

Management Foundation

Medium-term Goals

Build a Strong Management Foundation for Underpinning Our Business Activities

Tokyo Electron is endeavoring to build a strong and sound management foundation that supports the entire Group's business operations. Regarding problems of climate change and abnormal weather, which have increased in severity in recent years, endeavoring to preserve the global environment, we have been working hard to achieve the medium- and long-term environmental goals for our products, plants and offices in order to preserve the global environment along our entire value chain. In terms of practical initiatives for respecting human rights, based on our Human Rights Policy, which summarizes the entire Group's guiding principles on human rights, as well as implementing extensive education and awareness-raising efforts, we are expanding human rights due diligence (impact assessment and remediation) and grievance processes. Based on the recognition that people are the source of a company's growth, we deeply appreciate the new value created by individual employees exercising their capabilities, while respecting their individuality and values and encouraging work styles in sync with their respective lifestyles. To ensure that operational decision-making and supervisory functions are exercised sufficiently, we are striving to build a highly effective corporate governance system to realize medium- to long-term growth while considering corporate culture and business characteristics, and also strengthening risk management and thoroughly enforcing compliance. As for supply chains, we are promoting activities in compliance with global standards to achieve sustainable operations together with customers and suppliers.

Main activities

 <p>Corporate governance Corporate governance framework, Sustainability of a Board of Directors appropriate for resolution of management issues, Process for evaluating the effectiveness of the Board of Directors and management issues, etc.</p>	 <p>Human resources, Diversity and inclusion, TEL Values, Employee growth, Work-life balance</p>	 <p>Environment Environmental management system, Environmental risks and opportunities, TCFD, CO₂ emission amount in the entire value chain, Medium- and long-term environmental goals, Environmental initiatives for products, plants and offices</p>
 <p>Risk management Approach to risk management, Risk management system and initiatives, etc.</p>	 <p>Respect for human rights Approach to human rights, Human rights initiatives</p>	 <p>Supply chain Principles and system of supply chain, Supply chain initiatives</p>
 <p>Compliance Approach to compliance, Compliance system, etc.</p>	 <p>Health and safety Health and productivity, Safety management framework, Incident reporting system, Activities for safety</p>	

SDGs initiatives



- Build a highly effective corporate governance system while strengthening risk management and thoroughly enforcing compliance in order to build a strong and sound management foundation
- Promote environmental impact reduction activities and endeavor to preserve the global environment
- Progress sustainability initiatives throughout the entire supply chain
- Enhance engagement and build a work environment that respects human rights and diversity while maximizing individual abilities

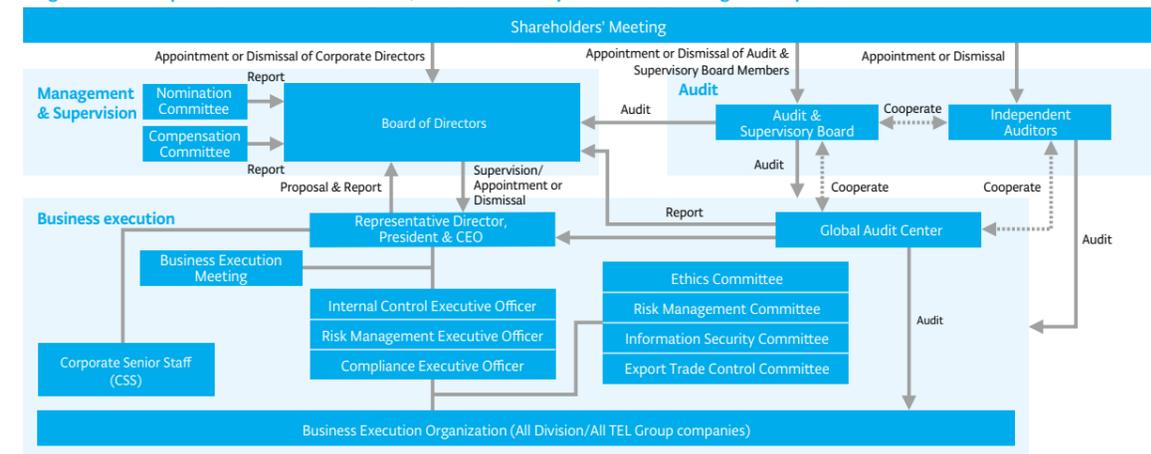
Corporate Governance

Corporate Governance Framework

Tokyo Electron upholds the vision of being "a truly 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." With over 80% of our sales coming from overseas, we regard building governance structure as essential in order to achieve success in global competition, realize our vision and achieve sustainable growth. To that end, we have built a framework to maximize the use of worldwide resources, and have worked to incorporate a wide range of opinions to strengthen our management foundation and technology base, establishing a governance structure capable of ensuring that we attain global-level earnings power.

We use the Audit & Supervisory Board System, which consists of a Board of Directors and an Audit & Supervisory Board, and has achieved effective governance 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 and play a supervisory role in the executive management's execution, and support appropriate risk-taking by them, we have established systems that facilitate growth-oriented governance directed at sustainable growth, including the following: (1) the Nomination Committee and Compensation Committee to ensure fair, effective, and transparent management; (2) the Corporate Senior Staff (CSS) to formulate and advance company strategy; and (3) the Business Execution Meeting, to play a role in deliberations of the executive management.

Diagram of the Corporate Governance Framework, Internal Control System and Risk Management System



Composition and Results of the Board of Directors, Nomination and Compensation Committee (In fiscal year 2021)

	Composition			Number of Times Held
	Corporate Directors	Independent Outside Directors	Speaker/Chairperson	
Board of Directors	8	3	Corporate Director (Non-Executive Director)	12
Nomination Committee	3	1	Corporate Director	10
Compensation Committee	2	2	Independent Outside Director	7

Sustainability of a Board of Directors Appropriate for Resolution of Management Issues

As a leading company in semiconductor and flat panel display (FPD) production equipment, we believe that proactive risk-taking and a risk management structure to support it are essential for achieving sustainable growth. The Board of Directors guides its discussions in an appropriate direction by incorporating 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.

We have also established the Nomination Committee and the Compensation Committee as discretionary advisory bodies to ensure fairness, effectiveness and transparency in management. Authorized to propose the appointment and dismissal of the CEO and corporate directors, the Nomination Committee has established guidelines on their required qualities and eligibility, as well as a trigger for considering the appointment and dismissal of the CEO, and strives to ensure the objectivity, timeliness and transparency of the procedures for appointment and dismissal. The Compensation Committee, on the other hand, reviews performance evaluations of the CEO and corporate directors along with the appropriateness of the amount of their compensation, with reference to advice from external experts.

Under such a system, we strive to operate the Board of Directors in a way that is appropriate for resolving management issues. In addition, in order to develop the next generation of human resources who will assume management of operations to support our sustainable growth, the CEO and Representative Directors play the primary role in constantly anticipating successor candidates, primarily from among executive officers, evaluating their skills, character, dignity and insight from multiple perspectives in the course of performing day-to-day duties, and continually supporting the education of the candidates through assignment, training and other opportunities.

Skills Matrix

In view of our 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,” we are engaged in enhancing our governance structure and in sustainability-focused management in order to respond to changes in the global environment, achieve success in global competition, and realize sustainable growth and increased corporate value over the medium to long term to respond to the mandate from our stakeholders. We believe that our corporate directors and Audit & Supervisory Board members have the necessary qualifications to realize these initiatives. Described in detail below, all of them have knowledge of global business, governance, sustainability and so on. In addition to this matrix of individual skills, we also disclose the overall diversity of our Board of Directors in an easy-to-understand format.

	Name	Expertise and 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					●

* 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 of semiconductor/FPD-related industries
 * Manufacturing/development: Having knowledge/experience in manufacturing and development at Tokyo Electron and other manufacturers
 * Sales/marketing: Having knowledge/experience in sales and marketing at Tokyo Electron 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 in legal affairs, compliance and risk management

Expertise and experience of Corporate Directors and Audit & Supervisory Board Members



Independence and diversity of Corporate Directors



Supervision and Evaluation of Strategic Decision-making

Setting our strategic direction is recognized as the main role of the Board of Directors. It engages in constructive debate of management strategy, management plans, and other matters. It serves as the venue for supervising progress on the Medium-term Management Plan and other matters. The Board of Directors also seeks reports and explanations on the status of deliberations at the Business Execution Meeting to monitor whether decision making by executive management functions properly in relation to matters for which approval authority has been delegated to executive management. At Board of Directors meetings, independent outside directors and Audit & Supervisory Board members actively provide advice and ask questions regarding the matters and reports made by executive directors well versed in business. The combined perspectives of both parties have enabled the Board of Directors meetings to achieve an appropriate sense of productive tension and constructive discussions that are essential for business execution decisions and supervision.

To obtain appropriate advice and questions from independent outside directors and Audit & Supervisory Board members, the administrative office provides them with explanations on proposals in advance of the Board of Directors meeting as needed. For matters of particular importance, we establish a venue for dialogue between independent outside directors and Audit & Supervisory Board members and executive management, striving to provide sufficient information to, and engage dialogue with, independent outside directors and Audit & Supervisory Board members.

Policies for Allocation of Earnings

Our basic stance is for the appropriate allocation of company earnings to all stakeholders. Our dividend policy to shareholders is to link dividend payments to business performance on an ongoing basis and maintain a payout ratio of around 50% based on net income attributable to owners of the parent company. Furthermore, we also set the minimum annual dividend at 150 yen per share in light of the stable distribution of dividends. We effectively use internal capital reserves to raise corporate value through earnings growth by concentrating investment in high-growth areas and provide returns directly to shareholders by linking dividend payments to business performance. Furthermore, we flexibly consider implementing repurchases of treasury stocks as part of returning earnings to shareholders.

