate value. The number of Company shares awarded to each inside Director varies according to the payout rate based on the responsibilities and performance goal achievement levels for the three-year covered period.

If the payout rate of medium-term performance-linked compensation is 100%, the payment amount is set at around 30% to 100% of the fixed basic compensation, depending on responsibilities.

<< Calculation indicators and reason for choosing the indicators >>

The calculation of medium-term performance-linked compensation uses consolidated operating margin as an indicator of profitability in evaluating the achievement of performance targets, and consolidated ROE as an indicator to represent capital efficiency, in order to link the compensation with the Company's Medium-Term Management Plan.

<< Calculation method and decision method >>

(Formula for medium-term performance-linked compensation)

Share delivery point =

"Reference points (set according to the scale of job responsibilities) x 70% x consolidated operating margin attainment factor (\*)"

+

"Reference points (set according to the scale of job responsibilities) x 30% x Level of factors in consolidated ROE attainment (\*)"

(\*) Indicators to assess the degree of achievement of the performance goals for the target period (three fiscal years) is the actual figures of consolidated operating margin and consolidated ROE in the final fiscal year during the target period. Each attainment factor is variable in five grades of 0%, 50%, 75%, 100%, and 120%, depending on the target achievement level.

The number of TEL shares to be issued to inside Directors is determined by allocating one TEL share per point and using the number of share delivery points calculated by the above formula; however, the number of shares to be issued per point will be adjusted when TEL executes a share split, allotment of share without contribution, share reverse split, etc.

The calculation formula, reference points used in such formula, and performance attainment factor shall be determined by the Board of Directors based on the proposal of the Compensation Committee.

### 4. Non-performance-linked compensation

Non-performance-linked compensation is applicable to Outside Directors. For the Company's Outside Directors, the Company has introduced non-performance-linked stock-based compensation (restricted stock units) as a system that is more consistent with their expected role of giving advice to the management from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision. With regard to the amount paid, the amount is set at around 50% to 60% of the fixed basic compensation to ensure appropriate balance between cash compensation and stock-based compensation, and the Company shares shall be delivered after the expiration of the applicable period (three fiscal years).

The number of the Company shares to be delivered to Outside Directors shall be commensurate with the number of share delivery points calculated based on the payment amount, where one point corresponds to one Company share. In the event of share split, allotment without compensation, or share consolidation of the Company shares, the number of Company shares to be delivered for each point shall be adjusted accordingly.

#### ④ Shareholding guidelines

TEL established the Shareholding Guidelines (effective as of July 1, 2021), and management will ensure continuous improvements to corporate value, and definitive sharing of profits with stakeholders. We have set goals to, after these Guidelines come into effect or within 5 years of inauguration, retain TEL shares equivalent to the values described below.

CEO	Inside Directors	Outside Directors	TEL Executive Officers
3 times fixed basic compensation (annual amount)	2 times fixed basic compensation (annual amount)	1 times fixed basic compensation (annual amount)	1 times fixed basic compensation (annual amount)

#### ⑤ Clawback policy

TEL has enacted a Claw-back Policy (effective as of July 1, 2021) and if major corrections of financial figures are deemed necessary due to intentional misconduct of Executive Directors, we will demand the return of annual performance-linked compensation and medium-term performance-linked compensation. The compensation that will be subject to return will be the excess portion of performance-linked compensation received during the fiscal year in which the misconduct was discovered, as well as such compensation received during the preceding 3 fiscal years.

#### ⑥ Role of the Compensation Committee

In order to secure transparency and fairness in management and appropriateness of compensation through our compensation system, the Company has established the Compensation Committee, which is comprised of three or more Corporate Directors (excluding Representative Directors), including outside Director. The Compensation Committee for the current fiscal year consisted of four members, comprising 2 inside Directors and 2 Independent Outside Directors, with an outside Director serving as the chairman. Every meeting of the Compensation Committee was attended by an external expert. The Compensation Committee utilizes advice from the external expert, compares wage levels with industry peers and other companies in Japan and abroad, analyzes the latest trends in Japan and abroad and best practices such as reflecting ESG in compensation, and proposes a policy for compensation for Corporate Directors, a compensation system that is globally competitive and most appropriate for the Group, and individual compensation amounts for the Representative Directors among other matters, to the Board of Directors.

#### (7) Initiatives directed at stimulating debate in the Board of Directors (Principle 4.8, 4.12, 4.13, Supplementary Principle 4.12.1, et al.)

TEL's Board of Directors secures ample time for holding deliberations. The Legal Department will handle the secretariat functions of the Board of Directors, and will endeavor to ensure smooth meeting operations and vitalization of deliberations by performing the following types of operations.

Furthermore, in terms of matters for referral to the Board of Directors, the Business Execution Meeting fully considers and clarifies with the executive management the items that must be discussed by the Board of Directors, with the Board of Directors focusing on growth strategy and enhancing corporate value.

