Tokyo Electron is endeavoring to build a strong and sound management foundation that supports the entire Group’s business activities. 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.

Corporate Governance

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.

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

As a leading company in semiconductor and flat panel display industries through innovative technologies and groundbreaking proactive solutions that integrate diverse technologies, 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, 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.
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) security 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 is an independent outside director chairperson, 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. The compensation committee and 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 within a group comprised mostly of outside directors and Audit & Supervisory Board members. The results of this questionnaire, summaries of individual 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, particularly with 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 increasing corporate value to the investor. 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 actively supplements the explanation through individual interviews and regularly reports opinions from investors to management so that feedback can be used in management.

As 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 agendas, company management members also 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 deeper mutual understanding. To encourage active discussion and facilitate smooth and effective voting at Shareholders’ Meetings, we send voter notices at an early stage and also post the notices 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 management 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, 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 with control and risk management initiatives.

**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 these 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.

<table>
<thead>
<tr>
<th>Item</th>
<th>Main-Potential Risks</th>
<th>Main-Risk Management Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market Fluctuations</td>
<td>Impact on the cost structure of the semiconductor market due to overproduction or an economic downturn in a certain region, or an unexpected increase in demand or decrease in demand, leading to an inability to supply products at a timely manner in light of related risk impacts.</td>
<td>- Formulate the Compensation Innovation Project and build a market-based assessment framework to identify business risks. - Conduct business risk assessments once a year. - Establish business risk assessment in the nomination committee of the Board of Directors and other significant committees, and appropriately appoint audit committees, private inspectors, and other officers. - Conduct risk assessments periodically.</td>
</tr>
<tr>
<td>2. Geopolitics</td>
<td>Geopolitical changes or regional and individual country or region’s perceptions such as cultural differences, economic policies, social instability, or environmental policies, as well as changing or volatile regulations and other risks.</td>
<td>- Establish the Corporate Innovation Division’s and build an insight-oriented management system to address changes in development and the technologies of each division development. - Formulate the brand development plan and ensure the implementation of this plan. - Establish risk control measures and systems and establish a risk management system.</td>
</tr>
<tr>
<td>3. Research and Development</td>
<td>Delays in the launch of new products to the market, resulting in a delay or delay in the completion of the products, or an inability to develop new products for the expected conditions.</td>
<td>- Establish the Evaluation and Research Plan and the Evaluation and Research Plan, etc. - Establish the Research and Development Plan and the Research and Development Plan, etc. - Establish the Research and Development Plan and the Research and Development Plan, etc.</td>
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<tr>
<td>4. Procurement, Production and Supply</td>
<td>Unfulfilled procurement due to a natural disaster or due to incomplete procurement procedures due to changes in the business conditions of suppliers or unexpected changes in supply chain conditions that lead to delays in the supply of production components.</td>
<td>- Establish the Production and Supply Plan and the Production and Supply Plan, etc. - Establish the Production and Supply Plan and the Production and Supply Plan, etc. - Establish the Production and Supply Plan and the Production and Supply Plan, etc.</td>
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<td>5. Safety</td>
<td>Safety-related problems with the Company’s products are caused by damages suffered by customers, suppliers or damage to the environment, etc.</td>
<td>- Establish the Safety Committee and the Safety Committee, etc. - Establish the Safety Committee and the Safety Committee, etc. - Establish the Safety Committee and the Safety Committee, etc.</td>
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<tr>
<td>6. Quality</td>
<td>The assurance of quality and fault-free products leads to damages, costs for countermeasures, and a decline in credibility.</td>
<td>- Establish the Quality Assurance Committee and the Quality Assurance Committee, etc. - Establish the Quality Assurance Committee and the Quality Assurance Committee, etc. - Establish the Quality Assurance Committee and the Quality Assurance Committee, etc.</td>
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<tr>
<td>7. Laws and Regulations</td>
<td>The violation or non-obstruction of laws and regulations results in damage to the Company’s business or business-related public trust and confidence in the Company’s business activities.</td>
<td>- Establish the Laws and Regulations Committee and the Laws and Regulations Committee, etc. - Establish the Laws and Regulations Committee and the Laws and Regulations Committee, etc. - Establish the Laws and Regulations Committee and the Laws and Regulations Committee, etc.</td>
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<tr>
<td>8. Intellectual Property Rights</td>
<td>Breaches of intellectual property rights occur due to their own misconduct or other factors, causing the violation of laws and regulations, or damage to the business activities of the Company or damage to the Company’s business activities.</td>
<td>- Establish the Intellectual Property Rights Committee and the Intellectual Property Rights Committee, etc. - Establish the Intellectual Property Rights Committee and the Intellectual Property Rights Committee, etc. - Establish the Intellectual Property Rights Committee and the Intellectual Property Rights Committee, etc.</td>
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<tr>
<td>9. Information Security</td>
<td>Breaches of data of the operation of business or company’s personal data leads to damage to the business activities of the Company or damage to the business activities of the Company.</td>
<td>- Establish the Information Security Committee and the Information Security Committee, etc. - Establish the Information Security Committee and the Information Security Committee, etc. - Establish the Information Security Committee and the Information Security Committee, etc.</td>
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<tr>
<td>10. Human Resources</td>
<td>The ability to recruit and retain necessary human resources is an ongoing issue to the availability to create an environment where competent employee recruitment, development, and career management.</td>
<td>- Establish the Human Resources Committee and the Human Resources Committee, etc. - Establish the Human Resources Committee and the Human Resources Committee, etc. - Establish the Human Resources Committee and the Human Resources Committee, etc.</td>
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<tr>
<td>11. Environmental Issues</td>
<td>The ability to respond appropriately to each country’s climate change policies and to reduce the impacts of climate change, as well as to respond to new environmental technologies and regulations.</td>
<td>- Establish the Environmental Issues Committee and the Environmental Issues Committee, etc. - Establish the Environmental Issues Committee and the Environmental Issues Committee, etc. - Establish the Environmental Issues Committee and the Environmental Issues Committee, etc.</td>
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<tr>
<td>12. The Novel Coronavirus (COVID-19)</td>
<td>The spread of the COVID-19 Pandemic impacts the Company’s business activities due to the degeneration of global economic conditions.</td>
<td>- Establish a Novel Coronavirus Task Force led by the CEO. - Establish the Novel Coronavirus Task Force led by the CEO. - Establish the Novel Coronavirus Task Force led by the CEO.</td>
</tr>
<tr>
<td>13. Other Risks</td>
<td>Business counterparty and changes, global and regional political conditions, economic conditions, financial and stock market, changes in exchange rates, fluctuations and other factors.</td>
<td>- Take necessary measures to counter such risks. - Take necessary measures to counter such risks. - Take necessary measures to counter such risks.</td>
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</table>
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.