Establishment of the Director Compensation System

As our basic policies on executive compensation, we emphasize (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; and (3) securement of transparency and fairness in the decision process of compensation and appropriateness of compensation. Compensation for inside directors consists of fixed basic compensation, annual performance-linked compensation and medium-term performance-linked compensation. Compensation for outside directors consists of fixed basic compensation and non-performance-linked (stock-based) compensation. Compensation for Audit & Supervisory Board members consists solely of fixed basic compensation in consideration of their role being primarily the audit and supervision of management.

In order to secure transparency and fairness in management and appropriateness of compensation, the Compensation Committee, which an independent outside director chairs, utilizes advice from an external expert, compares compensation levels with those of industry peers in Japan and overseas, and analyzes the latest trends and best practices in Japan and overseas (such as reflecting ESG in compensation). The committee then proposes to the Board of Directors a compensation policy for corporate directors, a compensation system that is globally competitive and the most appropriate for us, and individual compensation amounts for the representative directors.

Fixed Basic Compensation

Fixed basic compensation is determined in reference to the compensation standards of industry peers in Japan and overseas. For inside directors, it also depends on the scale of their responsibilities based on the job grade framework provided by the external specialist organization.

Annual Performance-linked Compensation

Annual performance-linked compensation consists of cash bonuses and stock compensation-based stock options at a ratio of approximately 1:1. The specific amounts paid and the numbers of stock options granted are determined based on the results of corporate business performance and individual performance evaluations for the relevant fiscal year. Net income attributable to owners of the parent and consolidated ROE are adopted as evaluation indicators for corporate business performance. Evaluation items for individual performance include the degree of contribution to short-term and medium-term management strategy targets (including ESG).

Medium-term Performance-linked Compensation

Medium-term performance-linked compensation is a performance share (stock-based) compensation to motivate recipients to contribute to improving medium-term business performance and raise awareness for enhancing corporate value by sharing the perspective of shareholders through the holding of shares. The number of shares issued to each corporate director varies according to the payout rate based on their respective responsibilities and level of performance goal achievement over the relevant three-year period. Consolidated operating margin and consolidated ROE have been adopted as indicators for measuring the levels of performance goal achievement which are linked to the Medium-term Management Plan.

Non-performance-linked (Stock-based) Compensation

Non-performance-linked stock-based compensation has been introduced for the purpose of making the compensation system for outside directors more consistent with their expected role of, in addition to supervising management, giving advice to management from the perspective of increasing corporate value over the medium to long term. Under this Stock-based compensation system, shares are granted after the expiration of the applicable period (three fiscal years), which is set each year.

Process for Evaluating the Effectiveness of the Board of Directors and Management Issues

To evaluate the effectiveness of the Board of Directors, including the Nomination Committee and Compensation Committee, we conduct questionnaire surveys of all corporate directors and Audit & Supervisory Board members, as well as individual interviews with some corporate directors and Audit & Supervisory Board members. We also conduct opinion exchanges and deliberations with a group comprised mostly of outside directors and Audit & Supervisory Board members. The results of this questionnaire, summaries of interviews and the content of deliberations are then shared with the entire Board of Directors before deliberating and comprehensively evaluating the effectiveness of the Board of Directors. We appoint a third party to provide advice on setting assessment items and to conduct, aggregate and analyze the interviews in an effort to increase objectivity.

In terms of the evaluation results in fiscal year 2021, open and dynamic discussions were held at Board of Directors meetings and off-site meetings. We recognize that the Board of Directors, including the Nomination Committee and Compensation Committee, is functioning in an effective manner.

In light of the results of this evaluation, we will continue our efforts to have fuller discussions regarding medium- to long-term management strategies, promote diversity, strengthen group governance at a global level, and share appropriate information with the Nomination Committee, Compensation Committee and Board of Directors.

Engagement with Capital Markets

Our management actively engages in Investor Relations (IR) and Shareholder Relations (SR) activities to contribute to our sustainable growth and increase corporate value over the medium to long term. The Chairman of the Board, CEO and corporate director in charge of finance serve as spokespersons as required at IR conferences in and outside Japan and strive to engage directly with investors. In addition to holding quarterly earnings release conferences, we actively share our business strategies and growth story at the Medium-term Management Plan briefings and on IR day. The IR Department, which was established under the direct control of the CEO, also appropriately supplements the explanation through individual interviews and regularly reports opinions from investors to management so that feedback can be of use in management.

As a part of our shareholder relations activities, company executives play a central role in active and constructive dialogue with our major institutional investors and proxy-advisory firms. In addition to explaining the Shareholders' Meeting agenda, we continuously engage in dialogue on a wide range of topics, including the business environment, ESG and sustainability initiatives, and respond to business risks and opportunities, including social and environmental issues, in order to deepen mutual understanding. To encourage active discussion and facilitate smooth and efficient voting at Shareholders' Meetings, we send convocation notices at an early stage and also post the notice in both Japanese and English on our website to provide information to shareholders in a timely manner. In addition, we analyze the results of the exercise of voting rights and report to the Board of Directors to further enhance engagement with investors.

Risk Management

Approach to Risk Management

Reflecting changes in society and the business environment, the risks facing businesses are growing increasingly complex and diverse. Tokyo Electron considers understanding and appropriately addressing the risks that it may face in its businesses, as well as their impacts, to be essential to its sustainable growth.

Risk Management System and Initiatives

In order to promote more effective risk management, we carry out enterprise risk management¹ through a body established within the General Affairs Department at our headquarters. This body works with the respective departments responsible for each operation to identify a wide range of risks arising in business activities, such as compliance risk, human resource and labor risk, and business continuity risk. It then classifies risks with high impact and probability as our key risks. The body also formulates and executes measures to minimize these key risks, monitors the effect of said measures, as well as works to understand the status of risk control, and implements the PDCA cycle for risk management. In fiscal year 2021 we introduced CSA² and started a risk management committee. We will continue these activities going forward. By continuing to strengthen and progress risk management activities throughout our Group, we will implement risk management that is more effective than ever before.

¹ Enterprise risk management: Group-wide systems and processes related to risk management activities

² CSA: Control Self-Assessment. Internal risks and controls are evaluated and monitored by those who are actually performing the duties with the goal of building and maintaining an autonomous risk management system.

Auditing by the Internal Audit Department

The Global Audit Center serves as the internal audit department for the entire Group and implements audits based on the audit plan. Based on the results of these audits, it provides instructions for making improvements as needed, confirms the progress of these improvements, and provides any necessary support. The Group's internal control over financial reporting in fiscal year 2021 was also evaluated as effective by the independent auditors.

Risk Management Initiatives

We conduct Group-wide reviews to identify the current status of risk management as well as any potential and actual risks surrounding the Company in the future. Based on the results of the reviews, we have identified the following 13 risks as having potential to cause significant issues to our financial condition, operating results and cash flows, and are working to address them.

Item	Main Potential Risks	Main Risk Management Initiatives
1. Market Fluctuations	Rapid contraction of the semiconductor market could lead to overproduction or an increase in dead inventory. In addition, a rapid increase in demand could lead to an inability to supply customers with products in a timely manner resulting in lost opportunities	<ul style="list-style-type: none"> Periodically review market conditions and orders received at Board of Directors and other important meetings, and appropriately adjust capital investments, personnel/inventory planning and other aspects of business Account Sales Division and Global Sales Division to strengthen the sales framework and customer base by grasping investment trends of customers and responding to a wide range of customer needs
2. Geopolitics	Initiatives made by an individual country or region from such perspectives as industrial policy, national security or environmental policy in shifting to domestic production of semiconductor-related businesses, strengthening policies prioritizing domestically manufactured products or tightening of export controls and environmental laws and regulations could lead to restrictions on business activities	<ul style="list-style-type: none"> Carefully watch policy and diplomatic trends to understand moves to introduce regulations Communicate opinions to policy-making authorities such as through public comment, and anticipate the impact of different countries introducing policies and regulations, and consider countermeasures
3. Research and Development	Delays in the launch of new products or the mismatch of such products with customer needs could lead to a decline in the competitiveness of products	<ul style="list-style-type: none"> Establish the Corporate Innovation Division, and build a Group-wide development framework that integrates innovative technological development with the technologies of each development division Provide highly competitive next-generation products ahead of competitors through collaborating with research institutions and sharing a technology roadmap spanning multiple generations with leading-edge customers
4. Procurement, Production and Supply	Interruptions in production due to a natural disaster or delays in component procurement due to deterioration in the business conditions of a supplier or an increase in demand that exceeds the supplier's supply capacity could lead to delays in the supply of products to customers	<ul style="list-style-type: none"> Formulate business continuity plan, establish alternate production capabilities, develop multiple sources of important parts, seismically reinforce plants, etc. Build a system for the stable supply of products by sharing forecasts based on demand projections with suppliers to ensure the early procurement of parts and production leveling
5. Safety	Safety-related problems with the Company's products could lead to damages suffered by customers, liability for damages and a decline in credibility	<ul style="list-style-type: none"> Based on the "Safety First" approach, thoroughly implement safety design at the product development stage, promote safety training and establish a reporting system in the event of an accident
6. Quality	The occurrence of a product defect could lead to liability for damages, costs for countermeasures and a decline in credibility	<ul style="list-style-type: none"> Establish a quality assurance system and a world-class service system Resolve technical issues from the product development and design stage Investigate the cause of any defects and implement measures to prevent the same or similar defects from occurring Monitor the quality status of suppliers, conduct audits and provide support for improvement
7. Laws and Regulations	Violations of the laws and regulations of the countries and regions where the Company does business could lead to diminished public confidence in the Company, fines, liability for damages or restrictions on business activities	<ul style="list-style-type: none"> Monitor compliance activities at key sites in and outside Japan under the direction of the Chief Compliance Officer Have assessments conducted by external experts and report identified issues to the CEO, Board of Directors and Audit & Supervisory Board for swift and effective action
8. Intellectual Property Rights	The inability to obtain exclusive rights to proprietary technologies could lead to reduced product competitiveness. Furthermore, infringement of the intellectual property rights of third parties could lead to liability for damages	<ul style="list-style-type: none"> Advance the R&D strategy, business strategy and intellectual property strategy in an integrated manner to build an appropriate intellectual property portfolio
9. Information Security	Breaches of information or the suspension of services due to unauthorized access by cyberattack, natural disasters or other factors could lead to diminished public confidence in the Company or liability for damages	<ul style="list-style-type: none"> Establish an information security system that conforms to global standards by launching a dedicated security organization and having security assessments conducted by external experts Establish globally standardized rules and regulations for information management
10. Human Resources	The inability to recruit and retain necessary human resources on an ongoing basis or the inability to create an environment where people with diverse values and expertise can play an active role could lead to diminished product development capability or customer support quality	<ul style="list-style-type: none"> Make ongoing improvements to work environments and promote health and productivity management, including having top management share direction through regular employee meetings, establishing training plans for the next generation of human resources, visualizing career paths for employees and offering attractive remuneration and benefits
11. Environmental Issues	The inability to respond appropriately to each country's climate change policies, environmental laws and regulations, and customer needs could lead to additional related costs such as for developing new products or changing specifications, as well as to reduced product competitiveness and diminished public confidence in the Company	<ul style="list-style-type: none"> Set industry-leading medium- to long-term environmental goals² Reduce greenhouse gas emissions from product use. Reduce overall energy consumption and increase the ratio of renewable energy used at plants and offices Provide technologies that help reduce the power consumption of semiconductors
12. The Novel Coronavirus (COVID-19)	The spread of COVID-19 could slow the Company's business activities or lead to the deterioration of global economic conditions	<ul style="list-style-type: none"> Establish an Emergency Task Force headed by the CEO Restrict travel to high infection-risk countries and regions, maintain supply chains and thoroughly implement infection prevention measures at plants and offices
13. Other Risks	Business could be influenced by global and regional political conditions, economic conditions, financial and stock markets, foreign exchange fluctuations and other factors	<ul style="list-style-type: none"> Take necessary measures to counter such risks