Moreover, focused discussions on topics also of importance in the mid-term related to management strategy and vision are conducted in off-site meetings held at venues away from the regular meeting place of the Board of Directors.

#### ■ Engagement Status

- Initiatives of meeting management
  - Secure the appropriate amount of time for debate and strive to increase the attendance rate for all Corporate Directors and Audit & Supervisory Board Members, including Outside members, by setting an annual schedule for Board of Directors meetings.
  - Distribute materials concerning agenda items to be discussed to attendees of Board of Directors meeting in advance of the Board of Directors meeting. Also provide prior explanation in a timely manner to Outside Directors and Outside Audit & Supervisory Board Members from the administrative office.

- Unify the support departments for Independent Outside Directors and Audit & Supervisory Board Members into the Legal Department of the Company and timely communicate information necessary for performing a task
- Strive to provide sufficient information to and dialog with Independent Outside Directors and Audit & Supervisory Board Members by establishing a venue for the exchange of opinions between TEL executive management and Independent Outside Directors and Audit & Supervisory Board Members beforehand, for matters of particular importance.

#### **(8) Corporate Director training (Principle 4.14, Supplementary Principle 4.14.1, 4.14.2)**

TEL provides Corporate Directors and Audit & Supervisory Board Members with opportunities to gain further knowledge and engage in appropriate study as needed. Proper explanations of the TEL's business, financial status, organization and other aspects are also provided to new Outside Directors and Outside Audit & Supervisory Board Members when they assume the office.

#### **(9) Evaluating the effectiveness of Board of Directors (Supplementary principle 4.11.3)**

The results of audits by the Audit & Supervisory Board concerning the performance of duties by Corporate Directors are reported in a Board of Directors. In addition to that, the Board of Directors performs our own analysis and evaluation, debates the effectiveness of the Board of Directors based on an evaluation survey filled out by each Corporate Director and Audit & Supervisory Board Member from the end of the current fiscal year, and discloses a summary of the results each year. In regard to issues that are recognized as a result of analysis and evaluation, the Board of Directors will endeavor to make timely improvements based on the discussions.

#### **■ Engagement Status**

- In evaluating the effectiveness of the Board of Directors during FY2021, we appointed a third-party institution to offer advice for setting evaluation items, and to hold, aggregate, and analyze interviews. We then exchanged opinions and held discussions between external directors and external Audit & Supervisory Board Members while referencing aggregation results and details of analyses. Subsequently, this information was shared with, and discussed by, the Board of Directors, and a deliberation, and comprehensive evaluation, pertaining to the effectiveness of the Board of Directors, including the Nominating Committee and the Compensation Committee, was performed. An overview of the results has been published on the TEL website<sup>9</sup>.

### **4. Audit & Supervisory Board (Principle 4.4, Supplementary Principle 3.2.2)**

#### **(1) Composition of the Audit & Supervisory Board**

The Audit & Supervisory Board prescribes that there shall be Full-time Audit & Supervisory Board Members with expertise in the TEL business and management system, and Outside Audit & Supervisory Board Members with expertise in specialized areas such as law, finance and accounting, and capital markets. Each of the Audit & Supervisory Board Members conducts audit activities based on the audit policy and audit plans determined by the Audit & Supervisory Board, and they audit the directors' execution of their duties and the status of company property, etc., and supervise the soundness of management.

#### **■ Engagement Status**

- TEL's Audit & Supervisory Board consists of 2 Full-time Audit & Supervisory Board Members, and 3 Independent Outside Audit & Supervisory Board Members (FY2022) .

#### **(2) Auditor compensation**

Compensation for Audit & Supervisory Board Members consists solely of fixed basic compensation, in consideration of their role being primarily audit and supervision of management and it is determined by discussion of the Audit & Supervisory Board within the limit of total fixed basic compensation, which has been resolved at the Annual General Meeting of Shareholders.

<sup>9</sup> For details of Evaluating the effectiveness of Board of Director: <https://www.tel.com/about/cg/>

### **(3) Cooperation with Audit & Supervisory Board Members and executive management, the Internal Audit Department, and the Accounting Auditors (Supplementary Principle 4.13.3, 3.2.2)**

Audit and Supervisory Board Members coordinate closely with executive management, the internal audit department, and the Accounting Auditors, and work to establish a structure that enables the performance of an organized, effective, and efficient audit.

#### **■ Engagement Status**

- Cooperation with executive management: Regular meetings are held with Representative Directors. Audit & Supervisory Board Members also attend management meetings, Business Execution Meetings, and other important meetings, and exchange opinions with executive management as appropriate.
- Cooperation with the Internal Audit Department: Full-time Audit & Supervisory Board Members lead cooperation through Audit Center reports (6 per year), etc.
- Cooperation with Accounting Auditors: All Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, receive the audit plan for the current period from the Accounting Auditors, receive an explanation of a summary of the auditing methods and key audit points, etc., receive reports about reviews Accounting Auditors, and audit results from the Accounting Auditors quarterly and at fiscal year-end. If the Independent Accounting Auditors discover irregularities and request appropriate responses, or identify inadequacies or concerns, they will report these to the executive officer in charge and the Audit & Supervisory Board Members as necessary, and the executive officer in charge will take the lead on investigating and correcting the problem and reporting the results of that.

