

Identifying material issues

Viewing social trends from a global perspective, Tokyo Electron (TEL) uses the following process to identify important and priority material issues (key issues) to be addressed for the medium- to long-term enhancement of corporate value.

Issues awareness

Social environment

While uncertainty in the global economy is increasing, humans are also faced with various social issues, including abnormal climate conditions and natural disasters, human rights issues and conflicts between states, cyber-terrorism, and the spread of infectious diseases. Climate change and inequality in human rights, in particular, are pressing issues for the global community, and there are strong calls for further action, not just by international organizations, and national governments, but also by the private sector. While keeping an eye on trends in the United Nations Global Compact and RBA, and taking recommendations from third-party organizations into consideration, TEL recognizes social issues that may affect business along the value chain, and is striving to eliminate risks in its business activities and to create new value.

Business issues

With the spread of IoT, AI, the 5G next generation communication standard, and data science*, everything is becoming networked, and we are transitioning to an era of big data at an accelerated pace. Applications are expanding for semiconductors and flat panel displays that support social infrastructure, and the need for technological innovation is also growing as demand increases. Amid such circumstances, given that our business is semiconductor and FPD production equipment, we must, while maintaining an accurate grasp on technological trends and customer needs, promote cutting-edge research and development, and turn this into products for the market. It is also becoming increasingly important for us to provide high-value-added services that help improve the productivity of delivered equipment, such as remote maintenance and predictive maintenance.

Risks and opportunities

TEL examined the risks and opportunities closely related to sustainable business development in consideration of social issues and social/business environments such as SDGs.

Social trends	Risks for TEL	Opportunities
Environment	<ul style="list-style-type: none"> Failure to comply with laws and regulations or industry codes of conduct Increases in business costs 	<ul style="list-style-type: none"> Promotion of environmental management Improvement of product environmental performance and creation of business opportunities
Human rights	<ul style="list-style-type: none"> Difficulties in recruiting and loss of talent Damage to corporate image 	<ul style="list-style-type: none"> Improvement of employee engagement Creation of new values through respect for human rights
Governance and compliance	<ul style="list-style-type: none"> Lack of oversight and supervisory functions for management Ethics and compliance violations 	<ul style="list-style-type: none"> Development of highly effective governance system Implementation of sincere and fair business practices
Evolution of technology	<ul style="list-style-type: none"> Delays in development of cutting-edge technology Lost business opportunities 	<ul style="list-style-type: none"> Generating innovative products and services Maintaining competitive advantage
Supply chain management	<ul style="list-style-type: none"> Weakening of supply system Loss of business continuity 	<ul style="list-style-type: none"> Establishment of a sustainable production system Strengthening collaboration by building relationships of trust
Information security	<ul style="list-style-type: none"> Loss of core information Suspension of business operations 	<ul style="list-style-type: none"> Establishment of a robust information infrastructure Improvement of information literacy

* Data science: The approach of using data to extract new scientific and socially beneficial knowledge

Stakeholder engagement

TEL learned about stakeholder opinions and requests through ongoing dialog, before sorting through them and reviewing the important themes to be addressed.

Stakeholders	Communication opportunities	Key opinions and requests	Relevant material issues
Shareholders/ investors	<ul style="list-style-type: none"> Earnings announcements, medium-term management plan briefings IR conferences, IR roadshows¹ Interviews 	<ul style="list-style-type: none"> Medium- and long-term growth scenario and associated measures Sharing of market perspectives and improved accuracy of business forecasts Further initiatives for corporate governance 	<ul style="list-style-type: none"> Product competitiveness Higher productivity Management foundation
Customers	<ul style="list-style-type: none"> Technology conference Customer satisfaction survey Individual technology collaboration 	<ul style="list-style-type: none"> Understanding of diverse application needs Proposal of high-value-added solutions Comprehensive and optimal solutions 	<ul style="list-style-type: none"> Product competitiveness Responsiveness to customers Higher productivity
Suppliers	<ul style="list-style-type: none"> Production update briefing Partners day STQA² audit 	<ul style="list-style-type: none"> Sharing of higher-quality, timely information Improvement of own processes through compliance with quality standards 	<ul style="list-style-type: none"> Higher productivity Management foundation
Employees	<ul style="list-style-type: none"> Employee meetings Global engagement survey Career interest survey (Japan) 	<ul style="list-style-type: none"> Sharing of management messages, direct dialog Support for medium- to long-term career development for employees Creation of opportunities for promoting and recognizing productivity in the working environment and the spirit of challenge among diverse employees 	<ul style="list-style-type: none"> People and workplaces Management foundation
Local communities	<ul style="list-style-type: none"> Community contribution activities Tours of factories and offices Environmental debriefings 	<ul style="list-style-type: none"> Contribution to development of the next generation of human resources and to elimination of poverty problems Coexistence of company with communities Promotion of environment conservation 	<ul style="list-style-type: none"> People and workplaces Management foundation
Governments/ associations	<ul style="list-style-type: none"> Industry group activities Collaboration with various initiatives 	<ul style="list-style-type: none"> Creation of innovation leading to the resolution of social issues Initiatives targeted at climate change and respect for human rights Building of sounder supply chains 	<ul style="list-style-type: none"> Product competitiveness People and workplaces Management foundation

¹ IR roadshows: A tour of IR activities pitched directly to shareholders and investors

² STQA: Supplier Total Quality Assessment

Analysis and selection

TEL has ascertained the social and business environment, considered the risks and opportunities, and put in order the opinions and requests of all stakeholders. We have deliberated material issues from the perspectives of their importance to both the building of a sustainable society and importance to the business to lead to increasing TEL's corporate value. As a result, continuing on from last year, we have defined our material issues as people and workplaces, which are important as a resource for creating value, and management foundation, which concerns corporate governance, compliance, the environment, human rights, and other issues, in addition to product competitiveness, responsiveness to customers, and higher productivity, which are items identified for enhancement in the medium-term management plan.

Examination of validity

With regard to the defined material issues, an examination of validity was conducted at the review council, which included external experts.

Key opinions and advice obtained from Review Council

- An outstanding strong point in the management and progress of priority themes and annual goals for material issues is TEL's constant effort to improve effectiveness by conducting annual reviews based on changes in the business environment and feedback from stakeholders
- Developing indicators that show the degree of contribution to achieving medium-term goals and SDGs could be effective for enhancing competitive advantage and corporate value
- Further initiatives are expected for realizing the Corporate Philosophy of "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support."

Identified material issues

Material issues	Medium-term goals	Priority themes
Product competitiveness	<ul style="list-style-type: none"> Create strong next generation products 	<ul style="list-style-type: none"> Tackling technological innovation Environmental contribution of products
Responsiveness to customers	<ul style="list-style-type: none"> Become the best and sole strategic partner 	<ul style="list-style-type: none"> Solutions that create value for customers Improvement of customer satisfaction
Higher productivity	<ul style="list-style-type: none"> Constantly pursue higher management efficiency 	<ul style="list-style-type: none"> Continuous improvement of business operations Quality management Improvement of customer productivity/yield
People and workplaces	<ul style="list-style-type: none"> Maximize dreams and drive 	<ul style="list-style-type: none"> Diversity and inclusion Career development Work-life balance Health and safety
Management foundation	<ul style="list-style-type: none"> Build a management foundation for increasing value 	<ul style="list-style-type: none"> Governance Risk management Compliance Environmental management Supply chain management

TEL sets fiscal year and medium-term goals taking into consideration its five material issues and associated priority themes.