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.

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.

Overview of Information Security

Mechanisms that support information security activities

Day-to-day activities implemented globally

Systems established in preparation for emergencies

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 employees. 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.

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 Employment, 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 harassment. Some training and mentorship topics include basics of corporate ethics and compliance, anti-corruption, export control, insider trading prevention, the promotion of diversity and inclusion, and the prevention of sexual harassment training is directed to certain employees.

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 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 144,979 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**

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

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.

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.

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.

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)**

<table>
<thead>
<tr>
<th>Level-based Programs</th>
<th>Management</th>
<th>Executives</th>
<th>Leaders</th>
<th>Mid-level Employees</th>
<th>Junior Employees</th>
<th>Target employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introductory programs (new entrants, mid-career recruits)</td>
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<tr>
<td>Compulsory web-based training</td>
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<tr>
<td>OJT* programs (new graduates, mid-career recruits)</td>
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<tr>
<td>Technical programs</td>
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<tr>
<td>Leader programs</td>
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</tbody>
</table>

| Coal-based Programs | | | | | | |
| Compulsory web-based training | | | | | | |
| Business skills | | | | | | |
| Global communication | | | | | | |
| Employee life support | | | | | | |
| Technical programs (seminars, workshops) | | | | | | |

**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 urgent 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.

**Management Foundation**

**Kanazawa Training Center**
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 issues 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.

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, 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, we are working to develop our systems 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.

We have expanded our human rights risk survey to around 550 suppliers, with the aim of identifying human rights issues and ensuring that those issues are resolved.

- **Survey period:** March to May 2022
- **Suppliers:** Around 600 suppliers in the manufacturing, materials, staffing and logistics sectors
- **Areas:** Human rights, health and safety
- **Findings:** 35% of the surveyed suppliers had potential/actual risks

We will continue to promote initiatives at the global level for the future advancement of Tokyo Electron.

Health and Safety

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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.

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 targeting 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 seminar on 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.

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/EHS 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 2022 was again free from environmental incidents, accidents, violations, and associated legal proceedings.

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.

### Environmental Management System

<table>
<thead>
<tr>
<th>Company name</th>
<th>Plant/Office name</th>
<th>Certification date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Electron</td>
<td>EdiPromotion Center (Fuchu Technology Center)</td>
<td>May 1998</td>
</tr>
<tr>
<td>Tokyo Electron Technology Solutions</td>
<td>Iq-Le Office/Inaka Office/Tohoku Office</td>
<td>May 2018</td>
</tr>
<tr>
<td>Tokyo Electron Kyushu</td>
<td>Inaka Office/Oka Office</td>
<td>March 2013</td>
</tr>
<tr>
<td>Tokyo Electron Miyagi</td>
<td>Tessa Office</td>
<td>May 2018</td>
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<tr>
<td>Tokyo Electron (Nakanoh)</td>
<td>―</td>
<td>March 2013</td>
</tr>
<tr>
<td>TEL Manufacturing and Engineering of America</td>
<td>Chaska Office</td>
<td>May 2018</td>
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<tr>
<td>TEL Technology Center Korea</td>
<td>North Chesterfield Office</td>
<td>May 2018</td>
</tr>
<tr>
<td>Tokyo Electron Korea</td>
<td>TEL Technology Center Korea, Balan Plant</td>
<td>July 2014</td>
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</table>
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 1 and 2 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 3 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 2020. 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:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2°C Temperature Increase</td>
<td>Transition risks</td>
<td></td>
</tr>
</tbody>
</table>
- Increased energy costs in line with prices of fuel and electricity 
- Assuming our greenhouse gas (GHG) emissions and use of renewable energy remain at fiscal year 2021 levels, if a 1°C carbon tax were applied, we estimate our costs would increase by 11 billion yen per year by fiscal year 2036 (assuming a tax of 6,000 yen per ton CO₂ and 24 billion yen per year by fiscal year 2054 (10,000 yen per ton CO₂)). 
- Increased fixed costs of our customers and suppliers from abnormal weather (net sales decrease as a result of supply chain disruptions, operation stoppages, production/transportation delays and other factors). |