¹ Safety First: Refer to p. 28

² Medium- to long-term environmental goals: Refer to p. 50

Information Security

As the data society develops and the importance of information security increases, we take active measures to use data including digital transformation and achieve information security effectively.

Main activities



Creating information security systems

We established a system centered around the Vice President and General Manager, Information Security, and are implementing integrated security measures on a global scale.



Information security management

We identify risks by conducting periodic risk assessments and internal audits and implement technological, human, organizational and physical security measures.



Responses to security threats

To respond to cyberattacks and information leaks, which are major security threats in modern society, we actively introduce advanced technologies and have specialized organizations create systems to establish mechanisms for reliable monitoring.



Establishment of global rules

We established global standardized information security rules and regularly conduct checks on compliance status and provided education for all relevant parties.



Supply chain security

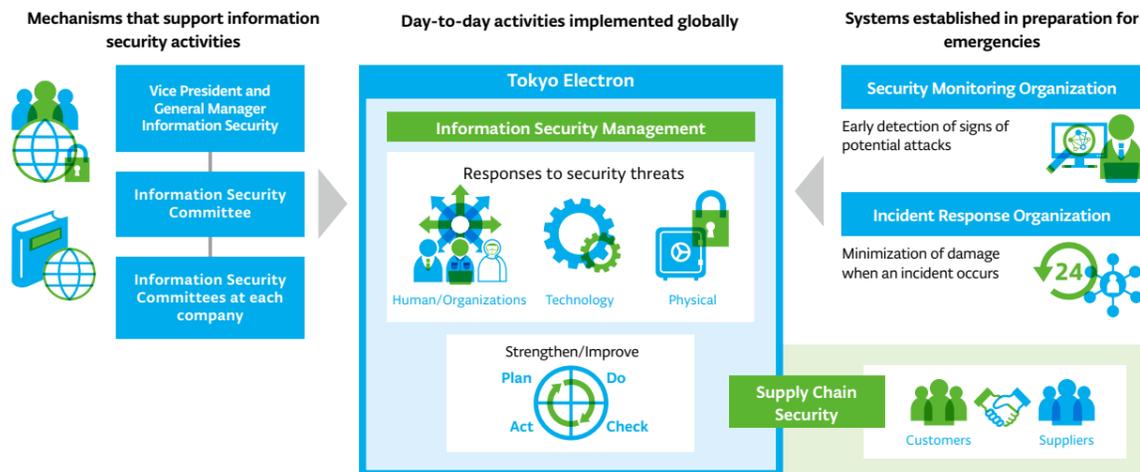
We respond to customer requests and monitor the status of security at suppliers so that we can securely use confidential information and customer information in our business activities without compromising utility.



Increasing resilience

To prepare for the occurrence of security incidents, we established a specialized incident response organization and have established systems so that we can share incident information at an early stage and promptly respond and recover.

Overview of Information Security



Compliance

Approach to Compliance

To practice Tokyo Electron's Corporate Philosophy, it is vital that each employee performs their daily duties with strong interest in and a deep understanding of compliance. We established "Tokyo Electron's Code of Ethics" as a code of conduct to ensure that our employees are aware of the risks around them and conduct themselves appropriately. We have built a global system that can directly raise questions and concerns about compliance and business ethics to quickly address potential problems.

Compliance System

In order to effectively promote a global compliance program, we have appointed a Chief Compliance Officer (CCO) and established a dedicated Compliance Department at our headquarters. Additionally, people responsible for compliance (Regional Compliance Controllers) have been appointed at key overseas sites, creating a system for direct reporting to the Chief Compliance Officer and Compliance Department. The primary role of the Compliance Department is to formulate and review our practical compliance programs, establish and implement business ethics, plan and implement education and training, and establish and operate internal reporting systems. It also cooperates with the Risk Management Business Support Group established within our General Affairs Department, regularly confirms the observance of laws and regulations in each country as well as internal company rules at each Group company, and assesses compliance risks. Furthermore, the Internal Audit Department conducts operational audits based on annual plans, which leads to the improvement of findings as appropriate.

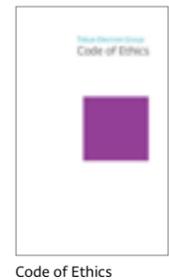


Compliance Initiatives

Business Ethics

In addition to establishing the Code of Ethics as the standard of conduct by which all executives and employees should abide, we have also established an Ethics Committee to promote and raise awareness of compliance and business ethics more effectively within the company. We have also set up the Disciplinary Committee as a subordinate organization of the Ethics Committee for the purpose of ensuring that reasonable and appropriate disciplinary action is taken and proper procedures are followed.

To ensure awareness of the Code of Ethics, we have translated it into five languages, including Japanese, and have distributed it in the form of a booklet to all executives and employees. In fiscal year 2021, the Code of Ethics was revised. In addition to reflecting standards required as a global company, we added a number of new provisions on such important issues as personal data protection, information security, and money laundering. In addition, in pursuit of clarity and usability, we have made changes to the booklet design and adopted a bullet point format. We are also striving to raise awareness of compliance and corporate ethics by regularly obtaining confirmation from all executives and employees that they understand and comply with the revised content.



Initiatives for Anti-Bribery and Corruption and for Competition Laws

In fiscal year 2021, we established the company-wide Basic Policy on the Prevention of Bribery and Corruption, and through regular education, we are working to promote understanding and awareness. Based on this basic policy, we have prepared the Guidelines for Gifts, Hospitality and Entertainment, which stipulate specific, practical procedures and standards on monetary amounts, and we have established a thorough process requiring prior approval for cases outside these standards. Using questionnaires that we have prepared, we also regularly check the status of our suppliers' efforts to prevent corruption and provide them with feedback on the results and areas for improvement as required.

We have also established the company-wide Basic Policy on Competition Law Compliance, and have prepared, disseminated and enforced guidelines that summarize different types of violations in an easy-to-understand format, based on applicable laws and regulations in the countries and regions in which we operate.

Compliance Training

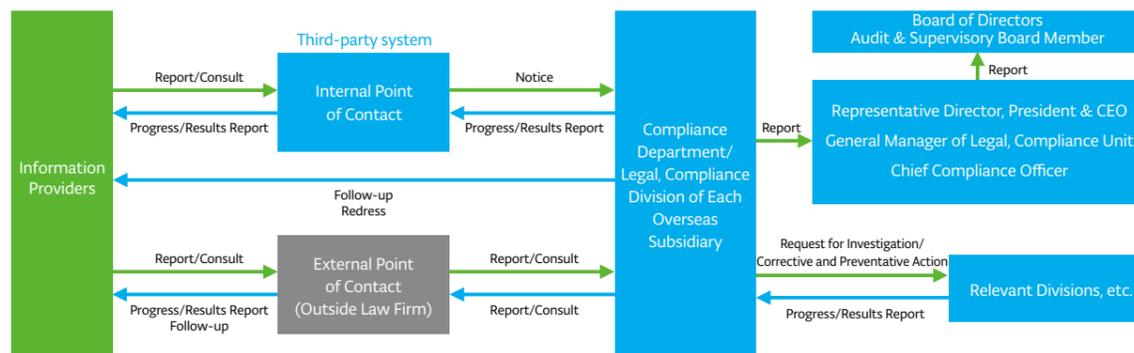
We conduct online and face-to-face training adapted to different levels for all employees¹. We will systematically expand our comprehensive training program and multilingual support, and reinforce efforts to foster compliance awareness and practice in the company.

