



Technology
Enabling
Life

TOKYO ELECTRON
INTEGRATED
REPORT 2022

Cover Image

“Technology Enabling Life” is our corporate message that expresses the Corporate Principles which consist of our Corporate Philosophy, Management Policies, Vision and TEL Values. It represents how technological innovation in semiconductors contributes to the development of a dream-inspiring society.



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Editorial Policy

Issuance of an Integrated Report

Tokyo Electron issues an integrated report for the purpose of reporting our medium- to long-term profit expansion and continuous corporate value enhancement to our stakeholders. In the 2022 report, we explain how we continuously create value through the value chain of our business activities in conjunction with our sustainability initiatives. We also describe our Vision in our newly defined philosophy system as well as our Medium-term Management Plan through to fiscal 2027. We remain committed to accurately comprehending all of our stakeholders' demands and disclosing information timely and transparently.

Scope

This report and related data cover the entire Tokyo Electron Group (27 consolidated companies), with the exception of some domestic (Japan-exclusive) content.

Reference Guidelines

- IFRS Foundation: Integrated Reporting Framework
- Ministry of Economy, Trade and Industry: Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
- Global Reporting Initiative (GRI): GRI Standards
- Environmental Reporting Guideline 2018, Ministry of the Environment, Government of Japan
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Issued Date

September 2022

Period Covered

Fiscal 2022 (April 1, 2021, to March 31, 2022), some content also covers fiscal 2023

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Main Company-related Information Disclosures

- | | |
|--|--|
| • Integrated Report | www.tel.com/ir/library/ar/ |
| • Consolidated Financial Statements | www.tel.com/ir/library/consolidated-financial-statements/ |
| • Medium-term Management Plan | www.tel.com/ir/policy/mplan/ |
| • Sustainability Report | www.tel.com/sustainability/report/ |
| • Corporate Governance Guidelines and Report | www.tel.com/about/cg/ |
| • Corporate Profile | www.tel.com/about/document/corporate_guide_e.pdf |

Tokyo Electron's Logo

Tokyo Electron's logo was created as a symbol for our next stage of growth, based on our Corporate Philosophy and Vision in 2015. This simple design represents our reliability and the engaging presence we bring to a competitive industry. The green square at the center of the logo signifies the core of innovation supporting development in the industry; the translucent blue expresses our leading-edge advanced technology. We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.



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CEO's Message

New Vision

A company filled with dreams and vitality that contributes to technological innovation in semiconductors



Toshiki Kawai
Representative Director,
President & CEO

Current Business Conditions

I would like to express my sincere gratitude to all stakeholders for your continued support and patronage.

In recent years, industry, society and the lives of the public have been significantly affected by a series of challenges. These include the spread of COVID-19; natural disasters caused by climate change; geopolitical risks—typified by trade frictions and international conflicts—and the human rights issues they engender.

On the other hand, in order to build a strong and resilient society in which economic activities do not stop under such circumstances, various efforts are underway, including the implementation of ICT (information and communication technology) and decarbonization to preserve the global environment.

Meanwhile, the transition to a data-driven society is progressing at an unprecedented speed, and digital technologies are now used furthermore: IoT, AI and 5G are becoming more widespread, industries are growing smarter, autonomous driving is evolving, and the much-hyped metaverse is seeing real-world applications.

For semiconductors, which are supporting the core of this shift, expectations for technological innovations such

as larger capacity, higher speed, higher reliability and lower power consumption are limitless.

The semiconductor market exceeded US\$500 billion for the first time in 2021 and is expected to exceed US\$1 trillion by 2030, more than double the current market.

The semiconductor production equipment market in which we operate was worth approximately US\$90 billion in 2021; this represented a year-on-year increase of 40%, and we expect the market to grow even further.

We formulated our Medium-term Management Plan in May 2019, and have been working to achieve a financial model with net sales of 2 trillion yen, an operating margin of 30% or more and ROE of 30% or more by fiscal 2024. Against that background, the smooth progress of business in our focal fields mean that we have managed to outperform the growth of the market. For fiscal 2022, we achieved net sales of 2,003.8 billion yen, an operating margin of 29.9% and ROE of 37.2%. These are the best results in the history of our company, and mean we have realized our target financial model two years ahead of schedule.

A number of factors contributed to these outstanding results. Despite fluctuating markets, over the past five years we have invested heavily in growth, including investments worth approximately 600 billion yen in research and development. As a result, we have been able to continually create high-value-added products and services. Also, we have cultivated abundant technological capabilities as an industry leader and earned the absolute trust of our customers based on our reliable technical services. Then, we have challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

We would not have been able to achieve our best-ever results without the continued support of all our stakeholders, and I would like to take this opportunity to express my sincerest gratitude.

Further Enhancing Corporate Value

Tokyo Electron celebrates its 60th fiscal year in 2022. In pursuit of further growth, we have formulated a new Vision to become “A company filled with dreams and vitality that contributes to technological innovation in semiconductors.” This Vision incorporates three perspectives, outlined below:

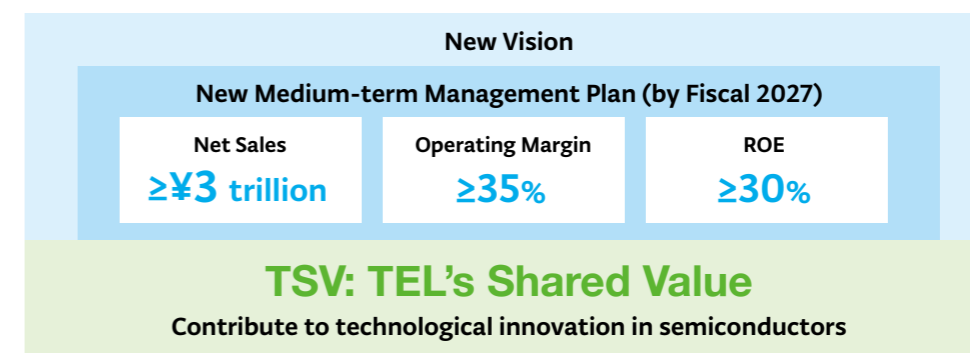
- To pursue technological innovation in semiconductors that supports the sustainable development of the world
- To aim for medium- to long-term profit expansion and continuous corporate value enhancement by utilizing our expertise to continuously create high value-added leading-edge equipment and technical services
- To recognize that “Our corporate growth is enabled by people, and our employees both create and fulfill company values,” and to realize the Vision through engagement with our stakeholders

This new Vision is based on the idea of CSV (Creating Shared Value). The concept behind CSV is that, by using their expertise to resolve social issues, companies can improve corporate value and realize sustainable growth through the creation of social and economic value. We are a semiconductor production equipment manufacturer and so, for us, CSV means contributing to the technological innovation in semiconductors, which are indispensable for the development of a dream-inspiring society. We have termed this TSV (TEL's Shared Value). Through business activities based on TSV, we intend to

contribute both to achieving SDGs—which are goals shared by the world—and to realizing a more abundant future.

We have therefore set ourselves the even loftier goals of further growth and world-class profits, and formulated a new Medium-term Management Plan to achieve them. By fiscal 2027, we intend to establish a strong financial footing with net sales of 3 trillion yen or more, an operating margin of 35% or more and ROE of 30% or more. We consider profit to be an important measure of value in our products and services; to this end, we seek to leverage our unique capabilities to create unprecedented technologies with high added value. We will also redouble our efforts to achieve key indicators for continuous corporate value enhancement including ESG.

Achieving the world-class operating margin and ROE detailed above requires our company to shift toward a more aggressive style of management. At the same time, we will continue to focus on safety, quality, compliance, employee engagement, risk management and security. Our efforts on these areas may appear at first glance to be defensive in nature; however, we believe that improving them will help our company become stronger. Going forward, we will continue to engage in a “double-offensive” style of management, in which defensive measures are turned into strengths, with the aim of further corporate value enhancement.



Initiatives for a Double-offensive Management Style

Business Activities Rooted in Material Issues

We have identified the following four material issues for achieving our new Medium-term Management Plan, and we intend to make improvements in each of them.

- **Product Competitiveness**

We are a manufacturer, and we can drive company growth through continuously creating next-generation products with high added value, which will be needed by our customers in the future.

- **Customer Responsiveness**

As the sole strategic partner, we will pursue technological innovation in semiconductors via strong relationship based on our customers' trust.

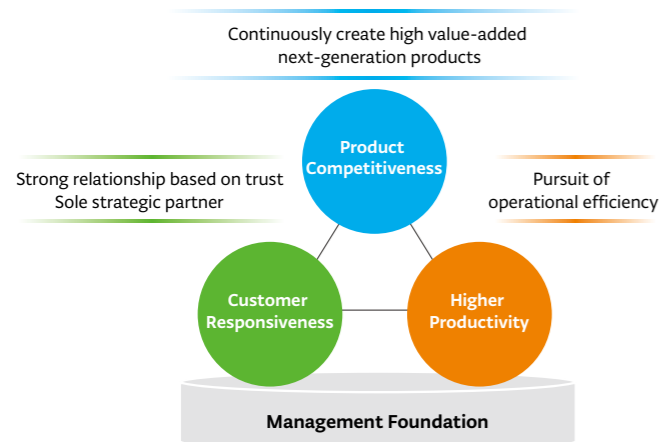
- **Higher Productivity**

The scale of our business is expanding rapidly; we will pursue operational efficiency in all our business activities, including research and development, procurement and manufacturing, sales as well as installation and maintenance services.

- **Management Foundation**

Based on a strong, profit-focused financial base, we will seek to strengthen the management foundation required for the above three material issues; more specifically, this includes governance, risk management, employee engagement, work-life balance and so on.

Four Material Issues



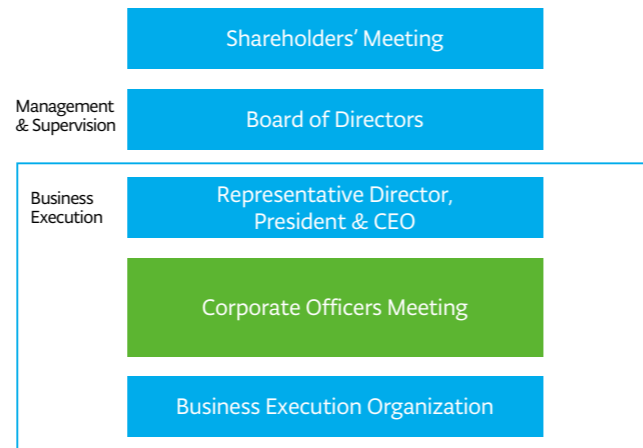
Introduction of a Corporate Officer System

Tokyo Electron is a leading company in the semiconductor production equipment industry, which is characterized by rapid technological innovations and dynamic market changes. Toward our further growth, it is vital that we increasingly accelerate and optimize our decision-making. For this reason, we have introduced a Corporate Officer system, and established the Corporate Officers Meeting as the highest decision-making body on the executive side.

Corporate officers adopt the same perspective as the CEO, and hold responsibility for executing business across the entire Group. Corporate Officers Meetings, which have been properly delegated authority by the Board of Directors, will promote rapid decision making and flexible execution of our business. So that the Board of Directors can properly supervise these activities, corporate officers will attend Board of Directors meetings and provide explanations regarding the business they have executed. In addition, corporate officers will apply the suggestions of the Board to business they execute in an appropriate and speedy manner.

The semiconductor industry will continue to grow, and we expect to expand the scale of our business from 77 sites in 18 countries and regions currently to 100 sites or more in the near future. The adoption of the Corporate Officer system will enable us to promote a more aggressive style of management. (For further details, refer to Corporate Governance on p. 49)

The Hierarchy of the Corporate Officers Meeting



Advancing E-COMPASS

In June 2021, Tokyo Electron launched an environment-focused initiative entitled E-COMPASS (Environmental Co-creation by Material, Process and Subcomponent Solutions).

We will work together with our customers and partner companies to promote technological innovation and reduce the environmental impact of semiconductors throughout the entire supply chain from the following three main perspectives.

- Pursuing higher performance and lower consumption in semiconductors
- Achieving both the process performance and environmental performance of equipment
- Reducing CO₂ emissions in all business activities

In addition to our medium-term environmental goals for 2030, we set a long-term environmental goal of reducing greenhouse gas emissions to net zero by 2050. We are promoting various initiatives so that we can achieve net zero in Scope 1 and Scope 2 emissions—which are generated by our company—by 2040, and net zero in Scope 3 emission—which are not generated from our Group—by 2050. As a leader in environmental management, we will contribute to the preservation of the global environment through advancing E-COMPASS. (For further details, refer to E-COMPASS on p. 41)

Human Resources Initiatives

We believe that “Our Corporate growth is enabled by people, and our employees both create and fulfill company values.” Accordingly, we intend to promote employee motivation through the five management perspectives below.

1. Awareness that our company and work contributes to society
2. Dreams and expectations of the Company's future
3. Opportunities to take on challenges
4. Fair evaluations that recognize employee efforts and globally competitive rewards
5. Workplace with open atmosphere and positive communication

Based on the aforementioned, we are carrying out the following initiatives:

- Formulating a new Vision and promoting TSV (TEL's Shared Value)
- Setting globally competitive financial targets, based on a new Medium-term Management Plan
- Making plans to invest more than 1 trillion yen in research and development over the next five years
- Executing ESG initiatives aimed at continuous corporate value enhancement
- Implementing a shared, global human resources system and performance-linked compensation
- Creating opportunities for active dialogue between management and employees through employee meetings and workplace visits

We intend to carry out these initiatives in line with TEL Values, which delineate Tokyo Electron's values, the mindset that each employee must possess and the codes of conduct.

To Be a Company that Is Loved and Trusted by All Stakeholders

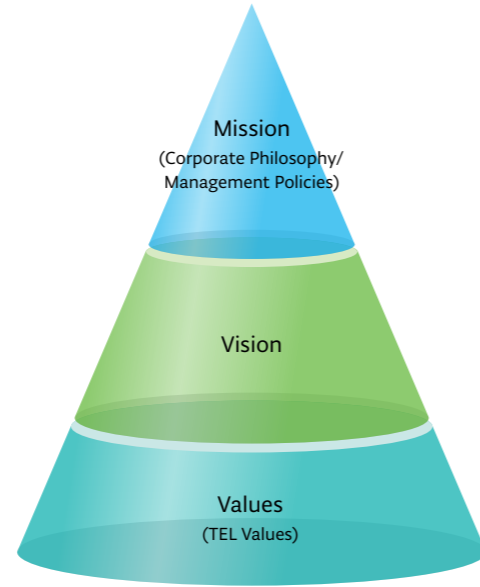
Utilizing our expertise as an equipment manufacturer and our diverse management resources, we will provide society with high-value-added technologies that the world has never seen and only we can accomplish. Going forward, we will continue to take on new challenges and evolve with the aim of becoming No. 1 in the world, and of being loved and highly trusted by all our stakeholders.