| 4°C Temperature Increase | Physical risks | 
- Increased energy costs in line with prices of fuel and electricity 
- Increased fixed costs of our customers and suppliers from abnormal weather (net sales decrease as a result of supply chain disruptions, operation stoppages, production/transportation delays and other factors). |

| Common | Opportunities | 
- 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 
- Carrying superior 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 (resilience to climate change) into global operations, including working to adapt renewable energy, and improving corporate value through these initiatives.

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 this impact. Based on our environmental slogan “Technology for Eco Life,” we aim to resolve environmental problems through leading technology and reliable services.

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

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

- **Scope 3 upstream**
  - Fuel and energy-related activities: 14 kilotons
  - Capital goods: 162 kilotons
  - Purchased goods and services: 211 kilotons

- **Scope 1, 2**
  - Employees commuting: 11 kilotons
  - Business travel: 1 kiloton
  - Waste generated in operations: 1 kiloton
  - Upstream transportation and distribution: 9 kilotons

- **Scope 3 downstream**
  - Direct emissions from fuel and gas use Scope 1: 29 kilotons
  - Indirect emissions from electricity use and heat purchase Scope 2: 157 kilotons

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

- **Upstream**
  - Physical risks
  - Transition risks

- **Downstream**
  - Physical risks
  - Transition risks

**TCFD Statement**

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, factories, and offices. We will work to grasp the environmental impact throughout the value chain and develop business activities that are conscious of this impact. Based on our environmental slogan “Technology for Eco Life,” we aim to resolve environmental problems through leading technology and reliable services.
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 metrics for energy and water use. Based on these guidelines, we have begun estimating CO2 emissions specifically 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 Cellicia™ 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 footprint." In addition, we have improved in new functions to automatically switch off heaters and chillers inside our Precos™ 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 REACH1 is that we properly inform 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 in fiscal year 2022. This will bring us the 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, Hasaka 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 7% 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 Y-o-Y), and the CO2 emitted by our energy sources was 169 kilotons (9% increase Y-o-Y). In addition, in fiscal year 2019, we revisited the per-unit basis for plants and offices in Japan to more appropriate levels based on the correlation between business 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.

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 this goal include: reducing water consumption; reusing pure water from our manufacturing processes; 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 139,000 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%
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 PRTR® 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 strive to promote 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
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, and reducing or 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 shift 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 shallow trolleys traditionally used in shipping FPD production equipment to semiconductor production equipment, thereby improving the load factor of trucks.

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 retrainers, 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 operation more closely with our environmental mandates, strengthen our relationship 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.

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 materials, staffing, and logistics suppliers.

In fiscal year 2021, with the help and understanding of our suppliers, we stepped forward to remove suppliers with respect to cases of 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 majors suppliers, we are promoting initiatives to ensure that all people in our supply chain can work of their own free will.

Responsible Procurement of Minerals (Conflict Minerals)
We regard taking action against conflict minerals (3TG) obtained through illegal exploitation, including sources with human rights violations or poor working conditions, as an important part of corporate social responsibility. Our resolve 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 minerals in our supply chain, and referring to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, we were able to identify 126 RMAP® conflict minerals, providing us confidence that 3TG sourced from these smelters were conflict-free. In addition, none of the materials we procured were found to be 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 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 disaster preparation. During fiscal years 2021 and 2022, about 22,000 supplier sites were registered, and post-disaster impact surveys were conducted from time to time. In addition, we conduct BCP assessments on our suppliers, analyze their responses and provide 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%.

Percentage of supplier sites by country (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>U.S. 20%</th>
<th>Taiwan 17%</th>
<th>China 17%</th>
<th>Japan 14%</th>
</tr>
</thead>
</table>

BAP Assessment: A survey that has continuously been conducted by third party since FY2012. The ratio of more than 90% of our procurement spend since FY2012.

Supply Chain CSR Process

<table>
<thead>
<tr>
<th>Plan</th>
<th>Formulation of supply chain policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do</td>
<td>Specification of key suppliers and approval for CSR activities</td>
</tr>
<tr>
<td>Check</td>
<td>Conduction of RBA and audits of RBA and supply chain</td>
</tr>
<tr>
<td>Act</td>
<td>Provide feedback based on the results and requests for improvements to suppliers</td>
</tr>
</tbody>
</table>