Internal Reporting System

Preventing problems from occurring and resolving them before they become significant requires a system that allows employees to raise questions and concerns about business ethics and compliance without reservation or hesitation and to discuss them fully. For this reason, we have established an internal reporting system that ensures complete confidentiality, anonymity and the prohibition of retribution so that employees can safely and reassuringly provide information and seek redress outside the chain of command about behavior that is, or may be, in violation of laws, regulations or business ethics.

Specifically, we have established and are operating the Tokyo Electron Group Ethics & Compliance Hotline—a global common internal point of contact that uses a third-party system that is also accessible to our suppliers—as well as an external point of contact that allows direct consultation with an outside law firm. The internal point of contact can be accessed via phone or a dedicated website 24 hours a day, 365 days a year, and accommodates all languages used by employees.

Response to Internal Reports



Reports and consultations received via these points of contact are handled with sincerity, and investigations are undertaken in accordance with internal regulations. If a compliance violation is found, disciplinary action is taken in accordance with the Rules of Employment², and preventive measures and corrective measures, such as improvements to the workplace environment, are implemented as necessary.

In fiscal year 2021, a total of 82 cases were received via the internal reporting system, of which 6 were recognized as compliance violations. The reports and requests for advice primarily related to harassment, but some concerned the improper reporting of attendance and breaches of internal procedures. As a result, we have conducted regular education programs for our employees to prevent harassment and have provided thorough follow-up with those concerned or involved. There were no reports or cases of non-compliance that could have had a serious impact on our business or on local communities.

¹ Training and seminar topics include basics of corporate ethics and compliance, anti-corruption, export compliance, insider trading prevention, the Act for Subcontracting and the prevention of harassment. Some training is limited to certain employees.

² A leniency system has been introduced whereby any disciplinary action may be reduced or exempted in the event the employee involved in a compliance violation has made a report or sought advice on his/her own volition.

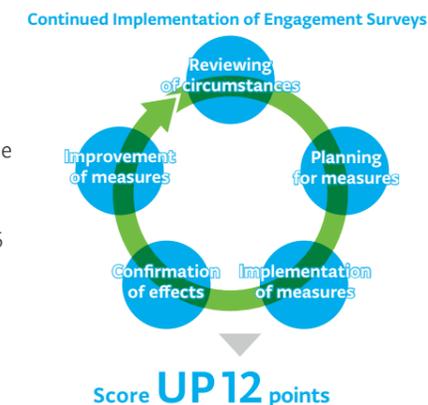
Human Resources

Human Resource Management

For Tokyo Electron, corporate growth is about people. Employees are a foundation for creating value. Our aim is for both the company and employees to grow together by engaging each employee at work and linking this to increased productivity for the company as a whole. Specifically, we are taking initiatives focused on: (1) improving employee development and engagement, such as through promoting support for career development, encouraging them to stretch themselves and providing opportunities for skill and leadership development, (2) improving productivity through developing the workplace environment, such as by using IT for better operational efficiency and promoting smart work and (3) attracting outstanding talent such as through employer branding, strengthening partnerships with universities and labs and promoting internships, including international ones. To expand these initiatives effectively, human resources function has deployed a team supporting business on a global level.

Employee Engagement

Improving employee engagement is essential to maximize corporate performance and achieve sustainable growth. Recognizing that employees both create and fulfill company values for us, we have been regularly conducting engagement surveys since fiscal year 2016 to assess the current state of employee engagement and identify issues. Based on the results of the surveys, our management takes the lead in making improvements to foster a better workplace environment and culture. These initiatives resulted in an increase in the employee engagement score of 12 points from fiscal year 2016 to fiscal year 2021 and a turnover rate of 2.5%. We plan to continue these initiatives since we believe that improving employee engagement leads to providing increased value to our stakeholders.



Diversity and Inclusion

Diversity and Inclusion

At Tokyo Electron, diversity and inclusion are management pillars that lead to the continuous generation of innovation and increased corporate value. We are actively pursuing them with the strong commitment of our management. Although the areas of emphasis for diversity and inclusion vary by country, we have taken on gender and nationality as major themes and put the following goals and initiatives in place based on the characteristics of each region.

- In terms of succession planning, we conduct a diversity-conscious talent pipeline (plan for developing human resources) and strive to increase the ratio of women in management positions
- Taking into consideration that many of our employees are engineers, we actively invest in the use of recruiters and branding to hire women at a level that is equal to or greater than the ratio of women in each region (or the ratio of women majoring in science and engineering in the case of engineers)
- We create an organizational structure where even those from outside of Japan can take on corporate roles through the use of technology and shared global human resources systems
- We organize events such as talks on diversity and inclusion from internal and external experts and leaders, generate networking opportunities for employees with similar characteristics and experience, and hold round-table discussions regarding careers before and after taking maternity/paternity leave and childcare leave

TEL Values

Systems and Initiatives for TEL Values

A total of 14,479 employees are working at the 76 Tokyo Electron sites located in 18 countries and regions of the world, and we believe that each of them maintaining a high level of engagement and demonstrating their full potential will lead directly to our company's growth. By sharing with our employees the direction toward which management is aiming and providing platforms for direct dialogue through the employee meetings and discussions held every year at each site, we are striving to build mutual trust between the organization and individuals. Furthermore, to realize our Corporate Philosophy, we established TEL Values, which delineate Tokyo Electron's values, the mindset that each employee must possess, and the codes of conduct to be passed on to the future. The TEL Values—pride, challenge, ownership, teamwork, and awareness—are being put into practice by our employees all over the world.

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

Employee Growth

Global Human Resources System

The global human resources system introduced in fiscal year 2018 clarifies each employee's roles and responsibilities to support talent management effectively. In coordination with development programs, Tokyo Electron supports the career development and growth of our employees by presenting the skills required for a variety of jobs in the company, the knowledge they should/can acquire and a description of expected duties at higher levels. We are also working to build workplaces where diverse individuals can flourish by conducting talent assessments across all countries and regions, realizing fair total rewards for employees and utilizing a performance management system and a global common human resource system.

Human Resource Concept at TEL UNIVERSITY

We have established TEL UNIVERSITY as an in-house educational establishment, helping employees to independently build their careers and realize their personal goals for their growth and development. Our aim is to stand shoulder to shoulder with each employee, supporting their self-growth and fruitful career development throughout their working life, and create a foundation that enables the organization and individuals to trust each other and grow. TEL UNIVERSITY plays an important part in helping employees realize our vision of being "a truly 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". Through the following four initiatives, we are focusing on employee growth that leads to corporate growth.



Karuizawa Training Center

Provision of Personalized Learning Opportunities

Since each employee's growth is different, we are putting effort into the practice of on-demand education* as a mechanism that allows individuals to learn as they want, when they want, and according to their own needs. In addition to group training, by proactively utilizing e-learning programs, we are providing opportunities for employees to learn from any location.

* On-demand education: Education programs that allow employees to learn at their own convenience, anywhere, anytime

Support for Career Development

We are expanding programs designed for employees to quickly acquire basic skills according to their different levels and goals through our global human resources system. Effort is being put into providing information and tools so that employees can gain a more concrete image of their own learning, experience and career development.

Leader Programs

In nurturing the next generation of leaders to support our future, we are globally expanding our succession programs to identify and systematically nurture staff to take on the role of realizing medium- to long-term improvement of corporate value. Selected next-generation management candidates are provided growth opportunities with an eye to the future through participation in events such as external training, building networks outside the company, and cultivating a broader perspective.

Provision of Global Learning Opportunities

For employees to acquire skills related to their duties and to gain a broader insight, we encourage them to actively participate in both internal and external seminars. We are also moving to standardize our core programs on a global basis so that employees are able to learn using our consistent group content and guidelines regardless of whether they are in Japan or overseas.

Corporate Education System (TEL UNIVERSITY)

	Management	Executives	Leaders	Mid-level Employees	Junior Employees New Employees
Level-based Programs		Introductory programs (new graduates, mid-career recruits)			
		OJT* programs (new graduates, mid-career recruits)			
		Manager programs		Mid-level employee programs	Junior employee programs
		Leader programs			
Goal-based Programs		Compulsory web-based training			
		Business skills			
		Global communication			
		Employee life support			
		Technical programs (seminars, workshops)			

* OJT: On the job training

Work-life Balance

Work Styles

Tokyo Electron recommends work styles that incorporate work-life balance and continuously develops work environments to enable this. We are promoting efficient ways of working suited to our employees' lifestyles and social situations so that our employees can make the most of their work hours by utilizing a teleworking system in addition to a flextime system.

Leave System

Based on the belief that taking appropriate leave and properly managing work hours also contributes to better employee productivity, we strive to correct long work hours and aim to enhance the leave system and promote taking leave.

Since fiscal year 2019, we have set an annual target of 70% annual paid leave use and have promoted employee awareness for planned use of leave. We are also promoting regular monitoring of leave use status and urging management to improve leave use rates, ensuring that five days of compulsory annual leave are taken as required by law since April 2019. In fiscal year 2021, the leave use rates were 62.5% in Japan and 75.3% overseas, affected by COVID-19. We will continue to encourage our employees to take annual paid leave.



Refreshment leave
1,235 employees

Our goal is to provide refreshment for employees and thereby boost their motivation to work. The system grants special (paid) leave from two weeks to one month per five years of service to employees who have worked for more than 10 years. In fiscal year 2021, 688 employees in Japan and 547 employees overseas took refreshment leave.

In addition, to the system made available by existing laws, we are independently building a substantial framework that allows employees to adopt a flexible approach to work that accords with diverse life events such as raising children or caring for family members. With regard to the situation in Japan, we have acknowledged the maximum extension of the childcare leave period to the day a child reaches three years of age, as well as expanding our provision of a reduced working-hours program for childcare to include employees rearing children as far as graduation from elementary school. In addition to nationally mandated leave to care for a sick or injured child, we enhance our support system by establishing our own childcare leave, nursing care leave, etc.