### **(4) Effectiveness of Audit by the Audit & Supervisory Board Members (Principle 4.11)**

TEL collects information through on-site surveys through assignment of 2 Full-time Audit & Supervisory Board Members. TEL also seeks proper coordination between the Internal Audit Department and the Accounting Auditors and has established a structure that enables Audit & Supervisory Board Members to obtain sufficient information necessary for audits.

In addition, TEL's Full-time Audit & Supervisory Board Members concurrently serve as auditors of major subsidiaries and enhance the effectiveness of audits through such activities. Also, under way is working to develop a Group audit structure, including Group auditor meetings with all Company auditors, auditors of subsidiaries, the head of the internal audit department, and the head of risk management, among other parties, to share information and opinions.

#### **■ Engagement Status**

- The Audit & Supervisory Board meeting held 9 times in FY2021.
- At present, the composition of Audit & Supervisory Board Members provides a good balance of knowledge required for operational audits and accounting audits, including financial and accounting knowledge, legal knowledge, and audit experience at other companies; hence, TEL believes that audit by Audit & Supervisory Board Members of the TEL Group functions effectively.
- Audits by Audit & Supervisory Board Members are implemented in accordance with the auditing policies and audit plans established each fiscal year, and members attend important meetings, such as Board of Directors meetings and Business Execution Meetings, to provide their opinions, and perform operational audits and accounting audits, among other tasks.

## **5. Internal Controls and Risk Management (Basic Policy on Internal Controls)**

### **(Principle 2.5, 4.3, 4.13, Supplementary Principle 2.5.1, 4.3.4, 4.13.3)**

The TEL Group endeavors to strengthen effective internal controls to enhance corporate value and maintain accountability in actions with respect to stakeholders.

TEL has appointed an executive officer in charge of Internal Controls and takes concrete action based on the "Fundamental Policies concerning Internal Controls within the Tokyo Electron Group" set forth by the Board of Directors. TEL also implements measures for "Internal Controls over Financial Reporting" pursuant to the Financial Instruments and Exchange Act of Japan. Furthermore, with respect to risk management and compliance, TEL advances risk management and compliance activities under the direction of the executive officer in charge. The status of these activities is periodically reported to the Board of Directors by the executive officer in charge.

### **■ Engagement Status**

- TEL has the following structure in place to ensure the proper performance of business, and endeavors to enhance practicality and effectiveness.
  - ① Compliance System
    - (i) In accordance with "The Tokyo Electron Group Code of Ethics," and "Compliance Regulations," we work to ensure thorough awareness of, and thorough implementation of, compliance. "The Tokyo Electron Group Code of Ethics" was revised in May of 2020 in order to clarify its position as a code of conduct, and we are working on the development of a stronger corporate ethics and compliance structure.
    - (ii) Compliance-related education and training are provided according to positions or otherwise as a compulsory program to all executives and employees depending on the theme and topics. The topics of the compliance education and training include corporate ethics and compliance, prevention of bribery, competition law, Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, export compliance, insider trading prevention, protection of personal information, and prevention of harassment.
    - (iii) With the objective of bolstering compliance systems group-wide and at each group company, the TEL Group appointed Regional Compliance Controllers at major overseas sites and developed an official reporting structure in which they directly report to the Chief Compliance Officer who supervises the TEL Group's Compliance Department. They are working to implement measures to prevent, detect and respond to compliance issues.
    - (iv) For early detection and early response to matters which may violate laws, regulations, or principles of business ethics, TEL has a unified internal reporting system in Japan and overseas in place, along with measures to ensure confidentiality and anonymity and prevent retaliation, which are important principles in the operation of the system.
  - ② Risk Management Structure
    - (i) We established "Risk Management Regulations" and "Crisis Management Regulations," and evaluate and analyze risks that encompass the Group. We periodically review the material risk items that encompass the Group, promote necessary measures pertaining to material risks, periodically report the status of risk management activities to the Board of Directors and to Audit & Supervisory Board Members, and endeavor to reduce risks. Furthermore, in FY2021, we newly established a Risk Management Committee with members such as General Managers of each Business Division and Presidents of TEL Group companies participating and engage in risk management activities such as the implementation of continuous monitoring of select risk items, under the guidance of the risk owners in each risk area.
    - (ii) The TEL Group has formulated business continuation plans that address risks like earthquakes, and we are continuously engaged in efforts to review measures for realizing early recovery and substitute production at each base of operation.