We look forward to your continued support and patronage.

Toshiki Kawai
Representative Director,
President & CEO

Corporate Principles System

Tokyo Electron has repeatedly revolutionized technology in a rapidly changing industry, continuing to grow together with the times. In 2013 we refined our Management Policies, which was established at the time of our founding as our starting point, and also newly defined the purpose of our existence and our mission in society as our Corporate Philosophy. In 2022, we set forth a new Vision toward further future growth and re-defined our Corporate Principles system, which consists of a Mission, Vision and Values, from a medium- to long-term perspective.



Vision

The Vision describes Tokyo Electron's medium- to long-term business aspirations and the direction of its near future. It is a summary of top priorities to be addressed to realize the Corporate Philosophy.

A company filled with dreams and vitality that contributes to technological innovation in semiconductors

Tokyo Electron pursues technological innovation in semiconductors that supports the sustainable development of the world.

We aim for medium- to long-term profit expansion and continuous corporate value enhancement by utilizing our expertise to continuously create high value-added leading-edge equipment and technical services.

Our corporate growth is enabled by people, and our employees both create and fulfill company values. We work to realize this vision through engagement with our stakeholders.

Corporate Philosophy

The Corporate Philosophy defines the purpose of Tokyo Electron's existence and its mission in society. It represents TEL's basic way of thinking that forms the foundation for its corporate activities.

We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.



Management Policies

The Management Policies highlight the management values that Tokyo Electron regards as essential to achieving the objectives defined in its Corporate Philosophy. They express the logic that underscores our eight general rules of management.

- Profit is Essential**
 The TEL Group aims to contribute to the development of society and industry and to the enhancement of corporate value while continually pursuing profit.
- Scope of Business**
 The TEL Group leads markets by providing high-quality products in leading-edge technology fields with a focus on electronics.
- Quality and Service**
 The TEL Group strives to understand the true needs to achieve customer satisfaction and secure customer trust while continuously improving quality and service.
- Organizations**
 The TEL Group builds optimal organizations that maximize corporate value in which all employees can realize their full potential.
- Social Responsibility**
 Feeling a strong sense of corporate social responsibility, we strive to gain the esteem of society and to be a company where our employees are proud to work.
- Employees**
 The TEL Group's employees both create and fulfill company values, performing their work with creativity, a sense of responsibility, and a commitment to teamwork.
- Safety, Health, and the Environment**
 The TEL Group gives the highest consideration to the safety and health of every person connected with our business activities as well as to the global environment.
- Growth Philosophy**
 We will tirelessly take on the challenges of technological innovation to achieve continuous growth through business expansion and market creation.

TEL Values

TEL Values clearly defines Tokyo Electron's values as well as the mindset and code of conduct of each employee.

Pride
 We take pride in providing high-value products and services.
 We offer our customers cutting-edge technological products, along with the highest level of quality and technical service, in the pursuit of total customer satisfaction. We consider profit to be an important measure of value in our products and services.

Challenge
 We accept the challenge of going beyond what others are doing in pursuing our goal of becoming number one globally.
 We view changes as opportunities and respond to them flexibly and positively. We are tolerant of failure and consider it important to learn from the process and results.

Ownership
 We will keep ownership in mind as we think things through, and engage in thorough implementation in order to achieve our goals.
 We always have an awareness of problems and tackle challenges with enthusiasm and a sense of responsibility. We make decisions quickly and do what we consider to be the best course of action.

Teamwork
 We respect each other's individuality and we place a high priority on teamwork.
 We create a workplace with an open atmosphere and positive communication. We establish relationships of trust with our business partners in order to facilitate mutual growth.

Awareness
 We must have awareness and accept responsibility for our behavior as respectful members of society.
 We strictly comply with laws and regulations and the rules of society. We give top priority to safety, health and the global environment. We strive to become a company that local communities hold in high esteem.



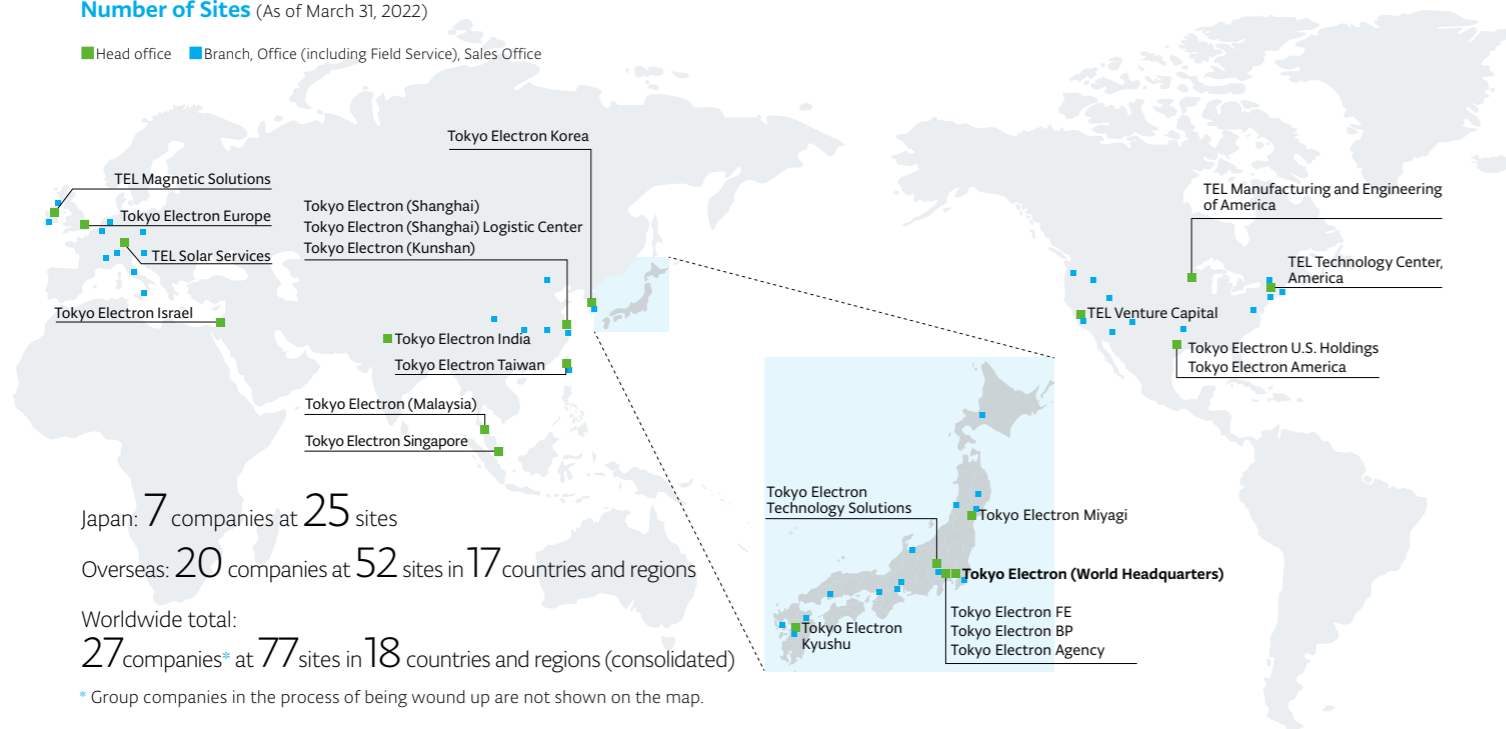
We have established the TEL Values, and we will continue to develop them accordingly in the future.

Company Overview

Tokyo Electron operates worldwide as a leading company in semiconductor production equipment industry. By providing the Best Products and Best Technical Service, we are aiming for medium- to long-term profit expansion and continuous corporate value enhancement. We are also practicing our Corporate Philosophy by contributing to the development of a sustainable society through our business.





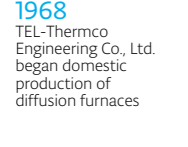




Number of Sites (As of March 31, 2022)

■ Head office ■ Branch, Office (including Field Service), Sales Office



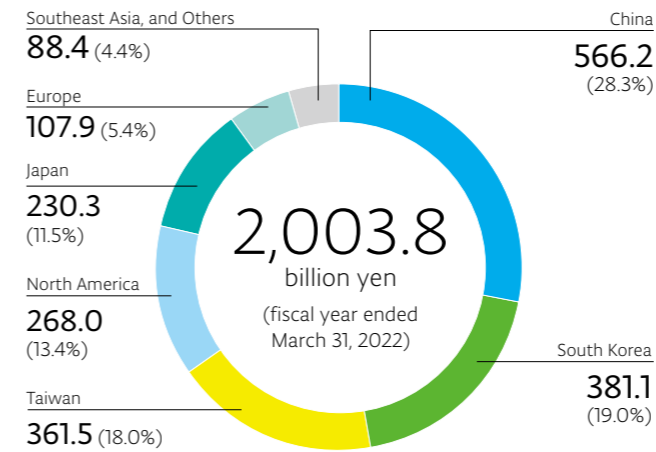
History



<p>1963 Tokyo Electron Laboratories, Inc. is established with capital from Tokyo Broadcasting System, Inc.</p> 	<p>1978 Tokyo Electron Laboratories, Inc. renamed Tokyo Electron Ltd.</p> 	<p>1980 Listed on the Second Section of the Tokyo Stock Exchange</p> 	<p>1990s Enhanced the Group structure in Japan by, for example, establishing service and manufacturing companies, and set up overseas subsidiaries throughout the world to globalize operations</p>	<p>2006 "TEL Values" formulated as code of conduct</p>	<p>2021 Began publishing integrated reports</p> 
<p>1964 Tokyo Electron Laboratories acquires importing and selling rights for diffusion furnace manufactured by Thermco Products Corp. (U.S.) and begins sales</p> 	<p>1968 TEL-Thermco Engineering Co., Ltd. began domestic production of diffusion furnaces</p> 	<p>1984 Listed on the First Section of the Tokyo Stock Exchange</p> 	<p>1990 Tokyo Electron (TEL) marks a major move into development and marketing of FPD production equipment</p>	<p>2007 Established "TEL UNIVERSITY" to strengthen human resource development</p> 	<p>2022 Listed on the Prime Market of the Tokyo Stock Exchange</p> 
<p>1964 Tokyo Electron Laboratories acquires importing and selling rights for diffusion furnace manufactured by Thermco Products Corp. (U.S.) and begins sales</p>	<p>1986 Export of semiconductor production equipment begins</p>	<p>1994 Started direct sales and support systems overseas</p>	<p>1999 Category of industry on the Tokyo Stock Exchange First Section changed from "Wholesale Trade" to "Electric Appliances"</p>	<p>2015 Establishment of Tokyo Electron Corporate Governance Guidelines</p>	<p>Formulated the new Vision and Medium-term Management Plan</p>
<p>1968 TEL-Thermco Engineering Co., Ltd. began domestic production of diffusion furnaces</p>	<p>1994 Started direct sales and support systems overseas</p>	<p>1999 Category of industry on the Tokyo Stock Exchange First Section changed from "Wholesale Trade" to "Electric Appliances"</p>	<p>2019 Formulation of the Medium-term Management Plan to further enhance corporate value</p>	<p>Re-emergence as the New TEL (Vision, Medium-term Management Plan formulated and new Corporate Logo created)</p>	<p>"Technology Enabling Life" formulated as corporate message</p>

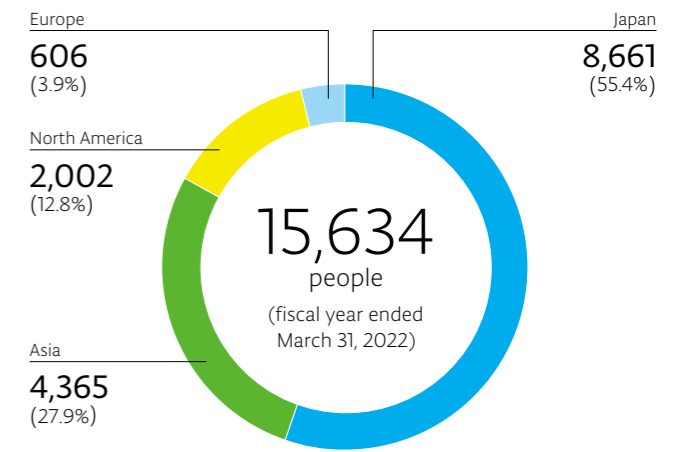
Sales by Region (Consolidated)

(Unit: Billions of yen)