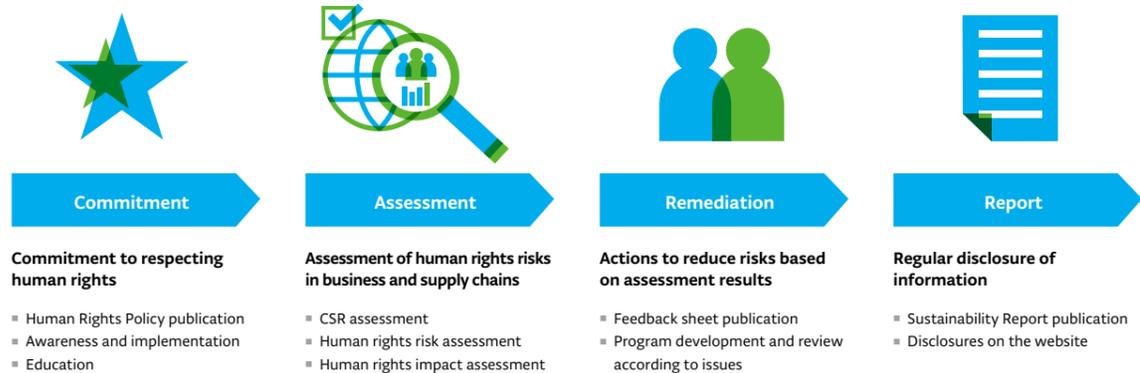
Respect for Human Rights

Approach to Human Rights

Conscious of our corporate social responsibility, Tokyo Electron recognizes that it is important to conduct ourselves with a strong sense of integrity. Based on this recognition, we have firmly upheld human rights since our founding, as reflected in the spirit of our Corporate Philosophy and Management Policies. For us, respecting human rights means a significant undertaking, not only to fulfill our responsibility for eliminating adverse impacts on people caused through business activities, but also to respect those people who support our business activities, and contribute to the realization of a sustainable, dream-inspiring society. We incorporate the concept of respect into every aspect of our business activities, and strive to nurture a dynamic corporate culture where each person can realize his or her full potential.

Human Rights Initiatives

In fiscal year 2018, we formulated our Human Rights Policy¹, summarizing our approach to human rights. We have specified the human rights we believe are particularly important in business activities as Freedom, Equality & Non-Discrimination; Freely Chosen Employment; Product Safety & Workplace Health and Safety; Freedom of Association; and Appropriate Working Hours & Breaks/Holidays/Vacations. In preparing the Human Rights Policy, we referred to the United Nations' Guiding Principles on Business and Human Rights and the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work referred to therein, the Ten Principles of the United Nations Global Compact, and the RBA Code of Conduct².



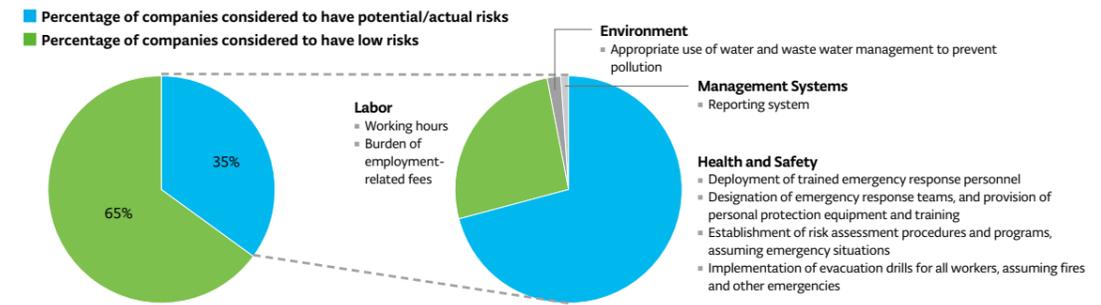
We ensure that our executives and employees, as well as suppliers, are fully aware of this content. Specifically, we publish the Human Rights Policy on our website to make it available to everyone inside and outside the Company, and also implement online human rights training targeting all of our executives and employees.

In fiscal year 2021, as in the previous fiscal year, we conducted human rights due diligence, as well as risk surveys, and identified and assessed impacts. As part of the surveys, we utilized a self-assessment questionnaire (SAQ) for internal use, based on the RBA Code of Conduct, and also reviewed the results of a CSR assessment³ for suppliers of materials, staffing and logistics to assess the current situation throughout the value chain. We are using the results of these surveys to consider corrective actions and reduce human rights risks.

Supplier Human Rights Risk Survey Results

The results of human rights risk surveys conducted at suppliers showed that 35% of those with 500 or more employees had potential/actual risks. Among these risks, the major risks are health and safety issues related to human rights, followed by labor issues. Based on these results, we continued to request those suppliers to comply with domestic laws and regulations and social norms related to health and safety. We will work to reduce human rights risks by promoting corrective actions together with our suppliers.

Meanwhile, inside our company, we identified potential human rights risks in the areas of labor, and health and safety. To mitigate these risks, we are renewing our efforts to fully manage working hours and also taking steps to improve operational efficiency further.



We recognize the importance of having highly effective grievance mechanisms related to human rights and are working to establish and operate those mechanisms. In fiscal year 2021, we further strengthened our internal and external reporting systems in Japan and overseas for employees and suppliers.

By continuing to conduct human rights due diligence going forward, we will assess and correct any human rights issues we identify in our business activities and further improve the grievance mechanisms we provide.

Health and Safety

Health and Productivity Management

Having every employee find fulfillment in both work and life and achieve their maximum performance is also important for the future advancement of Tokyo Electron. To create healthy and comfortable workplaces for employees, we are working to develop our systems further. Besides conducting various medical checkups in accordance with the law, we offer face-to-face consultations by designated occupational health physicians for employees who work long hours. We also offer counseling opportunities supported by external industrial counselors for those who request them. Furthermore, we are working on strengthening health-related support, organizing regular line-care¹ seminars aimed at management, and, where necessary, holding liaison meetings with the health officers and health professionals at each Group company in Japan. Based on the collaborative health² concept, in cooperation with the Tokyo Electron Health Insurance Society, we are actively expanding data health³ initiatives, providing employees health guidance and effective prevention and health promotion according to their individual circumstances by utilizing examination data from medical checkups. As a result, the health literacy of employees in fiscal year 2021 rose, demonstrated, for instance, by an increase in the percentage of employees receiving specific health guidance⁴. Furthermore, again in fiscal year 2021, as in fiscal year 2020, the entire Group in Japan collectively received recognition as top 500 companies under the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program⁵. We will continue to promote various initiatives at the global level to maintain and improve our employees' health.

¹ Human Rights Policy
www.tel.com/csr/employee/diversity/

² RBA Code of Conduct: The RBA establishes a set of standards for supply chains in the electronics industry for a safe labor environment to ensure that workers are treated with respect and dignity and that companies take responsibility for environmental impact in the manufacturing process.

³ CSR assessment: Refer to Supply Chain Management on p. 54

¹ Line-care: A workplace measure for mental health, in which managers and supervisors take a lead role in responding to requests by workers for advice, with the aim of improving the workplace environment

² Collaborative health: Situation where a company actively cooperates with an insurer, such as a health insurance society, to effectively and efficiently promote the health of its employees and their families

³ Data health: Refers to a more effective and efficient health care program that is implemented in line with the health status of insured persons, by utilizing and analyzing the health and medical information held electronically by the medical insurer

⁴ Specific health guidance: Health guidance provided for reducing the number of people with metabolic syndrome (visceral fat syndrome) or at risk of metabolic syndrome, and for the early detection and early treatment of lifestyle diseases and cancer, etc.

⁵ Certified Health & Productivity Management Outstanding Organizations Recognition Program: The program publicly recognizes particularly outstanding organizations that are practicing health-oriented business management, based on initiatives attuned to local health-related challenges and on health-promotion initiatives led by the Nippon Kenko Kaigi

Safety Management Framework

Based on a culture of "Safety First," we carry out ongoing activities for safety promotion. In an effort to raise the overall level of safety and occupational health, we use a management system based on OHSMS¹ to manage safety and occupational health and also follow the PDCA cycle to reduce the potential risk of work-related incidents. Moreover, by sharing information of any issues at internal meetings, such as those of the EHS Council and the Manufacturing Company Presidents' Council, we promote safety management as a company-wide initiative.

¹ Occupational Health and Safety Management System (OHSMS): A management system to improve the overall level of safety and occupational health

Incident Reporting System

If an incident occurs, the information is shared with related parties and persons in charge through the TEL Incident Report System (TIRS), newly developed in fiscal year 2019, creating a system that resolves issues and leads to the proposal of measures to prevent reoccurrence. Through the operation of TIRS, we strive to improve the accuracy of report content further.

Activities for Safety

On-site Safety Patrols

At each plant and office, monthly safety and health committee meetings are held to discuss measures for any workplace safety or employee health issues and to conduct safety patrols. We have also set up a system for autonomous problem-solving at manufacturing sites, with safety patrols by representatives from appropriate departments at least once per month.

Risk Assessment and Stop Work Authority

Before starting work at our manufacturing facilities, the work details and the risks are shared with all workers involved, and they each increase their awareness in an effort to prevent incidents. In addition, effort is also being directed to providing guidance to safety managers as well as making workers stop work and take corrective action in the event of an unforeseen incident while on the job.

Safety Education

In addition, we are implementing two education programs globally for the establishment of safe work environments.

Basic Safety Education

Our program on basic safety targeting all employees. This is provided as introductory training for new hires as well as refresher training every third year of employment.

