

Identifying Material Issues

Tokyo Electron identifies important and priority material issues (key issues) to be addressed for the medium- to long-term enhancement of corporate value by examining both social and business environments, evaluating risks and opportunities and holding active dialogues with stakeholders.

Issues Awareness

Social Issues

While society is currently being affected in many ways by the COVID-19 pandemic, humans are also faced with various issues, such as abnormal climate conditions and natural disasters, human rights issues, conflicts between nations and cyber-attacks. Mitigating climate change and eliminating inequality in human rights in particular are pressing issues for the global community, and there are strong calls for further action, not just by international organizations, and national governments, but also by the private sector.

While participating in global initiatives such as the United Nations Global Compact and RBA and keeping an eye on societal trends, and considering recommendations from third party organizations, we also examine social issues that may impact our business activities.

Business Environment

With the spread of IoT, AI, 5G and other technologies, a data-centric age has arrived and the implementation of digital transformation and information and communication technology (ICT) is accelerating. This further increases the importance of the semiconductor industry as a social infrastructure. Along with innovations in semiconductor technologies to achieve larger capacity, higher speed, higher reliability and lower power consumption, the market for semiconductor wafer fab equipment (WFE*), in which we conduct our business, is forecast to continue expanding.

New evolutions are also required in Flat Panel Display (FPDs), which act as the interface between people and ICT, and further technical innovations are occurring. In the future, as organic EL displays become widespread, panel size increases, and design improvements that take advantage of enhanced characteristics such as high resolution, low power consumption, thinner profile and flexibility, are expected to further expand the application fields.

Taking actions to preserve the global environment has become an urgent issue, and initiatives toward decarbonization are accelerating on a global scale under international frameworks such as the SDGs and Paris Agreement. As the transition to a digital and green society progresses, the roles played by semiconductors and FPDs will increase even further in the future.

At the same time, the importance of corporate governance, which fundamentally supports the medium- to long-term growth of corporations, is also increasing. Further strengthening of measures is essential to ensure safety and quality, as well as compliance and risk management.

Risks and Opportunities

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

Social Trends	Main Potential Risks	Opportunities
Environment	• If we fail to comply with laws and regulations, industry codes of conduct, or in-house policy, product competitiveness and social credibility will decline, and the cost of correcting the problem will increase business costs.	• Promote environmental management, improve the environmental performance of our company's manufacturing equipment, create business opportunities and provide technologies that will help reduce the power consumption of semiconductors
Human rights	• If we fail to comply with laws and regulations, industry codes of conduct, or in-house policy, social credibility and employee engagement will decline.	• Create a workplace environment that respects employee diversity and enables all employees to demonstrate their full capabilities, improve employee turnover rate and promote health management
Supply chain management	• If a natural disaster occurs, or it becomes impossible to continue business transactions with suppliers, events such as delivery delays and contractual non-performance will harm business continuity. • If sustainability-related issues such as the environment and human rights become more serious, operations will stagnate.	• Establish a sustainable production system, further increase business operations efficiency, improve business continuity through enhanced business continuity plans, strengthen competitiveness in the supply chain and build trusted relationships with customers and suppliers
Governance	• If management's monitoring or supervising function declines, management risk will increase, and business activities will stagnate.	• Enhance corporate value on a medium- to long-term basis, gain stakeholders' trust and increase social credibility
Compliance	• If an ethical or compliance violation occurs, we will lose social credibility and suffer economic loss.	• Operate healthy corporate activities by complying with laws and regulations, industry codes of conduct, corporate ethics, and other rules
Evolution of technology	• If the development of leading-edge technologies is delayed, we will lose business opportunities.	• Create ground-breaking innovations, strengthen competitive superiority and contribute to industry and societal issue resolution and growth
Information security	• If confidential information is leaked, social credibility will decline, and compensation for damages be required. • If a cyber-attack or natural disaster occurs, our business will stagnate.	• Build a rock-solid information infrastructure by strengthening information security, and improve information literacy

* WFE: Wafer Fab Equipment. The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. WFE refers to the production equipment used in front-end production and in wafer-level packaging production.

Stakeholder Engagement

We examined the opinions and requests obtained through dialogue and engagement opportunities with stakeholders.

Stakeholders	Main Engagement Opportunities	Key Opinions and Requests
Shareholders/ investors	• Earnings release conference, Medium-term Management Plan briefing, non-financial briefing (IR Day) • IR conference, IR road show ¹ , individual IR interview • Shareholders' Meeting	• Medium- to long-term growth scenario and associated measures • Further initiatives for governance • Capital policy, including shareholder return
Customer	• Technology conference • Customer satisfaction survey • Joint development	• Understand diverse application needs and suggest solutions to satisfy them • Maximize equipment performance and productivity • Comprehensive and optimal solutions
Suppliers	• Production update briefing • TEL Partners Day • STQA ² audit	• Share high-quality information related to production and technology trends in a timely manner • Improve our company's operation by complying with the expected quality standards
Employees	• Employee meeting • Global engagement survey • Career interest survey (Japan)	• Share the management policy further • Provide medium- to long-term career development opportunities for employees • Create work environment in which diverse human resources can thrive
Local communities	• Community contribution activities • Tours of plants and offices • Environmental debriefing	• Coexistence of the company with communities • Promotion of environment conservation • Human resource development and innovation
Governments/ associations	• Industry group activities • Collaboration with various initiatives	• Create new values through innovation • Initiatives targeted at climate change, human rights, etc. • Building of sounder supply chains

¹ IR roadshows: IR activities presented directly to shareholders and investors
² STQA: Supplier Total Quality Assessment

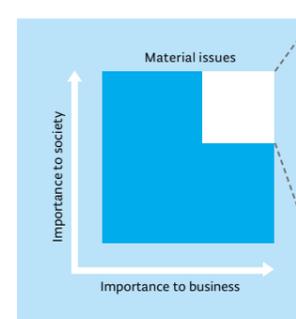
Identifying Material Issues

We have ascertained the social issues and business environment, considered the risks and opportunities and examined the opinions and requests of all stakeholders. We have reassessed material issues from the perspectives of developing a sustainable society and enhancing medium- to long-term corporate value.

As a result, we decided to leave Product Competitiveness, Customer Responsiveness, and Higher Productivity unchanged, which are items already identified for enhancement in the Medium-term Management Plan as material issues. We also reexamined the significance and activities related to People and Workplaces, which had previously been defined as a material issue through fiscal year 2021, and decided to integrate it into Management Foundation.

The material issues were decided at the CSR Management Council, attended by Chairman of the Board, Representative Director, and President & CEO, and corporate directors involved in CSR.

Identified Material Issues



Material Issues	Medium-term Goals	Priority Themes
Product competitiveness	• Create strong next-generation products	• Tackling technological innovation
Customer responsiveness	• Be the sole strategic partner	• Solutions that create value for customers • Improvement of customer satisfaction
Higher productivity	• Continually improve operational efficiency	• Continuous improvement of business operations • Quality management • Improvement of customer productivity/yield
Management foundation	• Build a strong management foundation for underpinning our business activities	• Diversity and inclusion • Career development • Work-life balance • Health and safety • Governance • Risk management • Compliance • Environmental contribution of products • Environmental management • Supply chain management

Annual Goals for Each Material Issue

Reflecting on the priority themes in each material issue, we verified the results against the goals for fiscal year 2021 and set annual goals for fiscal year 2022. In setting each goal, we have clearly identified the corporate director responsible for achieving it, and we are working on various activities aimed at further enhancing our corporate value and contributing to the achievement of SDGs.