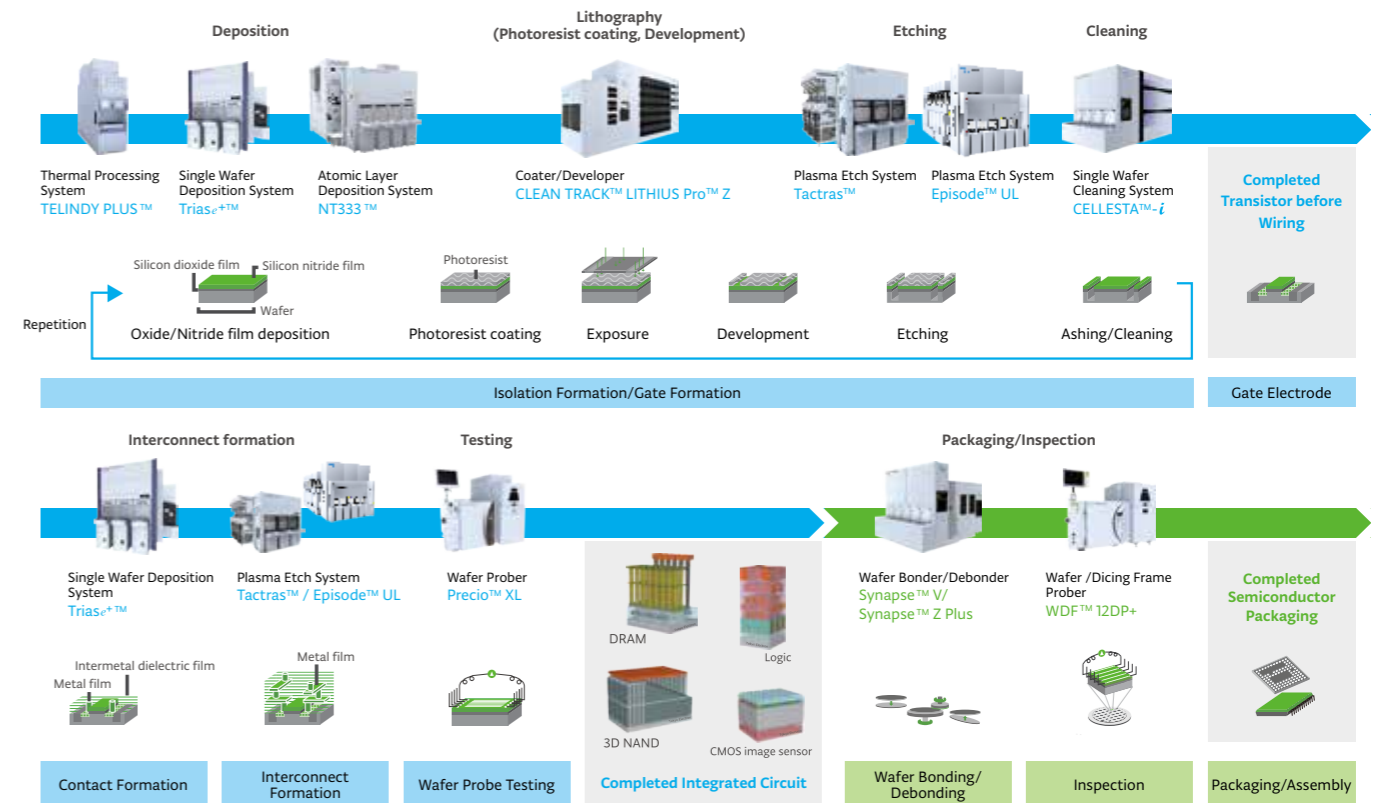
Number of Employees by Region (Consolidated)

(Unit: People)

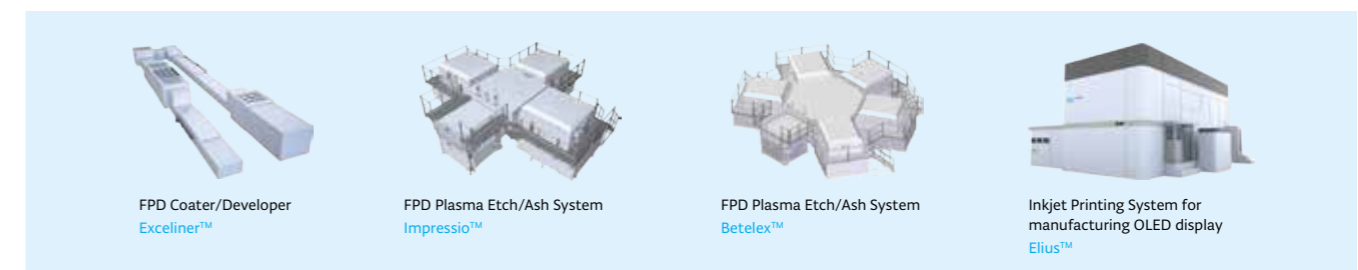


Semiconductor Manufacturing Process and Our Main Products

■ Wafer Process (Front-end) ■ Assembly and Test Process (Back-end)



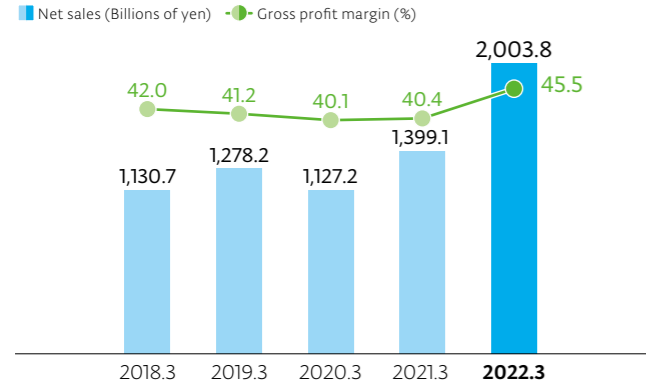
Flat Panel Display (FPD) Production Equipment



Highlights of Key Indicators for Continuous Corporate Value Enhancement

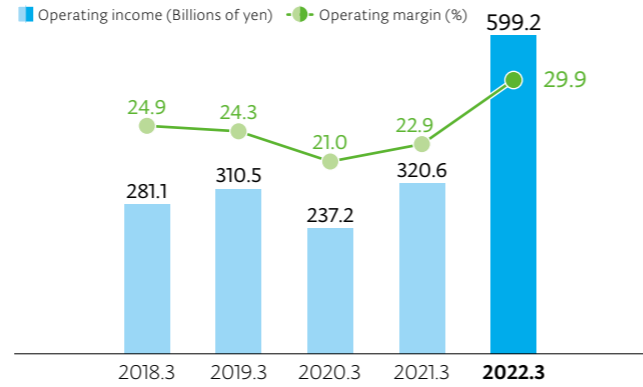
At Tokyo Electron, policy decisions and various judgments are made in our business activities by clarifying management indicators, which are important for medium- to long-term profit expansion and continuous corporate value enhancement, as well as conducting monitoring and analysis.

Net Sales and Gross Profit Margin



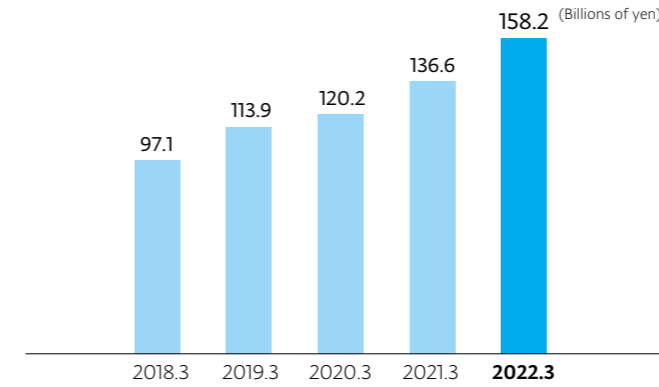
Net sales reached a record high due to the rapid expansion of the semiconductor production equipment market and an increase in market share. Gross profit margin also reached a record high due to sales contributions from newly acquired processes as well as an increase in net sales.

Operating Income and Operating Margin



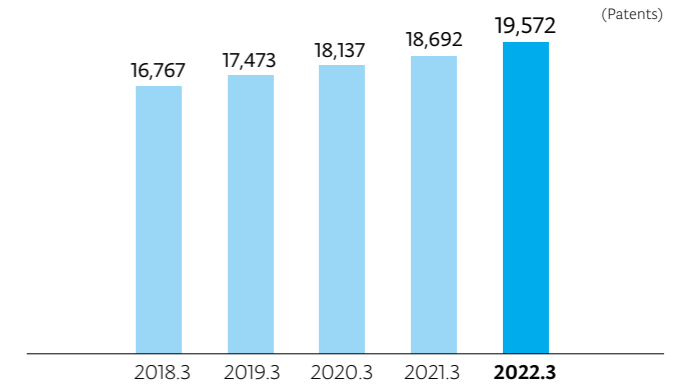
Net sales increased significantly as a result of steady response to the sudden increased demand for semiconductor production equipment. The fixed cost ratio declined and both operating income and operating margin reached record highs.

R&D Expenses



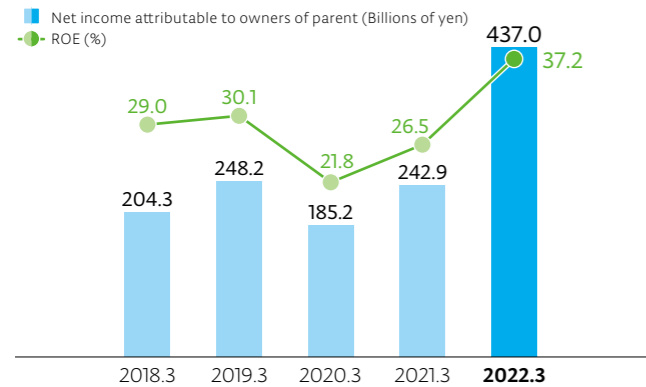
A record 158.2 billion yen was invested in R&D in fiscal 2022 to maintain and improve world-leading technological innovation. The investment plan of approximately 600 billion yen over 5 years starting in fiscal 2018 was executed.

Patents Owned



No.1 in the semiconductor equipment industry with 19,572 patents owned as of March 31, 2022. Our worldwide advantage in the area of intellectual property has been sustained, contributing to maintaining and increasing product competitiveness.

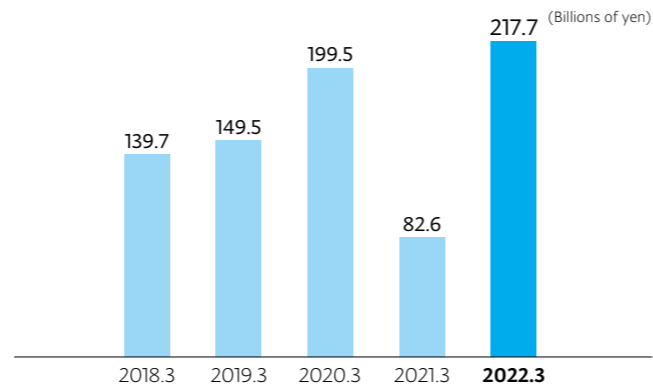
Net Income Attributable to Owners of Parent and ROE¹



¹ ROE = Net income attributable to owners of parent / Average total equity × 100

Net income attributable to owners of parent reached a record high in line with a significant increase in operating income. ROE also reached a record high as a result of the significant increase in net income attributable to owners of parent in relation to net assets.

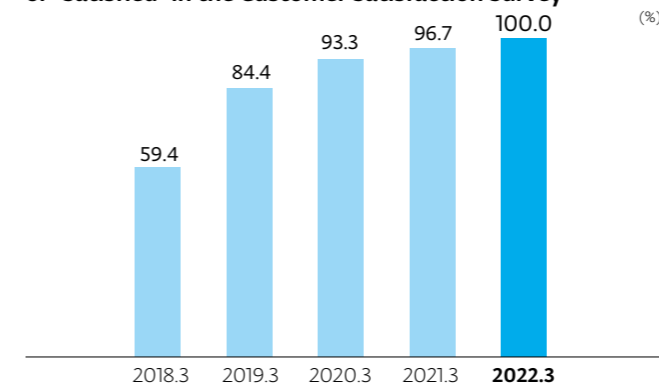
Free Cash Flow²



² Free cash flow = Cash flows from operating activities + Cash flows from investing activities (excluding changes in time deposits and short-term investments)

Free cash flow increased significantly from the previous fiscal year due to a significant increase in net sales, despite the increase in procurement volume and inventory to respond quickly to market growth.

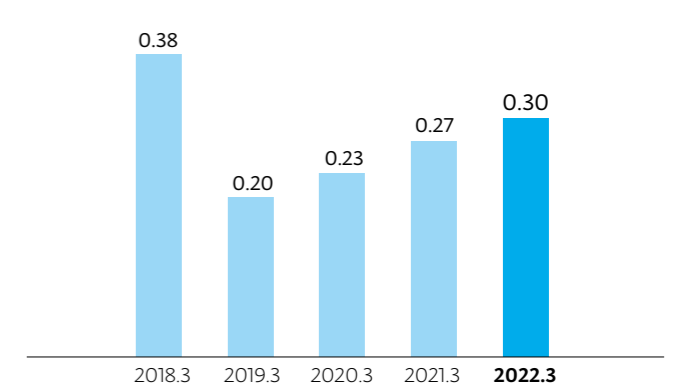
Percentage of Respondents who Selected "Very Satisfied" or "Satisfied" in the Customer Satisfaction Survey³



³ For each question, average score is calculated for all customers who responded

The percentage of respondents who gave evaluations of "Very Satisfied" or "Satisfied" reached 100% in fiscal 2022. We are building a solid relationship of mutual trust with customers by further enhancing customer satisfaction, which we have valued highly since our founding.

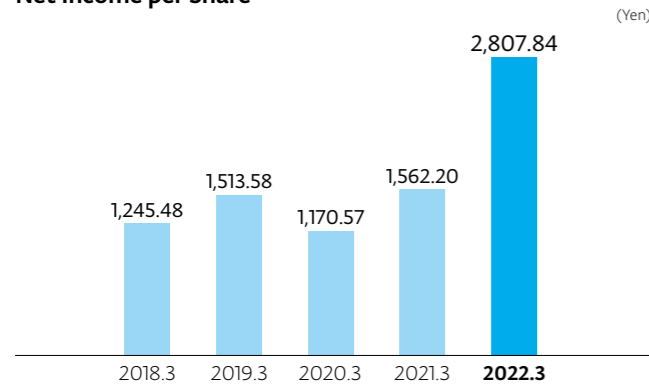
Workplace Incidents per 200,000 Work Hours (TCIR⁴)



⁴ TCIR: Total Case Incident Rate

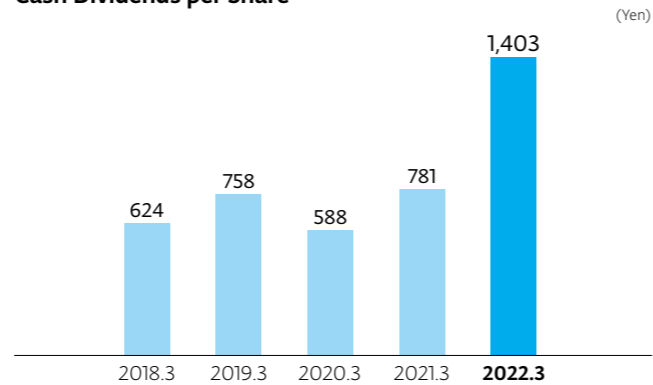
Achieved 0.30 for fiscal 2022. With our slogan "Safety First" as a manufacturer, we will continue to promote thorough safety awareness and continuous improvement activities while maintaining world-class standards.