Advanced Safety Education

Our program on advanced safety targets employees working on production lines and in cleanrooms. Participants are required to complete the course every year. For overseas transferees, the laws and regulations in their previous and future places of employment are compared, and additional safety education is added as necessary.

To eliminate incidents, we also provide online training and risk assessment training for employees in Japan and overseas. Also, to expand the concept of safe equipment design² to our design, manufacture, and service operations, we hold a semiannual safe equipment design seminar at our manufacturing sites in Japan, inviting an external guest to speak. Finally, we also promote our initiatives to prevent accidents, such as providing our suppliers and customers with safety information as circumstances demand.

As a result of having maintained a high priority on creating safe work environments, TCIR³ has been maintained at less than the company's target of 0.5, with 0.27 in fiscal year 2021.



² Safe equipment design: Refer to p. 25

³ TCIR: Total Case Incident Rate. The number of workplace incidents per 200,000 work hours.

Environment

Environmental Management System

Environmental issues such as climate change are growing ever more crucial. To promote activities in the medium to long term that meet the environmental/ESG needs of its customers and other stakeholders, the Manufacturing Company Presidents' Council, which includes the corporate director in charge of EHS, monitors and supervises progress related to environmental issues. A headquarters has been established, headed by the corporate director in charge of EHS, and promotes environmental activities across the entire Group. The Environment Council, made up of members appointed by the executives of the Group companies, sets targets related to environmental issues, monitors progress and also works to achieve its goals. Furthermore, to continuously promote our environmental activities, we have operated an environmental management system based on ISO 14001 since fiscal year 1998, primarily at our manufacturing subsidiaries. In March 2017, we acquired multi-site ISO 14001 certification for our plants and offices in Japan that had previously acquired certification separately. Coinciding with this multi-site certification, we have developed a standardized group format for environmental impact assessments, the identification of useful environmental aspects, environmental management programs and internal audit checklists. During fiscal year 2021, we established approximately 100 environmental goals for different levels across the entire Group and carried out these improvement activities. Any issues identified through these activities are reviewed by the Environment Council, reported to the Manufacturing Company Presidents' Council and used for promoting environmental activities across the entire Group. Under such an environment management system, fiscal year 2021 was again free from environmental incidents, accidents, violations, and associated legal proceedings.

ISO 14001 Certified Plants and Offices

Company name	Plant/Office name	Certification date
Tokyo Electron	EHS Promotion Center (Fuchu Technology Center)	May 1998
Tokyo Electron Technology Solutions	Fujii Office/Hosaka Office/Tohoku Office	
Tokyo Electron Kyushu	Koshi Office/Ozu Office	
Tokyo Electron Miyagi	Taiwa Office	
Tokyo Electron (Kunshan)	—	March 2013
TEL Manufacturing and Engineering of America	Chaska Office	March 2013
	North Chelmsford Office	May 2018
Tokyo Electron Korea	TEL Technology Center Korea, Balan Plant	July 2014

Environmental Risks and Opportunities

The various issues related to the environmental impact on our daily lives and the business activities of companies. Physical risks, such as rising average global temperatures, strong winds, disasters, and water shortages caused by climate change and abnormal weather, heighten the risks in business, such as damage to assets, increased operating costs, and impacts on the supply chain. In terms of legal risks, we recognize that stronger environmental laws and regulations, more stringent regulations on greenhouse gas emissions, the introduction of carbon taxes, and so on will lead to higher costs for associated measures. At the same time, promoting environmental initiatives leads to more opportunities to sell outstanding, environmentally friendly products, reduce operating costs, and further improve corporate value. As a participant in the semiconductor and flat panel display (FPD) industry, by leveraging Tokyo Electron's advanced technological prowess to create added value, we can contribute to the creation of semiconductor and FPD products with low power consumption and the building of an energy-saving society that makes the most of information technology.

Based on the requirements of ISO 14001, we identified and analyzed internal and external issues in relation to the environment, namely, our relationship with the climate, air quality, and water quality. We also clarified the environmental needs and expectations of customers, suppliers, governments, and employees and identified the compliance obligations of our group. From this information, we defined the following as its risks and opportunities to address: (1) environmental management by reducing the environmental impact of its business activities, (2) compliance with applicable laws, and (3) enhancing product competitiveness with the environmental contribution of products.

TCFD

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

We are pursuing ongoing disclosures and initiatives based on the TCFD framework and relating to risks and opportunities that climate change presents to our business.

Status of Initiatives Related to Recommendations of the TCFD

Governance

Each of our corporate directors for EHS and CSR is working under the supervision of the CEO to monitor progress of goals related to our response to climate change.

With the establishment of the EHS Promotion Department and CSR Operations Department at headquarters, these activities are being driven by the entire Group. At the Environmental Council, comprised of members appointed by executives of the Group companies, company-wide goals are set, progress is monitored and the achievement of these goals is promoted.

Strategy

Utilizing the framework of the TCFD recommendations, we identified the risks and opportunities of climate change that will impact business over the medium to long term. We have evaluated the quantitative impact on business from some of those risks and opportunities, and we aim to continue quantifying others going forward as we investigate relevant measures.

Risk Management

Through the Manufacturing Company Presidents' Council, we approve company-wide risk management initiatives, from short term to long term, that related divisions and councils recommend, and then apply those initiatives to the facilities and divisions of the Group companies.

For Scope 1¹ and 2² CO₂ emissions, we are adopting renewable energy from a global perspective, including the implementation of measures at our key manufacturing sites in Japan with high emissions.

For Scope 3³ emissions, we recognize the importance of providing products that generate fewer CO₂ emissions because about 88% of the emissions in our entire value chain are generated during use of products after sale, so we are focusing on the development of a range of environmental technologies.

We also formulate business continuity plans in anticipation of natural disasters caused by abnormal weather and other factors, and take measures with our suppliers to ensure that business operations can be maintained.

Metrics and Targets

To further reinforce our initiatives toward improving environmental performance of products and conserving the environment at our plants and offices, we revised our medium-term environmental goals in December 2020⁴. While supporting the advancement of information and communications technology through the provision of our semiconductor and FPD production equipment, we are also committed to achieving new environmental goals in keeping with our Corporate Philosophy: "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support".

Examples of Climate Change (Risks and Opportunities) Impacting Business over the Medium to Long Term

Scenario	Type	Details
2°C Temperature Increase	Transition risks	<ul style="list-style-type: none"> Increased energy costs in line with taxes on fuel and energy Assuming our greenhouse gas (GHG) emissions and use of renewable energy remain at fiscal year 2021 levels, if a carbon tax were applied, we estimate our costs would increase by 1.1 billion yen/year by fiscal year 2026 (assuming a tax of 6,000 yen per ton CO₂) and 2.6 billion yen/year by fiscal year 2041 (14,000 yen per ton CO₂) Decreased net sales if we are unable to meet customers' requirements and demands for environmental initiatives Reduced reputation among investors, NGOs and local communities if a response to climate change and other environmental issues is delayed
4°C Temperature Increase	Physical risks	<ul style="list-style-type: none"> Impacts on us, our suppliers and customers from abnormal weather (net sales decrease as a result of supply chain disruptions, operation stoppages, production/shipping delays and other factors)
Common	Opportunities	<ul style="list-style-type: none"> Accelerated efforts to create new value, including innovation toward development of low-GHG products and services, and equipment and technologies that contribute toward the manufacture of low-power consumption devices Gaining superiority and business opportunities through proactive initiatives for climate change and adding value to the market Higher productivity by streamlining operations and reducing related environmental impacts Securing a competitive advantage by building resilience (responsiveness to climate change) into global operations, including working to adopt renewable energy, and improving corporate value through these initiatives

1 Scope 1: Direct greenhouse gas (GHG) emissions from use of fuel and gas we owned or controlled

2 Scope 2: Indirect GHG emissions from use of electricity, steam and heat we purchased

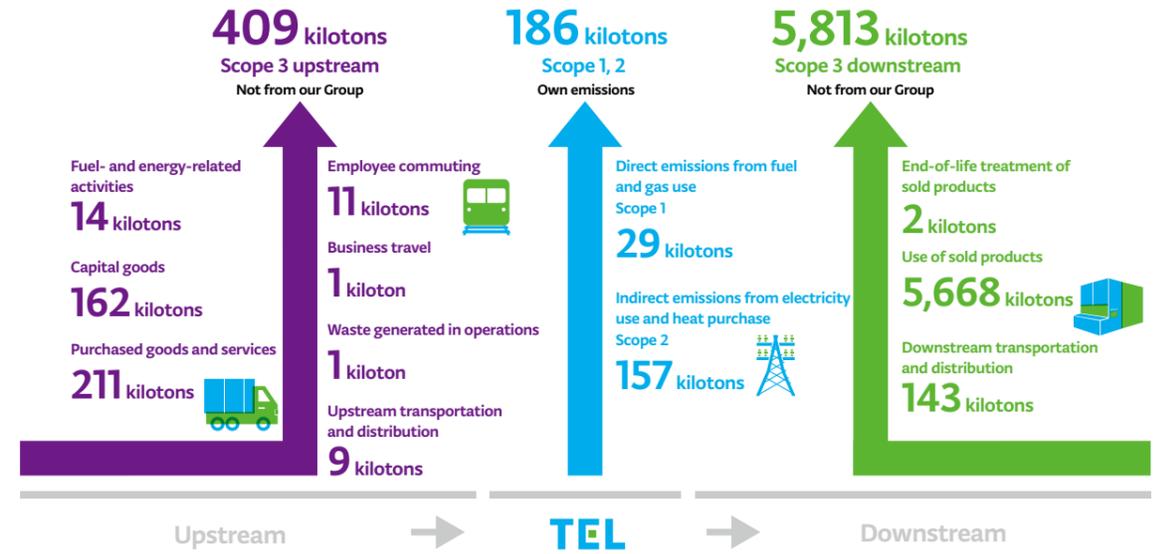
3 Scope 3: Emissions from corporate value chains (excluding scope 1 and 2 emissions), such as product transportation, employee business travel and major outsourced production processes *

Scope 3 is divided into upstream activities, which include emissions associated with purchased or procured products and services, and downstream activities, which include emissions associated with sold products and services.