- (iii) With respect to our response to the global spread of the COVID-19 pandemic, the TEL Group, centered primarily around the Emergency Response Headquarters helmed by the CEO, continues to implement measures against COVID-19 by limiting travel to countries and regions with high risks of infection, maintaining the supply chain, and ensuring thorough implementation of infection prevention measures at offices, among other efforts.
- ③ Internal Audit Department
- (i) The Internal Audit Department, Global Audit Center (14 members), was established as the department operating under the direct control of the president, equipped with functions to perform internal control evaluations pertaining to operational audits and financial reports based on the Financial Instruments and Exchange Act of Japan, and this Department is working to expand its auditing functions.
  - (ii) Global Audit Center proposes annual audit implementation plans for operational audits in accordance with TEL's Internal Audit Regulations, implements audits with respect to the domestic and overseas bases of operation for the TEL Group, and provides reports on the results of the audits at report meetings held for management, as well as for TEL's Full-time Audit & Supervisory Board Members and domestic subsidiary Audit & Supervisory Board Members. Further, we also have in place a structure for providing reports to the Board of Directors as well.
  - (iii) The Internal Audit Department and the Accounting Auditors engage in information exchanges and opinion exchanges periodically or as needed, and both groups coordinate with each other in order to ensure efficient and effective audits.
- ④ Management of Group Companies
- (i) Crucial decision-making for Group companies requires approval by TEL in accordance with TEL's "Board of Directors rules" and "Authorization Charts."
  - (ii) In revising the "Group Management Regulations," in addition to matters requiring TEL's approval, we clarified matters to be reported to TEL, and are working to enhance Group company management.
- ⑤ Performance of Duties by Directors
- (i) The Board of Directors determines important matters regarding the TEL Group's management and appoints Representative Directors, Executive Directors and executive officers for the execution of their duties.
  - (ii) The Board of Directors receives regular reports at Board of Directors meetings regarding the status of execution of duties by Executive Directors including the CEO, and the status of deliberations at Business Execution Meetings, and supervises the work performance status applicable to the TEL Group.
  - (iii) We are working to review the operations of the Board of Directors for TEL's sustainable growth and enhancement of corporate value over the medium- to long-term, and we partially revised the Board of Directors Regulations in FY2021.
- ⑥ Audit System of Audit & Supervisory Board Members
- (i) the Audit & Supervisory Board Members attend, as appropriate, Board of Directors meetings, Business Execution Meetings, Ethics Committee meetings, as well as other important meetings, and confirm the establishment of internal controls and the status of operations.
  - (ii) the Audit & Supervisory Board Members meet with the Accounting Auditors and domestic subsidiary Audit & Supervisory Board Members in order to exchange information and collaborate. Furthermore, TEL's Audit & Supervisory Board Members and domestic subsidiary Audit & Supervisory Board Members periodically receive reports from the Internal Audit Department (Global Audit Center).

## **6. Relationship to the Accounting Auditors (Principle 3.2, Supplementary Principle 3.2.1, 3.2.2)**

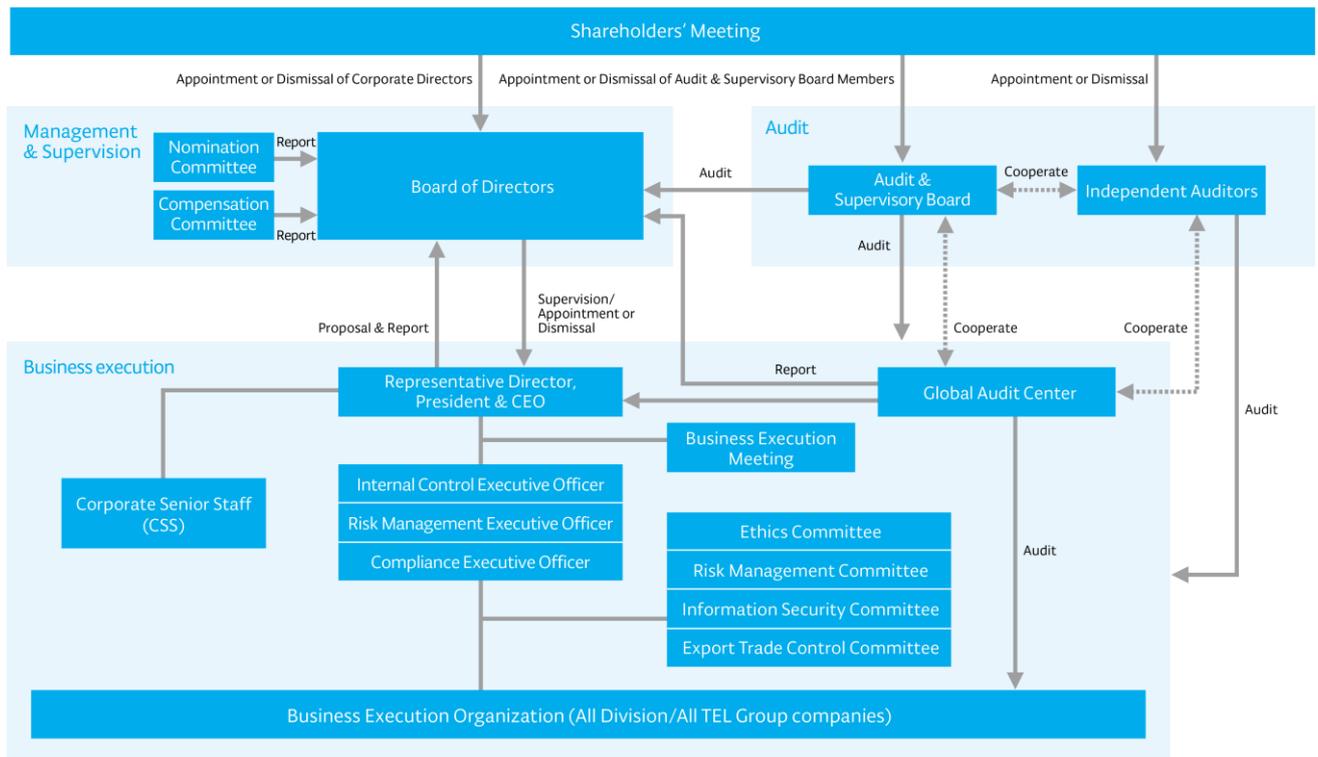
TEL secures sufficient time to ensure proper audits by the Accounting Auditors; in addition regular meetings are held between the CEO, executive officers in charge, and the Accounting Auditors.