Net Income per Share



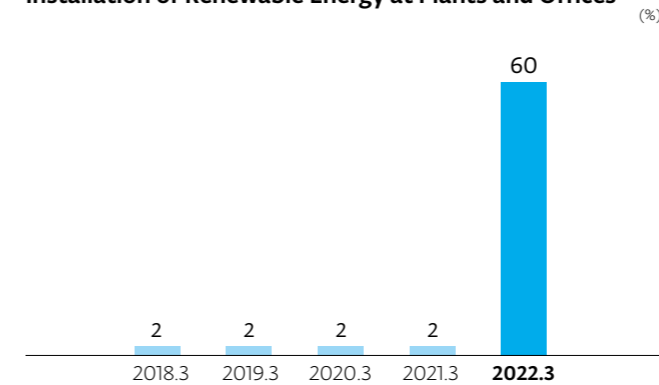
Net income per share also increased due to the increase in net income attributable to owners of parent.

Cash Dividends per Share



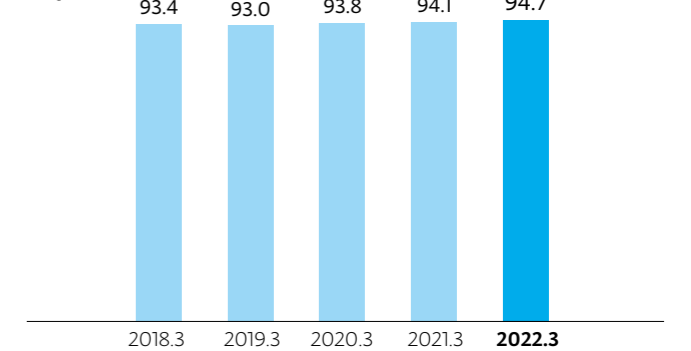
A dividend of 50% of net income attributable to owners of parent was distributed in accordance with the shareholder return policy. Cash dividends per share reached a record high.

Installation of Renewable Energy at Plants and Offices



Completed 60% of installations in fiscal 2022. Initiatives are being promoted at a company-wide level to achieve a 70% reduction in CO₂ emissions by fiscal 2031 (compared to fiscal 2019) and to achieve the further goal of net zero emissions.

Retention After Three Years of Joining the Company⁵ (Japan)



⁵ Average in recent five years

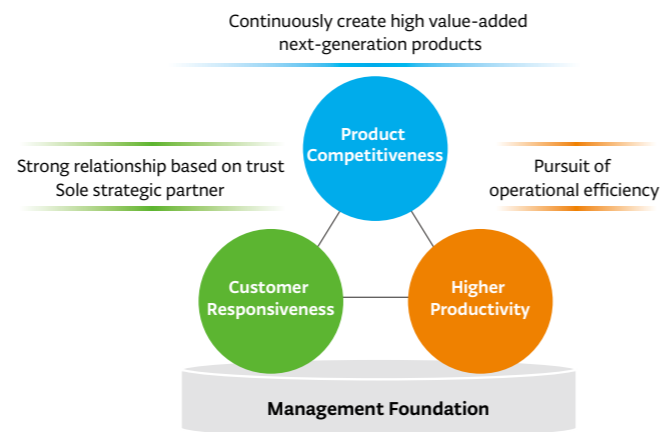
Based on the recognition that employees both create and fulfill company values, a high retention rate of 94.7% was maintained in fiscal 2022 through continuous initiatives to improve employee engagement.

Material Issues

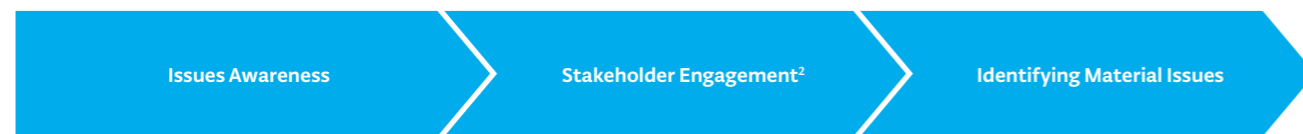
Identifying Material Issues

We have come to understand social issues and business environments, considered risks and opportunities, examined the opinions and requests of all stakeholders and identified our material issues with the approval of the CEO as well as directors and executive officers related to sustainability.

We will work on “Product Competitiveness” that drives our growth as a manufacturer and continuously creates next-generation products with high added value that will be needed by customers in the future; “Customer Responsiveness” for pursuing technological innovation in semiconductors based on the absolute trust of our customers as their sole strategic partner; and “Higher Productivity” that pursues operational efficiency in all business activities—including research and development, procurement and manufacturing, sales as well as installation and maintenance services—amid rapid expansion in business scale. At the same time, with a strong financial foundation based on profits, we will enhance our “Management Foundation” including governance, compliance, risk management and employee engagement in order to support these.



Material Issues Identification Process¹



Social Issues

- Abnormal weather conditions, natural disasters, human rights issues, conflicts between nations, stagnation of supply chains, cyberattacks and so forth

Business Environment

- Rapid transition to a data-driven society, leading to further growth in the semiconductor market that is the foundation of this transition
- Further expansion of wafer fab equipment (WFE) market
- Initiatives for the preservation of the global environment
- Further strengthening of corporate governance

Social Themes of Risks and Opportunities

- Response to risks and creation of business opportunities in the environment, human rights, supply chain management, governance, compliance, evolution of technology, information security

Shareholders/Investors

- Realization of medium- to long-term growth and enhancement in corporate value

Customers

- The provision of Best Products and Best Technical Service

Suppliers

- Further improving added value of products and services through collaboration with our company

Employees

- Creation of a workplace environment replete with dreams and vitality that enables employees to demonstrate a challenge spirit

Local Communities

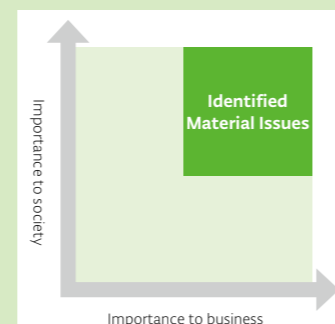
- Promotion of regional revitalization and environmental preservation as well as paying taxes

Governments/Associations

- Provision of solutions that help solve and develop industrial and societal issues

Identifying Material Issues

- Identify material issues based on their importance to society and their importance to business
- Determine annual goals⁴ for each material issue and clarify SDGs⁵ to address
- Discussion and approval by CEO as well as directors and executive officers related to sustainability



¹ Refer to “Identifying Material Issues” in the “Tokyo Electron Sustainability Report 2022” for information about the material issues identification process and refer to “Annual Sustainability Goals and Results” for information about annual goals www.tel.com/sustainability/report/

² Refer to Stakeholder Engagement on p. 25

³ 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.

⁴ SDGs: Sustainable Development Goals

Main Initiatives

SDGs Initiatives

Product Competitiveness

- Utilize abundant technological capabilities cultivated as an industry leader and continuously create high-value-added, next-generation products based on innovative technology on a timely basis
- Promote leading-edge research and development on a global level by jointly creating technology roadmaps spanning multiple generations with customers to respond to the requirements of technological innovation as well as collaboration with the world’s leading consortiums and academia
- Strengthen development capabilities and product competitiveness by promoting digital transformation, which utilizes data and AI



Customer Responsiveness

- Help customers manufacture leading-edge semiconductor devices and displays by maintaining an accurate and prompt grasp of customer needs and providing innovative technologies for future generations
- Further enhance customer satisfaction, a key management theme that has been tackled since foundation, to become the sole strategic partner for customers
- Propose optimal solutions contributing to value creation for customers as a semiconductor production equipment manufacturer with a diverse product lineup
- Help customers with the stable long-term operation of various generations of equipment by providing high-value-added services making full use of leading-edge AI, digital technologies and knowledge management tools



Higher Productivity

- Improve business operations, implement quality-first management and pursue operational efficiency continually
- Promote standardization, efficiency and automation throughout the entire Group by integrating business systems, unifying databases and so forth
- Optimize and level production operations by formulating detailed production plans based on analysis of technology and market trends and customer investment plans as well as promoting the stable procurement of parts and materials



Management Foundation

- Build a strong and sound management foundation for underpinning continued growth as a company
- Build a highly effective corporate governance system to ensure that operational decision-making and supervisory functions are exercised sufficiently
- Further strengthen compliance and risk management
- Preserve the global environment through contributing to semiconductor technological innovation as well as through initiatives in products, at plants and offices and in the supply chain
- Practice respect for human rights based on high ethical standards
- Build a workplace environment replete with dreams and vitality that respects employee diversity and enables them to realize their full potential



Continuing our support of the SDGs, which are globally shared goals to be achieved by 2030, we have clarified appropriate SDGs initiatives through our business for each material issue and are conducting these initiatives throughout the entire Group. In fiscal 2022, we reconfirmed the 17 goals and 169 targets⁵.

⁵ Refer to “169 Targets of the SDGs” in the “Tokyo Electron Sustainability Report 2022” for details www.tel.com/sustainability/report/



Medium-term Management Plan

Previous Medium-term Management Plan

Review of the Previous Medium-term Management Plan

We formulated our Medium-term Management Plan in May of 2019 and have been engaging in efforts to achieve a financial model with net sales of 2 trillion yen, an operating margin of 30% or more, and ROE of 30% or more by fiscal 2024. As the wafer fab equipment (WFE) market has expanded significantly, we outperformed the market growth by making steady progress in our business development in our focus areas. With net sales of 2,003.8 billion yen, an operating margin of 29.9%, and ROE of 37.2% for fiscal 2022, our best-ever performance, we reached our targeted financial model two years ahead of schedule. The main reasons for this are as follows.

1. Continue to Invest in Growth

Even when net sales declined where the WFE market was undergoing adjustment, we continued to increase our investment without loosening the reins and invested approximately 600 billion yen in R&D over the past five years to strive to maintain and improve our industry-leading technological innovations. As a result, progress was made in developing new functions and products with high-value-added, leading-edge technology and bringing them to market, leading to the acquisition of new business. In addition, our continuous capital investment and systematic production capacity preparations enabled us to increase our market share of all the semiconductor production equipment we handle in 2021.

2. Execution of Agile Business Strategy

Our basic strategy is the continuous provision of high-value-added Best Products and Best Technical Service. We were impacted by the travel restrictions caused by the spread of COVID-19 from the beginning of 2020, but despite these circumstances, we were able to conduct sales activities, equipment start-up, and provide services without delay through close communication with customers and our overseas companies. In addition, we strengthened our response capability at local sites by increasing the number of Japanese employees stationed abroad and striving to improve the skills of local engineers. We were able to strengthen the relationship of trust with our customers and contribute to the improvement of business performance by fully demonstrating the challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

Progress on the Previous Medium-term Management Plan

	Financial Model (by Fiscal 2024)			Fiscal 2022 Actual
	¥1,500.0 billion	¥1,700.0 billion	¥2,000.0 billion	
Net Sales				¥2,003.8 billion
Operating Margin	26.5%	28%	>30%	29.9%
ROE	>30%			37.2%

3. Close Communication and Collaboration with Partner Companies

While the WFE market increase approximately 40% year-on-year in 2021, there were parts and materials procurement shortages worldwide. Under these circumstances, we provided information to our partner companies on a continuous and regular basis to build a system of collaboration and facilitate the smooth procurement of parts and materials, increasing production volume and resulting in our business performance greatly exceeding market growth.

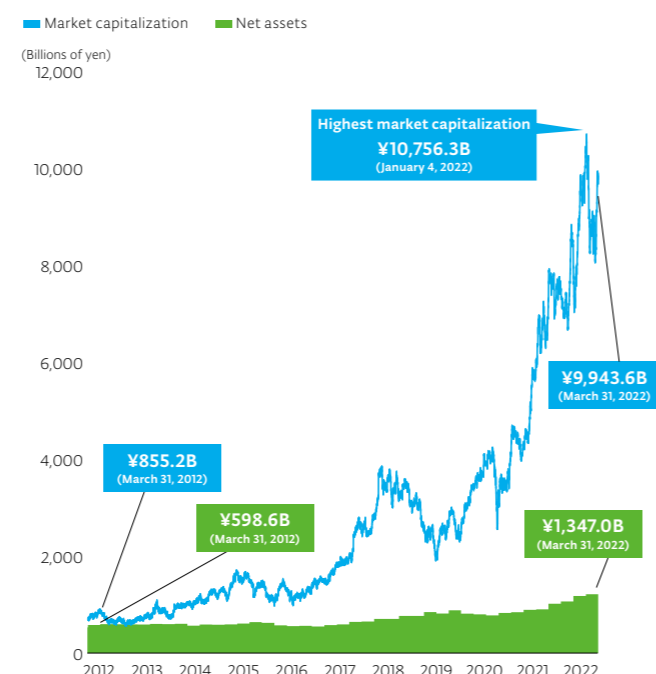
Market Capitalization

Against a backdrop of the aforementioned improvement of business performance, our market capitalization has increased more than 10-fold over the past decade.

In addition to proactive growth investment in recent years, such as in R&D and production capacity expansion, our market capitalization has increased significantly compared to total net assets as a result of the stock market's evaluation of value that is not reflected on balance sheets, such as the securing of talented human resources and collaboration with customers and suppliers.

We will continue to strive to enhance both shareholder value and corporate value, and continue to proactively invest in growth.

Trends in Market Capitalization and Net Assets



New Medium-term Management Plan

We will be reaching our milestone 60th fiscal year in 2022 and have formulated our new Vision and new Medium-term Management Plan as we strive for further growth. Under this plan, we will continue to work toward the Best Products and Best Technical Service, and will strive to achieve short-term and medium- to long-term profit expansion and continuous corporate value enhancement.

Financial Targets and Principal Initiatives

We have set financial targets for net sales at 3 trillion yen or more in scale, an operating margin of 35% or more, and ROE of 30% or more by fiscal 2027. We are also working diligently toward sturdier financial structures and aiming to create world-class profit.

Financial Targets

Financial Targets (by Fiscal 2027)	
Net Sales	¥3 trillion or more
Operating Margin	35% or more
ROE	30% or more

We will promote the following initiatives based on our material issues of "Product Competitiveness," "Customer Responsiveness," "Higher Productivity" and "Management Foundation" to achieve the new Medium-term Management Plan.