4 Revision of medium-term environmental targets: Refer to p. 50

CO₂ Emissions Across the Value Chain

We will work to grasp the environmental impact throughout the value chain and develop business activities that are conscious of reducing this impact. Based on our environmental slogan "Technology for Eco Life," we aim to resolve environmental problems through leading technology and reliable services.



Our total CO₂ emissions of Scope 1 and Scope 2 is 186 kilotons, while Scope 3 accounts for a total of 6,222 kilotons, approximately 97% of the total. Of this, CO₂ emissions when using products is 5,668 kilotons, about 88% of the total. This is why we consider the development of products with low CO₂ emissions during operation to be important.

Medium- and Long-term Environmental Goals

In order to further strengthen our initiatives toward the environment in our products, plants and offices, the contents of the medium-term environmental goals for fiscal year 2031 were revised in December 2020. In the goals for products, the reference year for per-wafer CO₂ emissions was changed from fiscal year 2014 to fiscal year 2019. In addition, in the goals for plants and offices, the total CO₂ emissions reduction goal was changed from 20% reduction to 70% reduction while reaching a rate of 100% renewable energy usage. At present, we are working on new initiatives toward achieving these revised goals. Specifically, we are planning to introduce renewable energy at our plants and offices in Japan, the United States and China starting from fiscal year 2022. This will bring our use of renewable energy company-wide to over 50% while dropping our CO₂ emissions by 40%. In terms of products, we are moving ahead with understanding the amount of CO₂ emissions during the use of standard equipment and creating a roadmap. We are rolling out activities toward achieving our goals based on this.

We have set the following as a long-term goal to achieve by 2050. As a leading corporation in environmental management, Tokyo Electron works actively to conserve the global environment. We strive to contribute to the development of a dream-inspiring society by proactively promoting the reduction of environmental burden of both our products, facilities, and at the same time, providing evolutionary manufacturing technologies that effectively reduce the power consumption of electronic products. We are working on initiatives for this at a company-wide level.

Medium-term environmental goals for 2030 (Revised in December 2020)

CO₂ emissions reduction goals



Long-term goal (2050) As a leading corporation in environmental management, Tokyo Electron works actively to conserve the global environment. We strive to contribute to the development of a dream-inspiring society by proactively promoting the reduction of environmental burden of both our products, facilities, and at the same time, providing evolutionary manufacturing technologies that effectively reduce the power consumption of electronic products.

Product Initiatives

Products that Contribute to a Sustainable Society

Of the CO₂ emissions from our value chain, emissions during product use account for about 88%. For this reason, we have made it a key corporate objective to promote environmentally friendly product design and lower the energy consumption of our products. In fiscal year 2021, we moved ahead with setting out a roadmap for key models to reach our medium-term environmental goal to reduce per-wafer CO₂ emissions by 30% by fiscal year 2031 (compared with fiscal year 2019) for the key models of each business unit, and have established guidelines for calculating CO₂ emissions that include the amounts of process gases and chemical substances to use, as well as the area, volume and mass occupied by equipment, in addition to our existing ones for energy and water. Based on these guidelines, we have begun estimating CO₂ emission levels for equipment using our base year (fiscal year 2019), and have also started studying environmental technology strategies. As we work to further raise environmental awareness, we will continue to incorporate environmental technologies as an important added value in our technological strategies through various activities.

Example initiative

In our Cellcia™ series of test systems, we have improved the cooling circuits in the cooling chiller, increasing efficiency and boosting cooling capacity by 30%. This has enabled us to make the cooling chiller smaller, reducing our equipment footprint¹. In addition, we have brought in new functions to automatically switch off heaters and chillers inside our Precio™ series of wafer probers when idling.

Initiatives for Product Environmental Laws and Regulations

In order to comply with each country’s environmental laws and regulations pertaining to products, we proactively collect information and take appropriate action as required. An example of our efforts for EU REACH² is that we properly investigate and disclose information on the presence of any chemical substances in articles. We introduced the chemSHERPA³ format in fiscal year 2021 and collected information on chemical substances for concentrations in the parts per billion (ppb⁴). As an effort toward GHS⁵ requirements, we provide safety data sheets (SDS⁶) when selling chemical products. We also promote the local procurement of chemical products and effectively address laws and regulations. In explaining and addressing the frequently revised environmental laws and regulations, we continue to offer “web-based training for Product Environment Compliance” to all employees, and we provide suppliers with information on the relevant environmental laws and regulations. We will continue to monitor each country’s environmental laws and regulations rapidly and strive to take appropriate action.

Plant and Office Initiatives

Renewable Energy Initiatives

We have set as a medium-term environmental goal the use of 100% renewable energy sources at our plants and offices by fiscal year 2031. To reach this goal, we are planning to introduce renewable energy at our sites in Japan, the United States and China, starting from fiscal year 2022. This will bring our use of renewable energy company-wide to over 50%, while dropping our CO₂ emissions by 40%.

As an initiative toward in-house generation of renewable energy, at Tokyo Electron Miyagi (Taiwa Office) and Tokyo Electron Technology Solutions (Fujii Office, Hosaka Office), renewable energy generated from solar panels is used to power the plants, and monitors displaying their energy profile have been set up at the entrances to the plants. At Tokyo Electron Kyushu (Koshi Office), generated energy is sold, helping to prevent global warming. In fiscal year 2021, we generated a total of 4,068 MWh of renewable energy in Japan. In addition, Tokyo Electron U.S. Holdings has continued to purchase green power from external sources, amounting to 4,980 MWh in fiscal year 2021.

Initiatives to Prevent Global Warming and Save Energy

As our medium-term environmental goal, we want to reduce total CO₂ emissions by 70% by fiscal year 2031 (compared with fiscal year 2019) at our plants and offices, and have set the goal of reducing energy consumption by at least 1% year-over-year at each of our plants and offices. To achieve this goal, we have brought in a number of initiatives, including our energy-saving clean room operation, setting office air conditioning at appropriate temperatures, introducing devices that offer superior energy-saving performance, and bringing in renewable energy. As a result of these activities, we managed to reduce by 10% year-over-year the amount of energy used at our plants and offices per net sales in fiscal year 2021. In addition, the increase in the amount of energy used to develop and evaluate products and increase production meant that our power consumption was 355 GWh (12% increase YoY), and the CO₂⁷ emitted by our energy sources was 169 kilotons (9% increase YoY). In addition, in fiscal year 2019, we revised the per-unit basis for plants and offices in Japan to more appropriate levels based on the correlation between business

1 Footprint: The overall area a piece of equipment takes up on a flat surface when seen from directly above

2 EU REACH: An EU regulation pertaining to the Registration, Evaluation, Authorization, and restriction of Chemicals

3 chemSHERPA: A data entry support tool for appropriately managing information on chemical substances in products across an entire supply chain

4 ppb: parts per billion (1 × 10⁻⁹)

5 GHS: Globally Harmonized System of Classification and Labelling of Chemicals

6 SDS: Safety Data Sheet (Safety Data Sheet refers to the document containing hazard information about chemical substances that is issued when a company transfers or provides chemical substances, products containing chemical substances, to another company)

7 The emission coefficient for power consumption in Japan in fiscal year 2021 uses the post-adjustment emission coefficient on a per-electricity supplier basis, while the emission coefficients for power consumption overseas uses the emission coefficients in Emissions Factors 2019 Edition issued by the International Energy Agency (IEA).

operations and energy, sharing these and putting them into practice. Specifically, the per-unit basis is calculated by compound weighting using data on the number of development and evaluation machines, production volume, floor space, and man-hours in each region. As a result, the goal has been achieved at 1 of the 11 total plants and offices in Japan and overseas.

Example initiative 1

We are bringing in a system at our manufacturing sites in Japan to make it clear how much energy is saved at our plants and offices. Previously, we used to graph changes by extracting data by hand, but now, through integrated management on the cloud, we can check changes at any time, as well as check the deployment and effects of BKM¹ at each plant and study or implement measures. This system is scheduled to be fully in place by fiscal year 2022.

Example initiative 2

The new manufacturing wing that started operation at the Tokyo Electron Technology Solutions (Fujii Office) in August 2020 uses energy-saving air-conditioning equipment, allowing it to save an expected 30% of energy or more in terms of floor area.

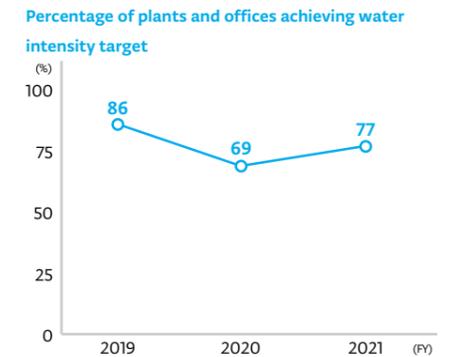
Example initiative 3

At Tokyo Electron Kyushu (Koshi Office), heat source chillers that used to be controlled, managed and run independently have been switched to integrated operation. This is expected to save about 470 MWh and 170 t-CO₂ annually going forward.