Furthermore, not only does the Audit & Supervisory Board receive briefings from the Accounting Auditors in accordance with the "Criteria for Evaluation and Selection of Accounting Auditors by the Audit & Supervisory Board" (as separately established by the Audit & Supervisory Board itself), but it also evaluates the performance of the Accounting Auditors through interviews with the TEL Accounting Department to gather opinions on the performance of audits by the Accounting Auditors and other matters. The evaluation checks the Accounting Auditors for appropriate quality control, their independence and expertise, and the validity and efficiency of audits, as well as the effectiveness of their communication with the Audit & Supervisory Board Members, executive management and the Internal Audit Department, among others.

### **■ Engagement Status**

- With respect to accounting audits as set forth in the Financial Instruments and Exchange Act, since FY2005, we have continuously entered into an auditing agreement with the KPMG AZSA LLC, as of Accounting Auditors. We provide the KPMG AZSA LLC with various forms of information and data during audits for given terms, and work to establish an environment that allows for the implementation of speedy and accurate audits.

**Appendix1** Diagram of the corporate governance framework



## Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members

The board of directors of Tokyo Electron Ltd. (“Tokyo Electron”) has established the independence requirement for outside directors and outside audit & supervisory board members (as defined under item 15 and 16, Article 2, of the Companies Act ) as follows.

The following persons shall not be considered independent if such person could cause a conflict of interest against the shareholders:

1. A person for whom Tokyo Electron is a Major Business Partner or a person who is a Major Business Partner of Tokyo Electron, except for those who fall into 2. below;
  - ※ Under this 1., “A person for whom Tokyo Electron is a Major Business Partner” means a person who, or a person who is a current employee or current executive officer of a company that, has received payments from Tokyo Electron or its subsidiaries for property or services in an amount which, in the last three consecutive fiscal years, has been the greater of 5% of recipient’s consolidated gross revenues, or 100 million yen, or more. If Tokyo Electron cannot reasonably know the amount of payments received in certain fiscal years, the amount in the fiscal year available to Tokyo Electron is used. The same shall apply hereinafter.
  - ※ “A person who is a Major Business Partner of Tokyo Electron” means a person who, or a person who is a current employee or current executive officer of a company that, has made payments to Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been 2% of Tokyo Electron’s consolidated gross revenues or more, provided that in the case of a financial institution from which Tokyo Electron borrows funds, it is indispensable for Tokyo Electron to fundraise and on which Tokyo Electron depends irreplaceably.
2. A person who is a consultant, an accountant, or a lawyer who receives, or who works on a full-time basis at a firm which receives, a Large Amount of Money or Other Property from Tokyo Electron or its subsidiaries, other than compensation for being a director or an audit & supervisory board member;
  - ※ “a Large Amount of Money or Other Property” means an amount of money or other property which, in the last three consecutive fiscal years, has been the greater of 5% of recipient’s consolidated gross revenues, or 10 million yen, or more. The same shall apply hereinafter.
3. A person who has recently fallen under either of 1. or 2. above; or
  - ※ “A person who has recently fallen under either of 1. or 2. above” means a person who could be substantially deemed to fall under either of 1. or 2. above. Concretely, it means a person who fell under 1. or 2. above at the time when the board of directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an outside director or an outside audit & supervisory board member.
4. A person whose Immediate Family Member (except for those who do not hold an important position) falls under (a) through (d) below, provided that (c) below applies to an outside audit & supervisory board member only:

- (a) a person who falls under any of (i) through (iii) below;
- (i) A person for whom Tokyo Electron is a Major Business Partner or a person who is a Major Business Partner of Tokyo Electron, except for those who fall into (ii) below;
- ※ Under this (i), “A person for whom Tokyo Electron is a Major Business Partner” means a person who, or a person who is a current employee or current executive officer of a company that, has received payments from Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been the greater of 5% of recipient’s consolidated gross revenues, or 100 million yen, or more.
  - ※ “A person who is a Major Business Partner of Tokyo Electron” means a person who, or a person who is a current employee or current executive officer of a company that, has made payments to Tokyo Electron for property or services in an amount which, in the last three consecutive fiscal years, has been 2% of Tokyo Electron’s consolidated gross revenues or more, provided that in the case of a financial institution from which Tokyo Electron borrows funds, it is indispensable for Tokyo Electron to fundraise and on which Tokyo Electron depends irreplaceably.
- (ii) A person who is a consultant, an accountant, or a lawyer who receives, or who works on a full-time basis at a firm which receives, a Large Amount of Money or Other Property from Tokyo Electron, other than compensation for being a director or an audit & supervisory board member; or
- (iii) A person who has recently fallen under either of (i) or (ii) above:
- ※ “A person who has recently fallen under either of (i) or (ii) above” means a person who could be substantially deemed to fall under either of (i) or (ii) above. Concretely, it means a person who fell under (i) or (ii) above at the time when the board of directors of Tokyo Electron resolved the contents of agenda for the general shareholder meeting, where such person is selected as an outside director or an outside audit & supervisory board member.
- (b) an employee or an executive officer of subsidiary of Tokyo Electron;
- (c) a non-executive director of subsidiary of Tokyo Electron; or
- (d) a person who has recently fallen under (b) or (c) above or who was an employee or an executive officer, or in the case of an outside audit & supervisory board member, a non-executive officer, of Tokyo Electron:
- ※ Whether an Immediate Family Member holds an important position or not shall be determined according to *ho* item 7, paragraph 4, Article 74, of the Ordinance for Enforcement of the Companies Act. For instance, with respect to 1. and 4.(a) (i) above, a director or an employee who is above head of department level of a business partner company, and with respect to 2. and 4. (a) (ii) above, a certified public accountant who belongs to an auditing firm and a lawyer (including associate lawyer) who belongs to a law firm are considered to hold an important position.
  - ※ “Immediate Family Member” means a relative within the second degree of relationship. If a person is no longer a relative within the second degree of relationship as a result of divorce, dissolution of adoption, or death, etc., such a person shall not be considered as “Immediate Family Member”.

**Appendix3 Reasons for Appointing the CEO, Individual Corporate Directors and Audit & Supervisory Board Members; Status of Concurrent Duties at Other Listed Companies**

**[Principle 3.1.v, Supplementary Principle 4.11.2]**

<p>Corporate Director, Chairman of the Board Tetsuo Tsuneishi</p>	<p>Other than his involvement in the semiconductor manufacturing equipment business of the Company, Mr. Tsuneishi has been involved in management in a wide range of fields from IR, legal and business strategies, and is equipped with ample experiences and a proven track record. We believe that with these many years of experiences he can contribute to decision making that leads to improving shareholder value, and therefore nominated him as a corporate director. (Status of Concurrent Duties at Other Listed Companies) Corporate Director, Tokyo Electron Device Ltd.</p>
<p>Representative Director, President &amp; CEO Toshiki Kawai</p>	<p>Having conducted global sales of semiconductor manufacturing equipment and performing management duties in multiple business units in this business, Mr. Kawai possesses ample experiences and record of achievement. In addition, he has demonstrated strong leadership as CEO in executing management duties. We nominated him as a corporate director and the CEO with the expectation of leveraging these experiences and achievement in decision-making concerning the Group management policies at the board of directors.</p>
<p>Representative Director Sadao Sasaki</p>	<p>Mr. Sasaki has performed management duties in marketing as well as technological development and development for semiconductor manufacturing equipment in the Company and a Group manufacturing company, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominated him as a corporate director.</p>
<p>Corporate Director Yoshikazu Nunokawa</p>	<p>Mr. Nunokawa has been involved in a wide range of fields in the Company including sales, finance, and human resources, and is equipped with ample experience of serving as a Vice President &amp; General Manager supervising the Administrative Division of Group companies, as well as endeavoring to ensure sound and appropriate decision making on the Company's management as an Audit &amp; Supervisory Board Member of the Company. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominated him as a corporate director.</p>
<p>Corporate Director Tatsuya Nagakubo</p>	<p>Mr. Nagakubo has performed duties in the Company's Administration Division and through overseas postings, has promoted the global expansion of the Company, holding ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominated him as a corporate director.</p>