- Providing leading-edge technological products with high added value and superior technological services
- Continuing proactive investments to enable maximum capture of future growth opportunities, and implementing research and development investments of at least 1 trillion yen over five years
- Enhancing the field solutions business by utilizing our industry-leading installed base
- Increasing productivity and added value using data and AI
- Advancing E-COMPASS¹ in order to establish a sustainable supply chain in the industry
- Revising environmental long-term goals for 2050, declaring achievement of net zero (reducing greenhouse gas emissions to virtually zero) and developing activities to achieve goals
- Clarifying key indicators for continuous corporate value enhancement²

¹ Refer to E-COMPASS on p. 41

² Refer to Key Indicators for Continuous Corporate Value Enhancement on p. 17

Corporate Governance

In relation to the aforementioned execution of principal initiatives, it is important to ensure the development of highly effective corporate governance as a management foundation. As part of that, we introduced a Corporate Officer system in June of 2022. Corporate officers, including the CEO, exchange opinions and engage in discussions from the same perspective as the CEO as well as make important decisions promptly at the Corporate Officers Meeting, which is positioned as the highest decision-making body on the executive side. In addition, corporate officers promptly share important decisions with each responsible department and realize flexible and dynamic executive management that is based on even stronger cooperation.

By enhancing executive side systems and appropriately transferring authority from the Board of Directors to the executive management side under this system, we are strengthening the supervisory functions of the Board of Directors and establishing a system for holding in-depth discussions on more important medium- to long-term matters such as management issues and growth strategies.

Capital Policy and Shareholder Return Policy

View Regarding Capital Efficiency

Our capital policy is based on securing the funds necessary for investment in growth, continuing to make proactive efforts to return profits to shareholders, and striving for appropriate balance sheet management from a medium- to long-term growth perspective. Specifically, we will target sustainable growth by further improving our operating income to sales and capital efficiency and making efforts to expand cash flow, and shall pursue a high level of capital efficiency, including improving ROE.

Shareholder Return Policy*

Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on consolidated net income attributable to owners of parent. However, the amount of annual dividend per share shall not be less than 150 yen. We will flexibly consider share buybacks.

* We will review our dividend policy if we do not generate net income for two consecutive fiscal years.

Key Indicators for Continuous Corporate Value Enhancement

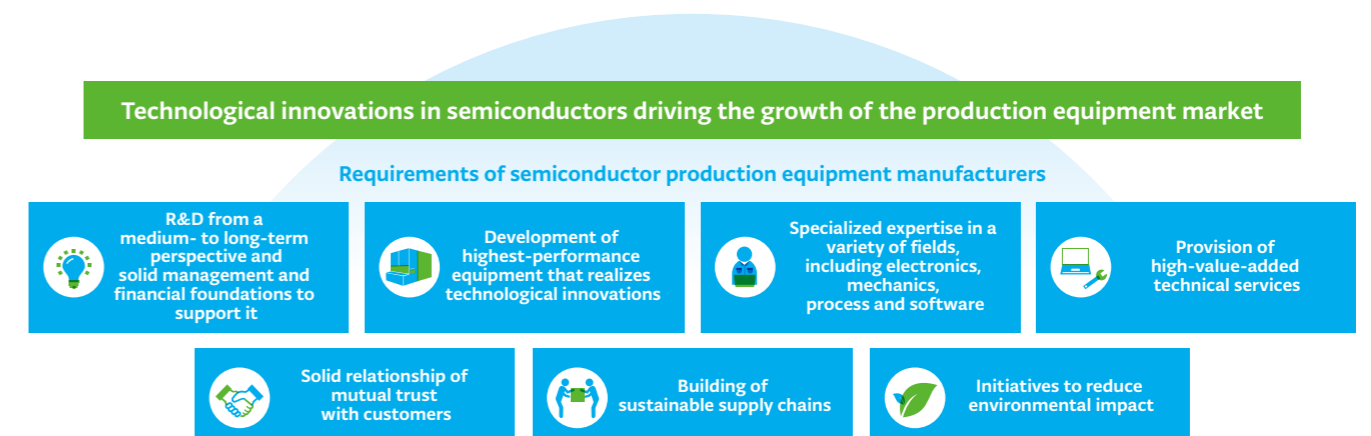
We have clarified key indicators related to the continuous enhancement of corporate value in the new Medium-term Management Plan and are taking actions in collaboration with the persons responsible for each indicator in order to achieve them.

Target Area	Objective	Target Year	
Finance	• Net Sales: ¥3 trillion or more	Fiscal 2027	
	• Operating Margin: 35% or more	Fiscal 2027	
	• ROE: 30% or more	Fiscal 2027	
Research and Development	• Continuously create high value-added next-generation products by implementing R&D expense of at least 1 trillion yen over 5 years	Fiscal 2027	
Environment	Plants and Offices	• Reduce total CO ₂ emissions by 70% (compared to fiscal 2019)	Fiscal 2031
		• A rate of 100% renewable energy usage	Fiscal 2031
	Logistics	• Reduce energy consumption (per-unit basis) by 1% from the previous fiscal year at each plant and office	Every fiscal year
		• Maintain water consumption (per-unit basis) at each plant and office at individual base year levels	Every fiscal year
	Products	• Reduce CO ₂ emissions of total logistics (own delivery) by 10% by further promoting modal shift and joint delivery	Fiscal 2027
		• Reduce the amount of use of wooden packaging materials by 50% (packaging for semiconductor production equipment)	Fiscal 2024
Employees	Engagement	• Engagement survey score: Achieve further improvement (compared to the prior survey) or outperform the benchmark	Every survey
		• Employee retention rates* Japan: 99%; overseas: Higher than the industry average * Excluding retirement at the mandatory retirement age and so on.	Every fiscal year
	Careers	• We have created an environment where every employee can create value for the Company's growth and for society with the support of supervisors and others by challenging themselves to do what they want while imagining their own futures (career paths) and growing. (For details, refer to "Employees Both Create and Fulfill Company Values" on p. 47)	Fiscal 2027
	Work-life Balance	• Annual paid leave utilization rate Japan: (1) 80% / (2) 90%, Overseas: Equal to or better than the previous fiscal year's results	Japan: (1) Fiscal 2027 / (2) Fiscal 2031 Overseas: Every fiscal year
	Diversity and Inclusion	• Ratio of female managers Japan: 5%; Global: 8%	Fiscal 2027
Supply Chain Management	• Supply chain sustainability assessment implementation rate Material suppliers: Covering at least 85% of our procurement spend Logistics suppliers: 100% of customs-related operators Staffing suppliers: 100% of employment agencies and contracting companies (internal contractors)	Every fiscal year	
	• Supply chain BCP assessment implementation rate Material suppliers: Covering at least 85% of our procurement spend	Every fiscal year	
Safety	• TCIR* No more than 0.10 (Globally No. 1 in the industry) * TCIR: Total Case Incident Rate. The number of workplace incidents per 200,000 work hours.	Fiscal 2027	

Target Area	Objective	Target Year
Corporate Governance	<ul style="list-style-type: none"> We are working at all times to establish an optimally effective Board of Directors and an aggressive management execution system, and by continuously addressing issues based on evaluations of the effectiveness of the Board of Directors and input from institutional investors and other stakeholders, we will achieve solid corporate governance for enhancing corporate value over the medium to long term and sustainable growth. 1. Seeking a Board of Directors with high effectiveness <ul style="list-style-type: none"> Audit & Supervisory Board System: <ul style="list-style-type: none"> Ratio of outside directors: One-third (including two female) Free and open discussions including corporate auditors Off-site meetings: For discussions on medium- to long-term strategies, issues, etc. (twice annually) CEO reports: Reports to the Board of Directors on the status of execution of key duties by the CEO (every Board of Directors) CEO mission: Information is shared concerning the CEO's mission for achieving the new Medium-term Management Plan Representative director assessment closed sessions: Sessions including directors and Audit & Supervisory Board members but excluding the representative director (once annually) 2. Operating rhythm supporting the execution of business <ul style="list-style-type: none"> Corporate Officers Meeting: The highest decision-making body on the executive side (once monthly) CSS (Corporate Senior Staff): Global, across-the-board coordination of company-wide business execution (four times annually) Quarterly review meeting: Monitoring the progress of the new Medium-term Management Plan (four times annually) 	Every fiscal year
Risk Management	<ul style="list-style-type: none"> We are building and further improving a highly effective risk management system that supports a strong management foundation. We are enhancing risk management and compliance based on the slogan "Safety, Quality and Compliance. Our top priority. It's our pride." Together with establishing a dedicated Compliance Department at our headquarters and appointing a Chief Compliance Officer and Regional Compliance Controllers, we are also conducting assessments by external agencies and undertaking education. We are conducting supervision and monitoring through reports to the Corporate Officers Meeting—the highest decision-making body on the executive side—and the Board of Directors (twice annually). To conduct appropriate measures with certainty across the entire Group, we are identifying risks (13 risks in fiscal 2023) expected in the execution of business centered on the Risk Management Committee and deploying them in the activities of each company. We are continuously conducting activities to foster awareness about safety, compliance and risk management, and reflecting the awareness of all executives and employees as well as their autonomous and specific initiatives in our human resource evaluation. 	Every fiscal year

Characteristics of Semiconductor Production Equipment Business

As technological innovations in semiconductors drive the growth of the production equipment market, it is essential to provide leading-edge technologies as well as services that support them. We will promote initiatives in our new Medium-term Management Plan based on the following requirements for semiconductor production equipment manufacturers.



Our Strengths and the Driving Forces behind Our Company

We have identified “abundant technological capabilities cultivated as an industry leader,” “absolute trust from customers based on our reliable technical services” and “challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment” as the driving forces behind

further growth. By applying the strengths created by these driving forces to our business activities, we will strive to expand profits over the medium to long term and continuously enhance corporate value.

Strengths

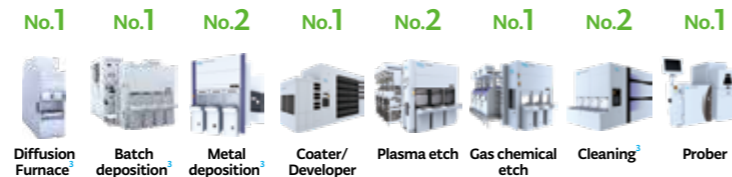
Only one
The world’s only manufacturer with products for the four key successive processes necessary for semiconductor scaling: deposition, coater/developer, etch and cleaning



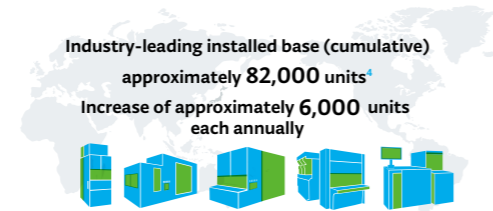
100%
100% share in EUV¹ lithography coater/developer, which are necessary for semiconductor evolution
¹ EUV: Extreme Ultraviolet. Ultraviolet radiation (ultraviolet rays) in the wavelength range of 1 nm to 100 nm.



No.1/No.2
Our product lines are all strongly positioned in their respective segments, all of which having achieved first or second place in market share²
² Our estimate (2021)
³ Our product lines in respective segments: Diffusion furnace includes furnace, batch deposition includes ALD (Atomic Layer Deposition), metal deposition includes single wafer deposition, and cleaning includes single wafer cleaning and batch cleaning.



No.1
Building a business model for field solutions where equipment sold becomes a new business opportunity and creates value
⁴ As of March 31, 2022



The Driving Forces behind Our Company

Abundant technological capabilities cultivated as an industry leader

- Innovative and varied technologies created through joint development with customers and collaboration with world-leading consortiums
- Proactive R&D investment aimed at creating leading-edge technologies based on strong management and financial foundations
- Product development through digital transformation which utilizes data and AI

Absolute trust from customers based on our reliable technical services

- Co-creation of technology roadmaps with customers and quick launch of next-generation products with overwhelming added value
- Dedicated to improving customer satisfaction level and building of relationship of mutual trust with the aim to be the sole strategic partner for customers
- Timely provision of high-value-added technical services based on a long track record in response to the increasingly advanced and diverse technological needs of customers

Challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment

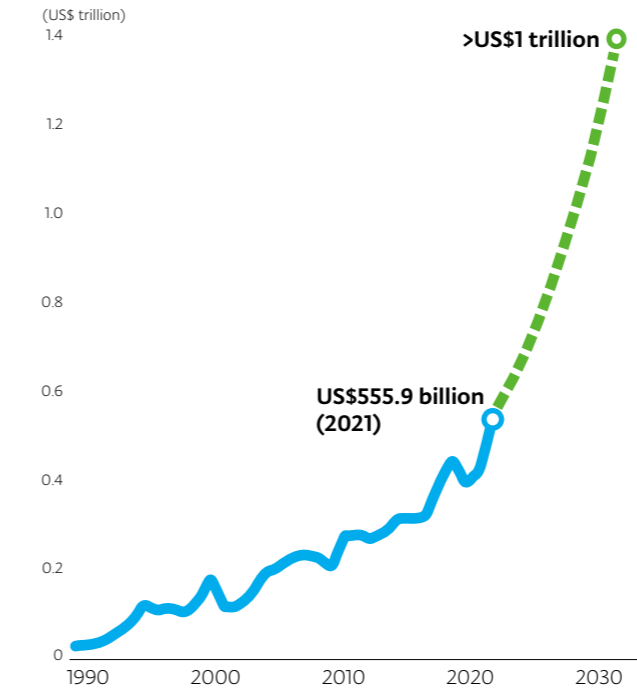
- Focus on strengthening human resource development and promoting management that places an emphasis on employee motivation
- Implementation of “TEL Values,” which summarize values and the codes of conduct for all employees
- Understanding of issues and implementation of policies based on a regular global engagement survey

Outlook of Semiconductor Production Equipment Business

As the trend towards a data-driven society progresses rapidly, the importance of the semiconductors that form the foundation of this society is increasing even further. The semiconductor market exceeded US\$500 billion for the first time in 2021 and is

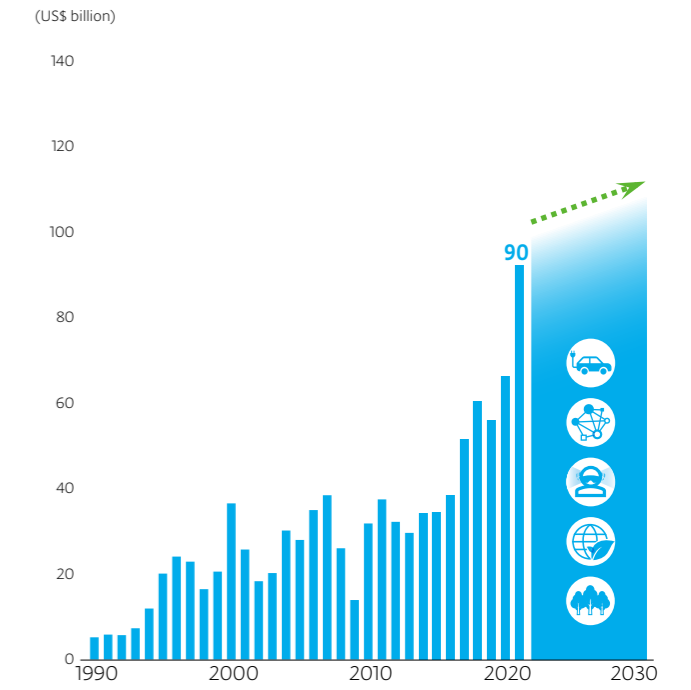
expected to exceed US\$1 trillion by 2030, growth that will more than double the current market. Accordingly, the WFE market was approximately US\$90 billion in 2021 and is expected to grow even further in the future.

