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 are in particular pressing issues for the global community, and there are strong calls for further action, not just by international organizations, 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 semiconductors will change in fundamental ways 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 be 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 significantly.
- Protect 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 semiconductor production

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 diminish.
- 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 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.
- 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 trust 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 ethical or compliance violation occurs, we will lose social and business opportunities.
- Operate healthy corporate activities by complying with laws and regulations, industry codes of conduct and corporate ethics, and other rules.

Evasion 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 social issue resolution and growth.

Information security

- If confidential information is leaked, social credibility will decline, and compensation for damages will be required.
- If a cyber attack or natural disaster occurs, our business will be interrupted.
- Build a robust information infrastructure by strengthening information security, and improve information literacy.

Stakeholder Engagement

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

Identifying Material Issues

We have ascended 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 Places, 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

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<thead>
<tr>
<th>Material issues</th>
<th>Key Terms</th>
<th>Importance to business</th>
<th>Material issues</th>
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<tbody>
<tr>
<td>Product competitiveness</td>
<td>Create strong next-generation products</td>
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<td>Customer responsiveness</td>
<td>Be the sole strategic partner</td>
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<td>Higher productivity</td>
<td>Continuously improve operational efficiency</td>
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<td>Management foundation</td>
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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.