<p>Corporate Director Kiyoshi Sunohara</p>	<p>Mr. Sunohara has promoted global sales of semiconductor manufacturing equipment and contributed to expanding the field services business under his helm, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominated him as a corporate director.</p>
<p>Corporate Director Seisu Ikeda</p>	<p>Mr. Ikeda has been involved in management in multiple business units in the semiconductor production equipment business and has also worked for enhanced profit and share improvement, as well as strengthening relationship with customers as General Manager of the Account Sales Division, holding ample experience and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominated him as a corporate director.</p>
<p>Corporate Director Yoshinobu Mitano</p>	<p>Mr. Mitano has been involved in sales, marketing, and management duties in the principle business unit under the semiconductor production equipment business of the Company, making large contribution to the division's growth so far, and possesses ample experiences and record of achievement. With the expectation of utilizing these experiences and achievement in bolstering the decision making function of the board of directors, we nominated him as a corporate director.</p>
<p>Outside Director <u>Independent</u> Charles Ditmars Lake II</p>	<p>After holding important positions of the U.S. government and working at a law firm in the U.S., Mr. Charles Ditmars Lake II has successively served in positions including Chairman and Representative Director of Aflac Life Insurance Japan Ltd. and President of Aflac International, Incorporated, and he has a wealth of experience and knowledge as a corporate manager of companies that cover both Japan and the U.S. We nominated him as an Outside Director, expecting him to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing his experience and knowledge. (Status of Concurrent Duties at Other Listed Companies) Chairman and Representative Director, Aflac Life Insurance Japan Ltd. <sup>Note2</sup> President, Aflac International, Incorporated <sup>Note2</sup> Outside Director, Japan Post Holdings Co., Ltd.</p>
<p>Outside Director <u>Independent</u> Michio Sasaki</p>	<p>Having served as President and Representative Director of KEYENCE CORPORATION, Mr. Sasaki achieved substantial improvements of corporate value and high profitability, engaged in the global management of the company for many years. We nominated him as an Outside Director, expecting him to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing his wealth of experience and knowledge as a corporate manager. (Status of Concurrent Duties at Other Listed Companies) Director and Vice President, SHIFT, Inc. Outside Director, ZUIKO CO., LTD.</p>

<p>Outside Director <u>Independent</u> Makiko Eda</p>	<p>Having been involved in marketing in the Asia-Pacific region for Intel Corporation, a major U.S. semiconductor manufacturer, Ms. Eda possesses deep insight into the future and needs regarding the semiconductors business. She also served as a President and Representative Director at the Japanese subsidiary of Intel Corporation and has ample experience and extensive insight as a corporate manager. In addition, she serves as Chief Representative Officer of the World Economic Forum Japan, exchanging wide-ranging opinion with leaders from various fields to work on solving a variety of issues faced by international society. We nominated her as an Outside Director, expecting her to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing her experience in the semiconductor industry as well as global and multifaceted perspective. (Status of Concurrent Duties at Other Listed Companies) Chief Representative Officer, World Economic Forum Japan <sup>Note3</sup> Outside Director, FUJIFILM Holdings Corporation.</p>
<p>Outside Director <u>Independent</u> Sachiko Ichikawa</p>	<p>Having served as a Partner of Tanabe &amp; Partners, Ms. Ichikawa possesses ample experience and expertise as an attorney-at-law mainly in corporate legal affairs. In addition, she also has global and advanced specialization, holding qualifications as an attorney-at-law in the State of New York, the U.S. and a U.S. certified public accountant. We nominated her as an Outside Director, expecting her to provide opinions and advice regarding the Company's corporate management in general from the perspective for increasing corporate value over the medium- to long-term, in addition to the management supervision, by utilizing her experience above as well as knowledge in fields such as corporate governance, risk management, and compliance. (Status of Concurrent Duties at Other Listed Companies) Outside Director, Olympus Corporation</p>
<p>Audit &amp; Supervisory Board Member(Full time) Yoshiteru Harada</p>	<p>Mr. Harada has extensive experiences in operations and management, including supervision of the Administration Division of the TEL Group as a GM. He possesses considerable knowledge of finance and accounting. Since assuming the position of Audit &amp; Supervisory Board Member of TEL, he has served as the chairperson of the Audit &amp; Supervisory Board and provided appropriate advice, contributing to improving the efficiency of audit of the Audit &amp; Supervisory Board as a whole. We nominated him as an Audit &amp; Supervisory Board Member, since we believe that he can appropriately execute his duties as an Audit &amp; Supervisory Board Member with these experiences and expertise.</p>
<p>Audit &amp; Supervisory Board Member(Full time) Kazushi Tahara</p>	<p>Having served in various managerial positions including Vice President &amp; General Manager of the Technology Development Division and the Production Division, he has abundant experience and knowledge related to technology and management. Since we believe that he can conduct highly effective audit of the overall management and in the field of technology of the Group as an Audit &amp; Supervisory Board Member, we nominated him as an Audit &amp; Supervisory Board Member.</p>