Semiconductor Market



Source: 1990-2021 (WSTS), 2022-2030 (IBS, May 2022)

WFE Market



Source: Technisights Manufacturing Analysis Inc. (VLSI) (1990~2021)

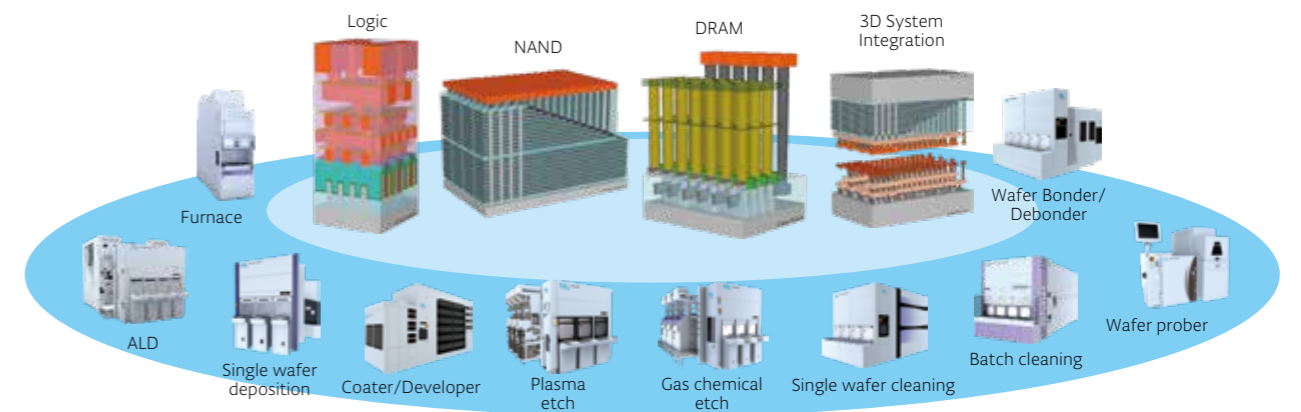
Semiconductor Device Technology Evolution and Business Opportunities

Further growth in the semiconductor and WFE markets will be supported by technological innovation in semiconductor devices. In logic/foundry, NAND and DRAM applications, increased demand for further scaling, lower manufacturing costs

through higher multi-layering, lower power consumption and higher speeds is expected.

We will utilize our broad product lineup to contribute to the manufacturing of devices with a highly competitive advantage.

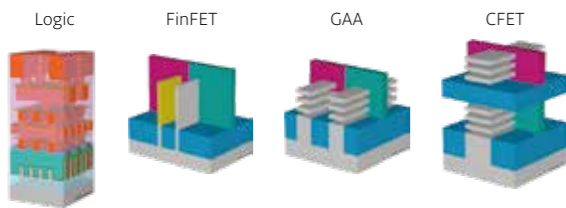
Semiconductor Devices and Our Product Lineup



Logic/Foundry

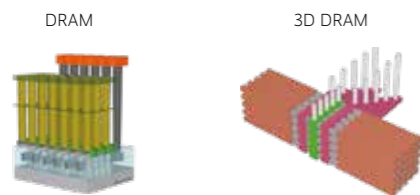
Increasing patterning complexity requires co-optimization between unit processes. It is expected that high-NA EUV¹ lithography technology will be applied to mass production to achieve further scaling going forward. In addition to scaling through high-NA EUV, various new technologies and structures will be introduced. Transistor structures are also expected to shift to new 3D structures (FinFET², GAA³, CFET⁴). Our front-end process equipment and wafer bonding equipment will contribute to the realization of this kind of technological innovation.

- ¹ High-NA EUV: Refers to next-generation EUV, an exposure technology that shortens the resolvable line width by increasing the numerical aperture (NA)
- ² FinFET: Fin Field Effect Transistor, a process technology with a three-dimensional structure in the shape of a fin
- ³ GAA: Gate All Around, a next-generation technology for FinFET
- ⁴ CFET: Complementary Field Effect Transistor, transistor with a new structure



DRAM

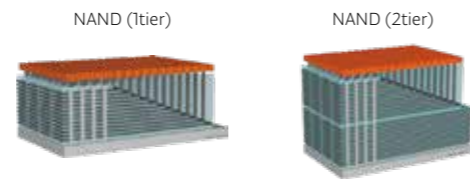
Technologies such as those that suppress delays caused by interconnects and those that further advance 2D scaling are in demand. While many of our deposition, etch and cleaning systems are used for this technology in DRAM, we will continue to provide new products and solutions to achieve even further scaling. 2D scaling is progressing and the further shift to 3D DRAM that uses a 3D structure is expected. In 3D DRAM, as with the shift from 2D to 3D NAND, vertical multi-layering will drive scaling in place of 2D lithographic scaling. This is particularly expected to increase the importance of the deposition and etch processes.



NAND

3D NAND multi-layering is progressing even further, and layer counts will increase to 300 and 500 in the future. Accordingly, this will require etch that enables processing of deep holes and trenches with a high aspect ratio⁵, high productivity sacrificial film removal and atomic level deposition on 3D structure. In addition, process integration is required to control the increase in chip manufacturing costs that are associated with this increase in layer counts. We are striving to further improve the performance of our etch and ALD deposition systems to meet these technological requirements.

- ⁵ Aspect ratio: Depth to width ratio of the pattern formed on the wafer



3D System Integration

3D system integration is advancing to improve the performance of semiconductor devices, using wafer bonding technology. The wafer bonding technology application is now under production for CMOS image sensors, and its developments in 3D NAND, where memory cells and drive circuits are bonded together, and also in Logic backside power delivery network, are accelerating. In addition, the industry is moving to chip disaggregation, called Chiplet, and then bond those together, expecting the device speed increase, and lowering power consumption and cost as one of advanced assembly technologies. We contribute to evolve the leading-edge device and the system level performance by providing wafer bonding and laser trimming equipment based on the technology and experience we have cultivated in front-end processes.

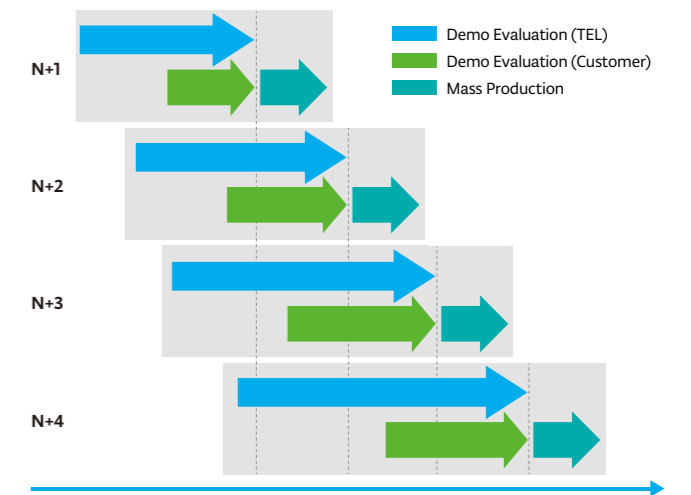


Development for Several Generations through Collaboration with Customers

With the increasing technical difficulty of scaling, in addition to the evaluation of the Nth mass production generation, development from N+1 to N+4 is also progressing simultaneously for leading-edge memory, logic and foundry. In order to continue this kind of development and evaluation with semiconductor manufacturers, high technology development capabilities, resources in engineering and a strong financial base are required.

We work with our customers, who are semiconductor manufacturers, in their respective roles to co-create long-term technology roadmaps and develop and evaluate technologies up to four generations ahead. We are able to quickly demonstrate both equipment and process performance by conducting evaluations using wafers that are actually used in the manufacturing processes of our customers. Through initiatives like this, we steadily create high-value-added products and strive to capture new business opportunities.

Development and Evaluation up to Four Generations Ahead



Further Strengthening of Development Structure

We are further strengthening our development structure in order to advance the development and evaluation of leading-edge semiconductor devices up to four generations ahead.

We have already established the TEL Digital Design Square and the Miyagi Technology Innovation Center, and we plan to open new development buildings at sites in Yamanashi,

Kumamoto and Miyagi between 2023 and 2025. The Yamanashi site will be responsible for film deposition, gas chemical etch and corporate development, the Kumamoto site for coater/ developer and cleaning system development, and the Miyagi site for etch system development.



TEL Digital Design Square (Opened in November 2020)



Miyagi Technology Innovation Center (Began operation in October 2021)



Yamanashi New Development Building (Completion scheduled for spring 2023)



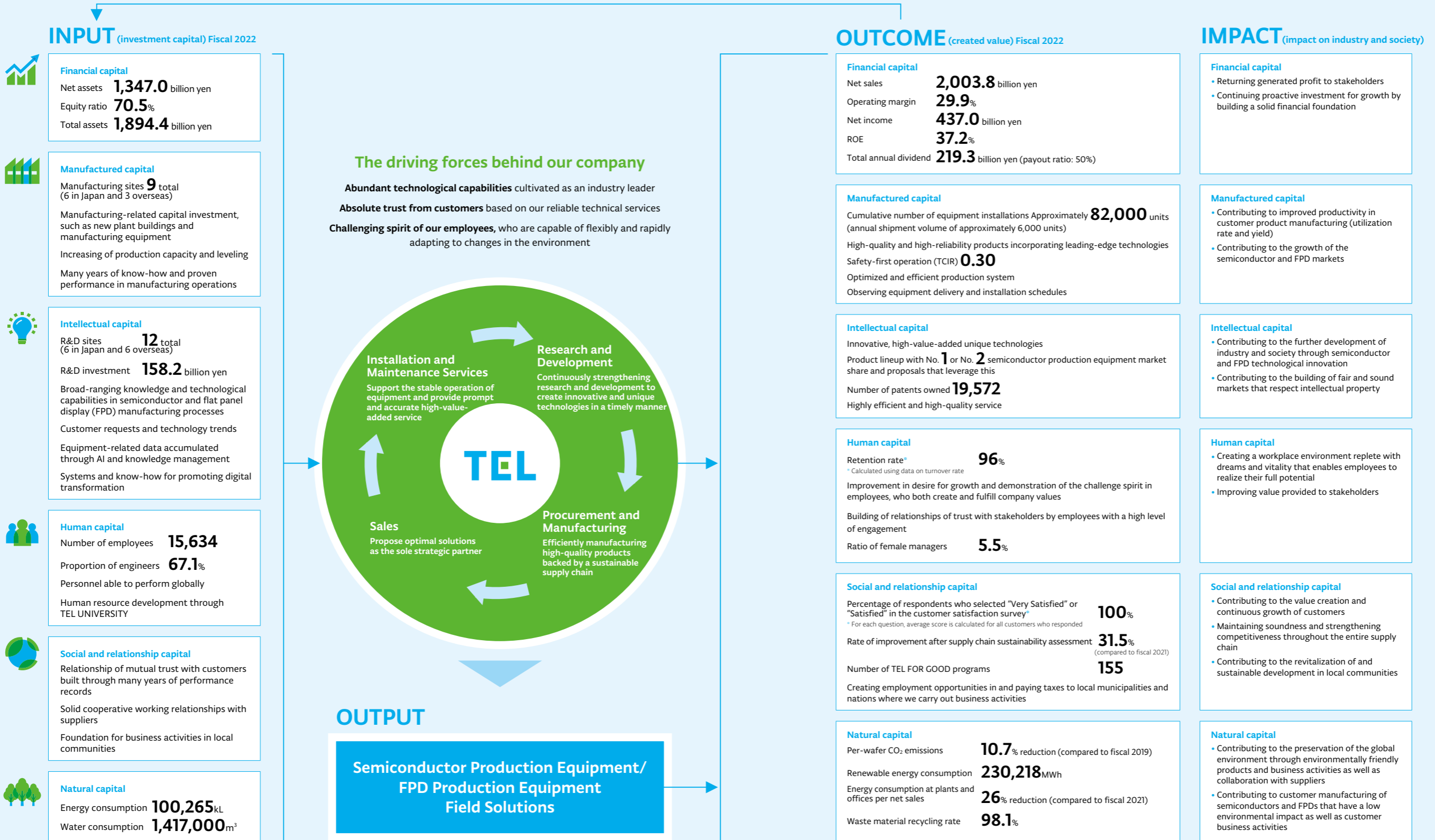
Kumamoto New Development Building (Completion scheduled for fall 2024)



Miyagi New Development Building (Completion scheduled for spring 2025)