1 BKM: Best Known Method

Initiatives to Reduce Water Consumption

With the growing importance of water resource preservation in global environmental initiatives, we have established a goal of keeping water consumption at the same level or below that of the baseline year (fiscal year 2012 for plants and offices in Japan and a fiscal year of their choosing for each overseas operation). Our ongoing efforts to achieve these goals include reusing pure water from our manufacturing operations, installing water-saving devices, watering lawns with rainwater, and implementing the intermittent operation of cafeteria faucets. During fiscal year 2021, as a consequence of new buildings coming online and an increase in water consumption associated with product development and evaluation, water consumption amounted to 1,397,000 m³, up 7% year-over-year. Moreover, in terms of our goal of maintaining water consumption at the baseline level (per-unit basis) at each plant and office, we achieved 10 of the 13 goals. Additionally, an estimated 1,195,000 m³ of wastewater was discharged in fiscal year 2021.



Initiatives to Reduce Waste

To curb the amount of waste generated and to recycle it wherever possible, we promote initiatives to reduce waste. In addition to participating in the electronic manifest system² to ensure proper waste management, we are engaged in maintaining an appropriate amount of parts inventory and in reusing cushioning material. We are also achieving lower waste processing costs by promoting waste sorting activities and by modifying space used for storing waste to increase storage capacity and reduce the frequency of collection. In fiscal year 2021, we surveyed waste disposal operators in Japan using a unified on-site checklist, and we shared the results. As a result of these initiatives, in fiscal year 2021, we generated 183 tons of incinerated and landfill waste, and the recycling rate³ was 98.8%, achieving our single-year goal of maintaining a recycling rate of 97% or higher for the 15th consecutive year since fiscal year 2007. We have also maintained a high level of recycling of 95% at our overseas plants and offices.

Example initiative

At the Chaska Office of TEL Manufacturing and Engineering of America, wood recycling is encouraged, and in addition, packaging materials that would normally be sent to landfills are converted to heat or power generation materials. The recycling rate was 85% in fiscal year 2020 but climbed 14 points in fiscal year 2021 to reach 99%.



2 Electronic manifest system: A system for electronically tracking the flow of industrial waste instead of using paper-based manifests (i.e., paper forms for tracking industrial waste). The system uses a communications network of data processing centers, businesses that generate waste, and waste collection/disposal companies.

3 Recycling rate: (Recycled amount/Amount of waste generated) × 100

Management of Chemical Substances

We constantly monitor and manage our use and release of any chemical substances used in product development and manufacturing subject to the Japanese PRTR¹ law. Whenever we introduce a new chemical substance or change the way an existing substance is used, we check for environmental, health, and safety risks beforehand and conduct appropriate processing after use by contracting expert vendors and using in-house processing facilities. In response to the Fluorocarbons Recovery and Destruction Law, we conduct simple checks, regular inspections and so on based on law in an effort to monitor the amounts of fluorocarbons filled and recovered. In fiscal year 2021, none of our plants or offices had fluorocarbon leakages requiring notification.

Biodiversity

In carrying out our business activities, we have a not insignificant impact on biodiversity, and yet without the benefits yielded from biodiversity, we could not sustain our activities. In recognition of this, we will develop a framework for promoting initiatives to conserve biodiversity. We set a single fiscal year goal of conducting at least two ecosystem tours or conservation activities at our plants and offices in Japan. Results in fiscal year 2021 show that a total of 18 events were held, attracting a total of 52 participants.

Green Procurement

We began implementing our Green Procurement Guidelines in January 2001 and have since promoted green procurement, prioritizing the purchase of environmentally friendly parts and products. Through these guidelines, we strive to gain the understanding and cooperation of our suppliers with respect to building environmental management systems, monitoring, reducing and disclosing information on the environmental impacts of business activities, and developing environmentally friendly products.

Logistics Initiatives

We have been promoting activities designed to reduce the environmental impact of our logistics. We have been implementing a modal shift² from air to ocean transportation for the overseas shipping of our semiconductor and FPD production equipment, and at the same time, we have been working hard to reduce production lead times. We have also been endeavoring to reduce CO₂ emissions and costs by adopting the shelved trolleys traditionally used in shipping FPD production equipment to semiconductor production equipment, thereby improving the load factor of trucks.

In fiscal year 2021, we set a new environmental goal for logistics to reduce the amount of wooden packaging materials used by 50% (packaging for semiconductor production equipment fiscal year 2024). We will continue to promote activities that contribute to the achievement of this goal.

Environmental Communication

Our environmental policy requires that we promote cooperative partnerships with our stakeholders and respond appropriately as a company to their expectations and wishes. In promoting initiatives for the environment, we maintain close communication with all our stakeholders.

We are introducing online environmental education programs to better promote environmental communication internally. Our online programs consist of an environmental program for new employees and mid-career recruits, plus a refresher program for existing employees. In fiscal year 2021, we carried out refresher programs for existing employees, which about 8,000 people in Japan attended.

E-COMPASS

We established E-COMPASS (Environmental Co-Creation by Material, Process and Subcomponent Solutions) as a new supply chain sustainability initiative. E-COMPASS aims to align our products and the entire operations more closely with our environmental mandates, strengthen our ties with business partners, solidify our industry leadership, and pave the way for a sustainable future. We will utilize every management resource at our disposal to drive the major trends of digitalization and greening of society and actively endeavor to preserve the global environment throughout the supply chain.



¹ PRTR (Pollutant Release and Transfer Register). A framework for tracking, tabulating and disclosing quantitative data on chemical substances that may be hazardous to human health and the ecosystem, including the amounts used and discharged into the environment and the amounts transferred (as part of waste) off the plants and offices

² Modal shift: Efforts to transform the means of transportation

Supply Chain Management

Principles and System of Supply Chain Management

To make its entire supply chain sound and sustainable, Tokyo Electron has formulated a procurement policy based on the laws, regulations and social norms of each country, as well as the RBA Code of Conduct, and is promoting activities based on this policy by disseminating it throughout the Company and its suppliers. We also promote improvement activities from various perspectives while valuing continuous communication with diverse suppliers, including materials suppliers that handle parts and raw materials, staffing suppliers that provide services and logistics suppliers that handle physical distribution operations.

We strive to create value in the supply chain by working to build relationships of trust with our suppliers, who support our business as partners, and by working together to conduct operations in compliance with global standards. Under the leadership of the Representative Director, President & CEO, issues identified during various activities are shared with relevant divisions for consideration and action on specific improvements.

Initiatives in the Supply Chain

CSR Operations

To keep track of our suppliers' engagement in CSR activities, we have conducted a CSR assessment in areas such as labor, health and safety, the environment and ethics since fiscal year 2014. We analyze the results of the assessments, provide feedback and work together with our suppliers to remediate any issues. In fiscal year 2019, we completely revised the content of the survey based on audit standards stipulated by the RBA and have since conducted surveys on materials¹, staffing² and logistics³ suppliers.

In fiscal year 2021, with the help and understanding of our suppliers, steps were taken to repay workers with respect to cases of an employment-related expense burden for forced labor and bonded labor, which had been identified in the previous fiscal year and which have been given particular emphasis in the RBA Code of Conduct. In addition, with respect to cases of false reporting, changes were made in business processes and audits were introduced.

Regarding the human rights issue of "freely chosen employment," we have expressly stipulated our zero-tolerance policy for forced labor and bonded labor, and by communicating this to our major suppliers, we are promoting initiatives to ensure that all people in our supply chain can work of their own free will.

Supply Chain CSR Process



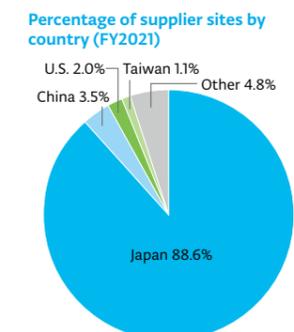
Responsible Procurement of Minerals (Conflict Minerals)

We regard taking action against conflict minerals (3TG⁴) obtained through illegal exploitation, including sources with human rights violations or poor working conditions, as an important part of corporate social responsibility. Our resolute goal is to eliminate the use of raw materials made from these conflict minerals, as well as any parts or components containing them. We conduct surveys on conflict materials using the CMRT⁵ and referring to the OECD⁶ Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In fiscal year 2021, we conducted our seventh annual survey on potential conflict minerals, and as a result, we were able to identify 236 RMAP⁷ conformant smelters, providing us confidence that 3TG sourced from these smelters were conflict-free. In addition, none of the materials we procured were found to contain 3TG involved in conflict.

Procurement BCP

As part of our business continuity plans (BCPs), we collaborate with suppliers for disaster preparation. We maintain a database of suppliers' production sites so that if a crisis arises, we can promptly identify impacted suppliers and quickly collaborate in recovery efforts. During fiscal year 2021, about 22,000 supplier sites were registered, and post-disaster impact surveys were conducted five times.

In addition, we conduct BCP assessments⁸ on our suppliers, analyze their responses and provide them with feedback to promote further improvement. In the fiscal year 2021 assessment, improvements in the overall rating level were observed at 20% of suppliers, and improvements in the overall raw score were seen at 43%.



¹ Material suppliers: Surveys have been conducted since fiscal year 2014 for suppliers accounting for more than 80% of our procurement spend.

² Staffing suppliers: Surveys have been conducted since fiscal year 2019 on 100% of employment agencies and contracting companies (internal contractors).

³ Logistics suppliers: Surveys have been conducted since fiscal year 2019 on 100% of customs-related operators.

⁴ 3TG: Tantalum, tin, tungsten and gold

⁵ CMRT: Conflict Minerals Reporting Template. Survey format for reporting conflict materials, provided by the Responsible Minerals Initiative (RMI), which has established international guidelines on conflict minerals.

⁶ OECD: Organisation for Economic Co-operation and Development

⁷ RMAP: Responsible Minerals Assurance Process. A program promoted and led by the RMI for auditing smelters/refiners that do not use conflict minerals.

⁸ BCP assessment: A survey that has continuously been conducted to key suppliers accounting for more than 80% of our procurement spend since FY2013