<p>Outside Audit &amp; Supervisory Board Member</p> <p><u>Independent</u></p> <p>Kyosuke Wagai</p>	<p>Having served as a certified public accountant at an auditing firm for a long time, Mr. Wagai reflects his ample expertise in finance and accounting, as well as knowledge in auditing and related fields, in the Company's audits. At meetings of the Board of Directors and the Audit &amp; Supervisory Board of the Company, he has contributed to the Company's audits such as by providing opinions and advice on matters including information security. We nominated him as an Outside Audit &amp; Supervisory Board Member with a view to continually utilizing his experience and insight while objectively ensuring the appropriateness of audits. (Status of Concurrent Duties at Other Listed Companies)</p> <p>Outside Audit &amp; Supervisory Board Member, Mochida Pharmaceutical Co., Ltd.</p>
<p>Outside Audit &amp; Supervisory Board Member</p> <p><u>Independent</u></p> <p>Masataka Hama</p>	<p>Mr. Hama has a wealth of experience in corporate management gained through years of wide-ranging experiences in the finance industry, along with adequate expertise in finance and accounting. We nominated him as an outside Audit &amp; Supervisory Board Member with a view to utilizing his experience and insight while objectively ensuring the appropriateness of audits.</p>
<p>Outside Audit &amp; Supervisory Board Member</p> <p><u>Independent</u></p> <p>Ryota Miura</p>	<p>Having served as Partner in a major law firm and currently working as Partner at Miura &amp; Partners Legal Profession Corporation, Mr. Miura has a wealth of experience and expertise as an attorney primarily in the areas of corporate legal affairs. We nominated him as an outside Audit &amp; Supervisory Board Member with a view to utilizing his experience and expertise while objectively ensuring the appropriateness of audits.</p> <p>(Status of Concurrent Duties at Other Listed Companies)</p> <p>Corporate Auditor, TECHMATRIX CORPORATION</p> <p>Outside Director, Eisai Co., Ltd.</p>

(Note 1) TEL has notified the Tokyo Stock Exchange that Outside Directors Charles Ditmars Lake II, Michio Sasaki, Makiko Eda and Sachiko Ichikawa and Audit & Supervisory Board Members Kyosuke Wagai, Masataka Hama and Ryota Miura have been appointed as Independent Directors and Independent Audit & Supervisory Board Members, as they meet TEL's criteria for judging independence, "Independence Requirements for Outside Directors and Outside Audit & Supervisory Board Members"; these criteria that were established based on the requirements for Independent Standards set forth by the Tokyo Stock Exchange.

(Note 2) Aflac Life Insurance Japan Ltd. and Aflac International, Incorporated are unlisted companies, but as Outside Director Charles Ditmars Lake II serves as their chairman and representative director and president, respectively, in Japan, this is mentioned here.

(Note 3) World Economic Forum Japan is not listed company, but as Outside Director Makiko Eda serves as their Chief Representative Officer, this is mentioned here.

## Appendix4 Skill Matrix and Board Diversity

[Principle 4.11, Supplementary Principle 4.11.1]

	Name	Expertise, experience					
		Corporate management	Semiconductor/FPD	Manufacturing/development	Sales/marketing	Finance, accounting/engagement with capital markets	Legal affairs /risk management
Corporate Directors	Tetsuo Tsuneishi	●	●		●	●	
	Toshiki Kawai	●	●	●	●		
	Sadao Sasaki	●	●	●	●		
	Yoshikazu Nunokawa		●	●	●	●	
	Tatsuya Nagakubo		●			●	●
	Kiyoshi Sunohara		●	●	●		
	Seisu Ikeda		●	●	●		
	Yoshinobu Mitano		●	●	●		
	Charles Ditmars Lake II	Outside	●	●		●	●
	Michio Sasaki	Outside	●		●	●	
	Makiko Eda	Outside	●	●		●	
	Sachiko Ichikawa	Outside				●	●
	Audit & Supervisory Board Members	Yoshiteru Harada		●			●
Kazushi Tahara		●	●	●	●		
Kyosuke Wagai		Outside				●	●
Masataka Hama		Outside	●			●	
Ryota Miura		Outside					●



(Note) The six categories of “expertise and experience” are defined as follows:

- Corporate management:  
Having experience in managing an enterprise (experience serving as a representative director or chairperson/president)
- Semiconductor/FPD:  
Having knowledge on semiconductor/FPD-related industries
- Manufacturing/development:  
Having knowledge/experience in manufacturing and development at our company and other manufacturers
- Sales/marketing:  
Having knowledge/experience in sales and marketing at our company and other manufacturers.
- Finance, accounting/engagement with capital markets:  
Having knowledge in financial accounting and M&A, or knowledge/experience in engagement with capital markets
- Legal affairs/risk management:  
Having knowledge of legal affairs, compliance, and risk management