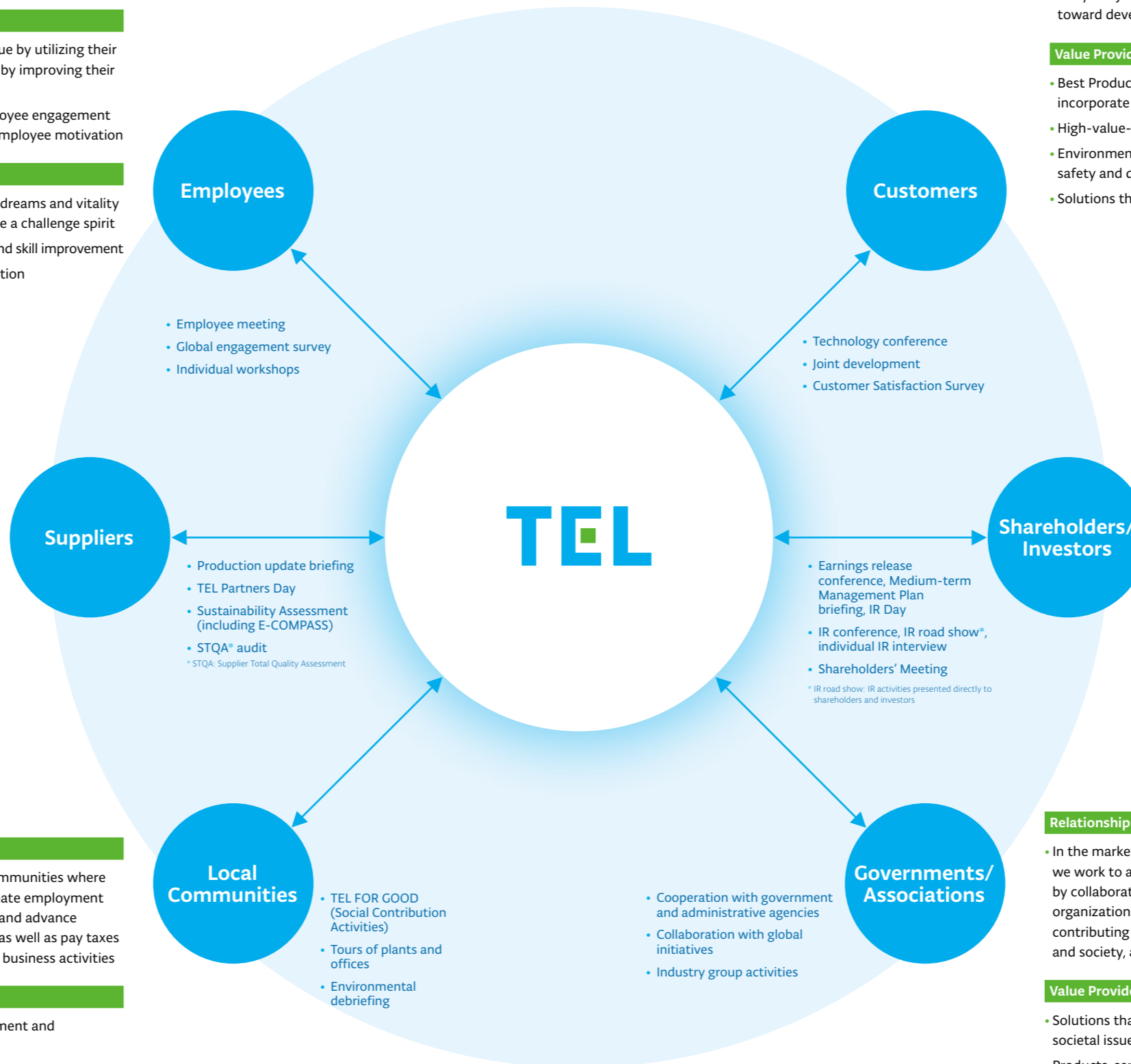
Value Creation Model

We will make the most of the capital we own and continue to provide new value that contributes to the resolution of issues and development of industry and society through the development of a value chain in our business activities in research and development, procurement and manufacturing, sales and installation and maintenance services.



Stakeholder Engagement

Actively providing opportunities for engagement with our stakeholders and promoting mutual communication allows us to accurately comprehend their requirements and reflect them in our business activities. We strive to build a solid relationship of mutual trust with all the stakeholders surrounding our company and respond to each of their expectations, so that we can fulfill our roles and responsibilities in society.



Relationship with Stakeholders

- Employees help enhance corporate value by utilizing their individual abilities and know-how, and by improving their skills through training
- We promote the improvement of employee engagement under management that emphasizes employee motivation

Value Provided to Stakeholders

- A workplace environment replete with dreams and vitality that enables employees to demonstrate a challenge spirit
- Opportunities for career development and skill improvement
- Fair performance review and remuneration commensurate with results

Relationship with Stakeholders

- Suppliers supply the parts, materials and human resources necessary for our company's equipment manufacturing, and also perform customs clearance and logistics operations
- We improve and enhance the quality of our products and services collaboratively with our suppliers and build a sustainable supply chain that takes into account labor, the environment, health and safety and ethics

Value Provided to Stakeholders

- Maintaining soundness and strengthening competitiveness throughout the entire supply chain
- Further improving added value of products and services through collaboration with our company
- Providing business opportunities in the semiconductor and flat panel display (FPD) production equipment market

Relationship with Stakeholders

- We advance together with the local communities where we carry out business activities. We create employment opportunities, develop local industries and advance environmental preservation initiatives as well as pay taxes in line with the profit generated by our business activities

Value Provided to Stakeholders

- Provision of human resources development and employment opportunities
- Promotion of environmental preservation in communities
- Financial contributions through tax payments

Relationship with Stakeholders

- Customers purchase the semiconductor and FPD production equipment our company provides and also utilize services necessary for maintaining that equipment
- We not only provide products and services but also create technology roadmaps spanning multiple generations and carry out joint technology development with customers toward developing next-generation devices and processes

Value Provided to Stakeholders

- Best Products with world-leading performance that incorporate leading-edge technologies
- High-value-added Best Technical Service
- Environment-friendly products and services with a focus on safety and quality
- Solutions that satisfy a variety of application needs

Relationship with Stakeholders

- Shareholders and investors support our company's business expansion from a financial aspect and participate in company management by exercising their voting rights, etc.
- We share our management vision and growth scenario with shareholders and investors, and incorporate the feedback received from them through constructive dialogue into management decision-making in an effort to enhance our corporate value

Value Provided to Stakeholders

- Return of profit generated from business activities
- Realization of medium- to long-term growth and enhancement in corporate value

Relationship with Stakeholders

- In the markets where we carry out our business activities, we work to accurately comprehend societal needs by collaborating with highly relevant international organizations, industry associations, initiatives and NGOs, contributing to the resolution of issues faced by the industry and society, as well as to further development

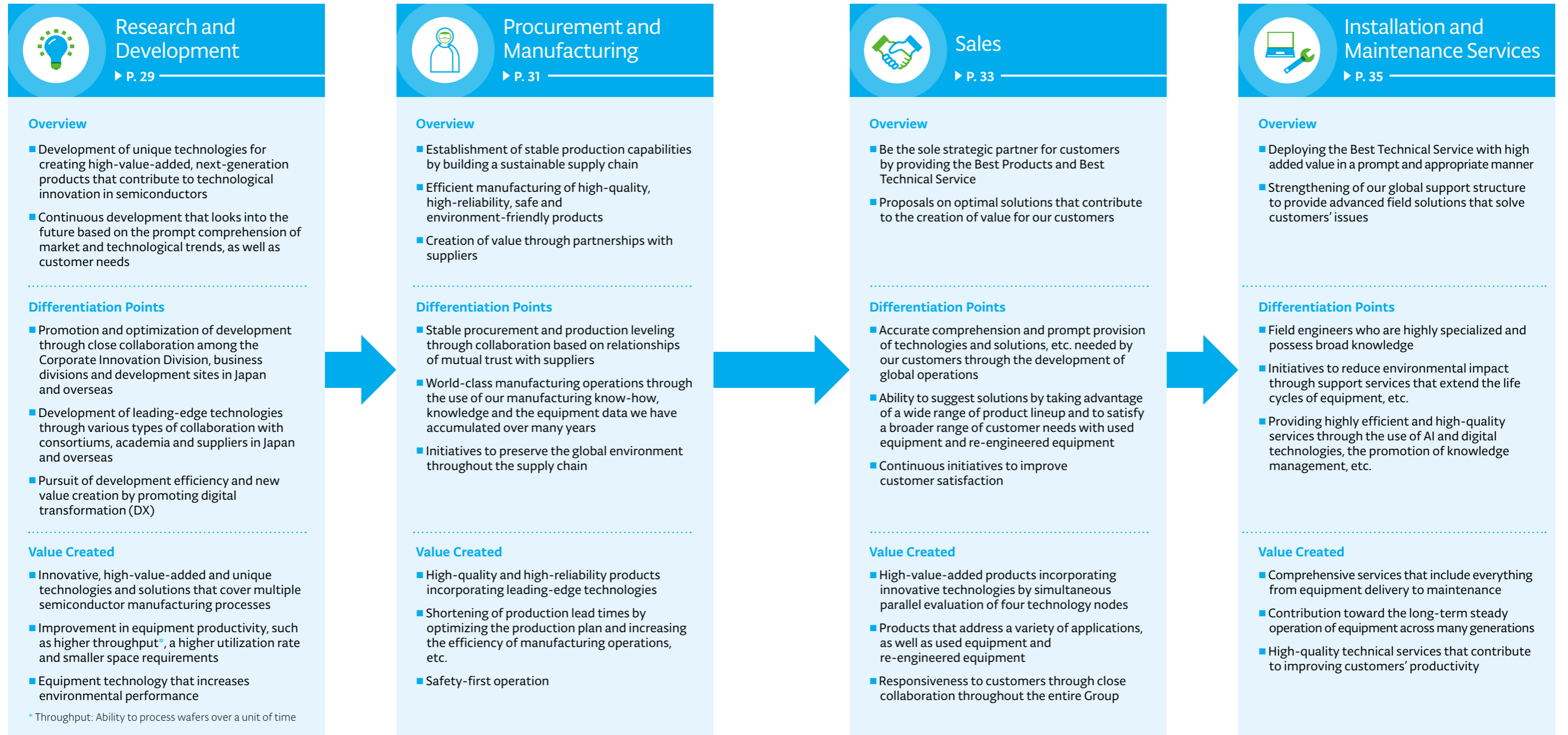
Value Provided to Stakeholders

- Solutions that help solve and develop industrial and societal issues
- Products, services and business models that are conscious of the environment, human rights and other factors
- Business activities that comply with laws, regulations, industry codes of conduct and other rules

Initiatives in the Value Chain



Tokyo Electron is building a superior business model that takes advantage of its characteristics and is continuing to create new value through sustainability initiatives and the development of value chains in its business activities.



Sustainability Initiatives in the Value Chain

- Environment ▶ P. 37
- Human Rights ▶ P. 41
- Supply Chain Management ▶ P. 43
- Safety ▶ P. 44
- Quality ▶ P. 45
- Continuous Improvement of Business Operations ▶ P. 46
- Human Resources ▶ P. 47
- Corporate Governance ▶ P. 49
- Risk Management ▶ P. 57
- Information Security ▶ P. 59
- Compliance ▶ P. 60
- Engagement with Capital Markets ▶ P. 61
- Evaluation from Third-party Institutions ▶ P. 61
- Participation in Global Initiatives ▶ P. 62



Initiatives in the Value Chain Research and Development

Tokyo Electron will continue to create highly unique technologies through balanced basic and applied R&D as well as through utilizing in-house and outside knowledge, while always remaining conscious of the most current customer needs.

We are creating innovative and unique technologies for manufacturing leading-edge semiconductors and flat panel displays (FPDs) by ascertaining technological and market trends as well as customer needs early on by leveraging global marketing activity networks and sharing that information throughout all relevant departments. Through development portfolio management, we are formulating short-term as well as medium- to long-term development strategies and progressing

various types of basic and elemental R&D toward the next growth phase. Additionally, we are strengthening our R&D capabilities and continuing to develop technologies that will help customers create value through collaboration between our major domestic development sites and R&D sites worldwide as well as through alliances with outside consortiums, research institutes, academia and suppliers.

Key Themes for Medium- to Long-term Value Creation

- Timely development of high-value-added technologies and products through promotion of Shift Left*
- Creating innovative and unique technologies for manufacturing leading-edge semiconductors and FPDs
- Increasing investment in human resources and development

* Shift Left: To improve efficiency by investing resources such as technology, personnel and money into the early processes of product development. Refer to "Shift Left" in the "Tokyo Electron Sustainability Report 2022" for details www.tel.com/sustainability/report/

Management Resources to Be Invested

R&D investment
Over five years, beginning
in fiscal 2023
More than 1 trillion yen



R&D sites
12
(6 in Japan and 6 overseas)



Human resources possessing
knowledge in a variety of
specialized fields related to
semiconductor and FPD
production equipment

Primary Management Indicators

R&D expenses



Number of
new product releases



Global patent
application rate*



* The percentage of invention applications that resulted in applications filed in multiple countries

Sustainability Initiatives

- Initiatives related to product environment [P. 38](#) Medium- and Long-term Environmental Goals
- Future-oriented development of environmental technologies through partnerships with suppliers [P. 41](#) E-COMPASS
- Structure to promote innovative development that takes advantage of global diversity [P. 48](#) Diversity and Inclusion
- Development efficiency improvement through the promotion of DX [P. 30](#) Promotion of Digital Transformation (DX)

Risk Management Initiatives

	Main Risks	Initiatives
Research and Development	Declining product competitiveness	<ul style="list-style-type: none"> ■ Establish the Corporate Innovation Division and build a Group-wide development framework that integrates innovative technology development with the technologies of each development division ■ Provide highly competitive next-generation products ahead of competitors by collaborating with research institutions and sharing a technology roadmap spanning multiple generations with leading-edge customers
Intellectual Property Rights	Declining product competitiveness Restrictions on the production and sale of products and occurrence of liability for damage	<ul style="list-style-type: none"> ■ Advance the intellectual property strategy, business strategy and R&D strategy in an integrated manner to build an appropriate intellectual property portfolio
Human Resources	Diminished product development capability or customer support quality	<ul style="list-style-type: none"> ■ Make continuous improvements to work environments and promote diverse work styles as well as health and productivity management (e.g., sharing our visions by management, establishing training plans for human resource who will lead the future, visualizing career paths for employees and offering attractive remuneration and benefits)

Main Research and Development Initiatives

Strengthening Research and Development Capabilities

For our medium- to long-term growth, it is extremely important to continuously create the high-value-added next-generation products that are necessary for technological innovation in semiconductors.

Development sites in Japan and overseas, business divisions and the Corporate Innovation Division maintain their respective individuality, collaborating in necessary areas while promoting technological development and integration. We have a multi-structured development system that promotes advancement and evolution in the process from basic element development to mass-produced products.

Each development site and business division is engaged in the

Collaboration with Consortiums and Academia

We have focused on collaborative efforts with domestic and international consortiums and academic institutions (universities) to enhance our research and development capabilities and to create leading-edge technologies for a very long time.

Today, we continue our engagement in a wide range of areas from applications to product development. In the area of EUV and high-NA EUV lithography processes, this is achieved through collaboration with imec located in Belgium. Furthermore, we participate in a global research hub for hardware development of next-generation AI in the U.S. state of New York, and have formed a partnership with BRIDG, which is a non-profit public-private partnership located in the U.S. state of Florida, as well. At our research center in TEL Technology Center, America, advanced research and development in the areas of front-end, back-end², and advanced packaging process areas are being carried out daily.

Additionally, we collaborate with the National Institute of Advanced Industrial Science and Technology (AIST), one of Japan's largest public research institutions. There we leverage AIST's world-class research environment and personnel to enhance our own development by conducting MRAM³ and 2D material-related research. We do this to address the needs in the field of semiconductor

Promotion of Digital Transformation (DX)

We have positioned DX as an important means for continuing to provide new value to customers and are developing company-wide initiatives to do so. In R&D, we have begun operation of remote support services that apply AR¹ technology while also promoting initiatives to search for new materials and optimize processes at overwhelming speeds by utilizing materials informatics².

Furthermore, in addition to the "Advanced Data Planning Department" that supports DX activities in product competitiveness and customer responsiveness, we established the "Digital Transformation Promotion Department" in January 2022 which is responsible for planning and supporting DX activities in productivity improvement and management foundation, further strengthening DX promotion throughout the entire Group.

We plan to continue the utilization of things such as AI in solving

development of semiconductor and FPD production equipment with innovative technologies and an eye on future generations. They also promote R&D related to peripheral technologies for these production equipment.

The Corporate Innovation Division strives for the creation of further high-value addition by working closely with each development site to develop cross-function initiatives in each product area as well as promoting and optimizing R&D while maintaining a bird's eye view on the entire development structure. In addition, the division is also engaged in a search for potential growth areas, as well as in R&D of fundamental technologies toward creating value in the future.

technology development, which is becoming increasingly diverse.

1 EUV and high-NA EUV: Extreme Ultraviolet. Ultraviolet radiation (ultraviolet rays) in the wavelength range of 1 to 100 nm. High-NA EUV refers to next-generation EUV, an exposure technology that shortens the resolvable line width by increasing the numerical aperture (NA).

2 Front-end/Back-end: In semiconductor device production, the beginning section of the manufacturing process where the device element is formed is called the front-end (FEOL), and the latter section is called the back-end (BEOL) where the wiring is traditionally accomplished.

3 MRAM: Magneto-resistive Random Access Memory

(As of March 31, 2022)

■ Tokyo Electron Development Sites

■ Consortiums



4 Tohoku Office, Hosaka Office, Fujii Office

5 Koshi Office, Ozu Office

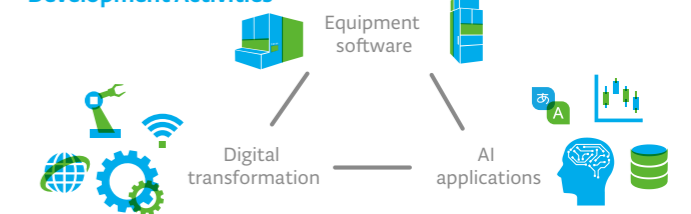
6 Chaska Office, Chelmsford Office

a variety of issues and developing functions, and to advance the development of production equipment that is equipped with innovative functions such as analyzing its own operating conditions and improving functions and operating efficiency.

1 AR: Augmented Reality

2 Materials Informatics: Approach to materials exploration using academic papers, internal and external materials databases, machine learning and actual experimental data.

Development Activities





Initiatives in the Value Chain

Procurement and Manufacturing

Along with striving to build a sustainable supply chain, we have established a system for manufacturing high-quality products more efficiently.

We are aiming for constant innovation in production based on the themes of safety, high quality and high reliability, and are putting together manufacturing operations that are eco-friendly. Besides working toward a vertical transfer from product development to mass production via further improvements to efficiency, we are also promoting the creation of manufacturing core systems that can respond swiftly to market fluctuations, as well as strengthening and leveling of production capacity.

To ensure stable and sustainable procurement, we carry out sustainability and BCP* assessments throughout the supply chain based on industry codes of conduct, as well as share knowledge with our suppliers regarding safety, quality, the environment and compliance. We value fair and transparent relationships with our suppliers and aim to grow alongside them and contribute to society on a global level through firm relationships based on trust.

*BCP: Business Continuity Plan

Key Themes for Medium- to Long-term Value Creation

- Creating production capabilities and manufacturing core systems appropriate for the market size
- Optimizing management resource allocation to truncate the transition period from product development to mass production
- Streamlining manufacturing operations with consideration toward the operating margin and ROE

Management Resources to Be Invested

Many years of know-how (people and products) in semiconductor/FPD manufacturing



Manufacturing core systems based on the latest digital technology



Firm trust-based relationship with our suppliers



Primary Management Indicators

Direct and indirect manufacturing costs



Production lead times



Procurement stockout rate



Sustainability Initiatives

- Quality control in manufacturing [P. 45](#) Quality
- Promoting sound supply chain management based on industry codes of conduct [P. 43](#) Supply Chain Management
- Initiatives for reducing CO₂ emissions and introducing renewable energy at plants and offices [P. 38](#) Medium- and Long-term Environmental Goals
- Shortening of production lead times and leveling [P. 46](#) Continuous Improvement of Business Operations

Risk Management Initiatives

Main Risks		Initiatives
Procurement, Production and Supply	Delays in the supply of products	<ul style="list-style-type: none"> ■ Formulate business continuity plans, develop alternate production capabilities, promote the seismic reinforcement of plants, level production, enhance the backup capabilities for information systems, use multiple sources of important parts, and maintain appropriate inventory levels ■ Share forecasts based on demand projections with suppliers and build a system for the stable supply of products
Safety	Occurrence of safety-related problems and liability for damages, and a decline in credibility	<ul style="list-style-type: none"> ■ Based on the "Safety First" approach, place the highest priority on the safety and health of all people, implement inherently safe design with an awareness of risk reduction at the product development stage, promote safety training, and establish an accident reporting system
Quality	Occurrence of costs for countermeasures of a product defect and a decline in credibility	<ul style="list-style-type: none"> ■ Establish a quality assurance system and a world-class service system ■ Monitor the quality status of suppliers, conduct audits and provide support for improvement ■ Resolve technical issues from the product development and design stage ■ Investigate the cause of any defects and implement measures to prevent the same or similar defects from occurring
Environmental Issues	Costs such as for developing new products or changing specifications, and declining product competitiveness and diminished public confidence in the Company	<ul style="list-style-type: none"> ■ To achieve industry-leading medium- to long-term environmental goals that include the net zero target, implement measures such as reducing greenhouse gas emissions from the use of our products, increasing the rate of renewable energy usage at plants and offices, reducing overall power consumption, reviewing packaging materials, and promoting a modal shift ■ Provide technologies, etc., that contribute to higher performance and energy efficiency of semiconductor devices through implementation of our E-COMPASS initiative

Main Procurement and Manufacturing Initiatives

Sustainable Procurement Strategies

We are rapidly developing various initiatives to respond to delays in the procurement of parts and materials needed for production, price increases, and resulting supply chain disruptions caused by recent global shortages of semiconductors and electronic components.

The Corporate Production Division is working with each manufacturing site and promoting the optimization of procurement and parts inventories throughout the Group by regularly conducting supply chain BCP assessments, improving commercial distribution management through the further enhancement of supplier maps and other tools, strengthening supplementary parts systems between manufacturing sites and examining procurement processes. In addition, we are working to adjust sales plans with production, procurement and inventory plans by sharing both short-term and medium-term order forecasts between sales and manufacturing divisions, as

well as working to ensure stable procurement and both production and start-up process leveling. Through these efforts, we are striving to improve safety, quality and efficiency of equipment production and start-up.

Based on the belief that smooth communication with suppliers is important, we hold production update briefings, TEL Partners Day and other events on a regular basis to create opportunities to share market trends, our management policy and business policies, and sustainability initiatives with our suppliers.



Past TEL Partners Day

World-class Manufacturing Operations

We are constantly striving to innovate in production and further improve profitability at manufacturing sites while engaging in the strategic development of world-class manufacturing operations through the use of our manufacturing know-how, knowledge and the equipment data we have accumulated over many years.

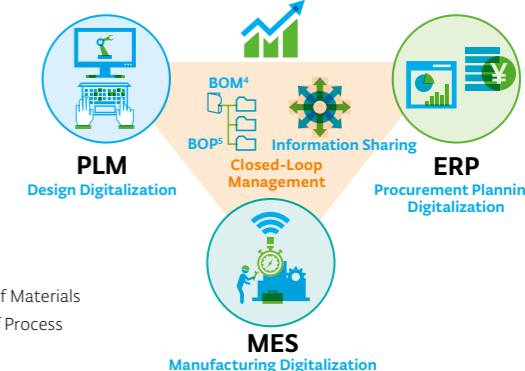
In assembly, adjustment, inspections and other processes, we are working to improve product quality by having implemented in-process quality control consisting of thorough screening, simulation verification and so on to prevent non-conforming products from making it through to subsequent processes. We are also proactively investing in things such as new plant buildings and manufacturing facilities to increase production capacity while promoting production leveling.

Furthermore, we are working to improve IT infrastructure by building a manufacturing core system through beginning operations of ERP¹ and MES² that utilize the latest digital technologies, and the introduction of PLM³ and other measures. Through the use of data aggregated through these efforts in each business operation, we can quickly collect data needed for business decisions, make production schedules more reasonable

and more efficient, visualize delivery dates for parts and more. In addition, we are thoroughly implementing infection prevention measures at all manufacturing sites as we deal with the impact from COVID-19 infections and working to maximize operation rates in production activities.

1 ERP: Enterprise Resource Planning. Refer to Continuous Improvement of Business Operations on p. 46
 2 MES: Manufacturing Execution System
 3 PLM: Product Lifecycle Management

Manufacturing Core System Development



4 BOM: Bill of Materials
 5 BOP: Bill of Process

Initiatives to Reduce Environmental Impact

We are developing a variety of initiatives at our plants and offices as well as in logistics and the supply chain with consideration of the environment.

At plants and offices, we are working to further improve energy consumption efficiency through a variety of measures such as energy-saving clean room operation, setting office air conditioning at appropriate temperatures, introducing devices that offer superior energy-saving performance, and promoting the introduction of renewable energy (electricity) globally to achieve our medium- and long-term environmental goals¹.

In logistics, we are working to transition between methods of

transportation by promoting a modal shift² in transportation in Japan and overseas. We are also striving to reduce CO₂ emissions and reduce environmental impact by adopting packaging made with reinforced cardboard.

In addition to these initiatives, we are actively working toward the preservation of the global environment throughout our entire supply chain in partnership with our suppliers through the development of E-COMPASS³ activities.

1 Refer to Medium- and Long-term Environmental Goals on p. 38
 2 Modal shift: Transitioning from transportation by car and air to rail and ship, which have lower environmental impacts
 3 Refer to E-COMPASS on p. 41



Initiatives in the Value Chain

Sales

We propose optimal solutions that contribute to the creation of value for our customers in order to be the sole strategic partner.

Since our company's inception, improvement of customer satisfaction has been a significant management theme. We will build strong, trust-based relationships with our customers by providing the Best Products and Best Technical Service in order to be their sole strategic partner.

We help customers manufacture leading-edge devices by grasping the latest technological trends and customer needs in an accurate and timely manner, as well as developing innovative

technologies for future generations. In addition, by leveraging our strengths as a semiconductor production equipment manufacturer with a diverse product lineup and the experience and high level of quality we have cultivated over many years, we propose optimal solutions that contribute to the creation of value for our customers. Moreover, by focusing on sales of used equipment and re-engineered equipment, we can meet a wider range of customer needs and help maximize their return on investment.

Key Themes for Medium- to Long-term Value Creation

- Improving our responsiveness to customers and customer satisfaction
- Increasing mutual profits by providing the Best Products and Best Technical Service
- Improving our position among our major customers

Management Resources to Be Invested

A global sales and service system in which the Account Sales Division, the Global Sales Division, business units and overseas subsidiaries coordinate with one another



Broad-ranging knowledge and comprehensive technological capabilities born from our diverse product lineup



Mutual trust with customers build through many years of performance records



Primary Management Indicators

Customer satisfaction



Market share of major customers and products



Operating margin



Sustainability Initiatives

- Initiatives for improvement of customer satisfaction [P. 34](#) Initiatives for Improvement of Customer Satisfaction
- Ongoing efforts to ensure customer safety [P. 44](#) Safety
- Reducing CO₂ emissions from product usage by addressing Medium-term Environmental Goals [P. 38](#) Medium- and Long-term Environmental Goals
- Improvement of operational efficiency in sales activities [P. 46](#) Continuous Improvement of Business Operations

Risk Management Initiatives

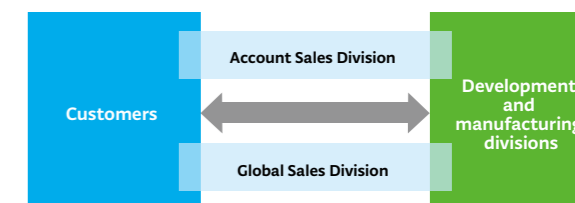
	Main Risks	Initiatives
Market Fluctuations	Sales opportunity losses due to inability to supply customers with products in a timely manner	<ul style="list-style-type: none"> ■ Periodically review market conditions and orders received at the Board of Directors and other important meetings, and appropriately adjust capital investments, personnel/inventory planning and other aspects of business ■ The Account Sales Division and the Global Sales Division strengthen the sales framework and customer base by grasping investment trends of customers and responding to a wide range of customer needs
Geopolitics	Restrictions on business activities	<ul style="list-style-type: none"> ■ Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region ■ Anticipate the impact of macroeconomic fluctuations and regulations related to product imports/exports or technological development on the Company's business and consider countermeasures in advance
Information Security	Diminished public confidence in the Company or liability for damages	<ul style="list-style-type: none"> ■ Launch a dedicated security organization and establish an information security system that conforms to international standards by having security assessments conducted by external experts, etc. ■ Establish globally standardized rules and regulations for information management and implement response guidelines

Main Sales Initiatives

Development of Global Operations

We established the Customer Collaboration Group and are working to further strengthen our customer support capabilities in order to be the sole strategic partner for our customers. The Customer Collaboration Group is made up of two divisions: our Account Sales Division, which targets major semiconductor manufacturers, who have been our traditional customers, to develop new technologies with an eye to the needs of next-generation leading-edge technologies in memory, logic, foundry, etc.; and our Global Sales Division, which responds to the needs of more than 100 customers in Japan and overseas who deal in products for the rapidly growing Chinese market as well as the industrial IoT market.

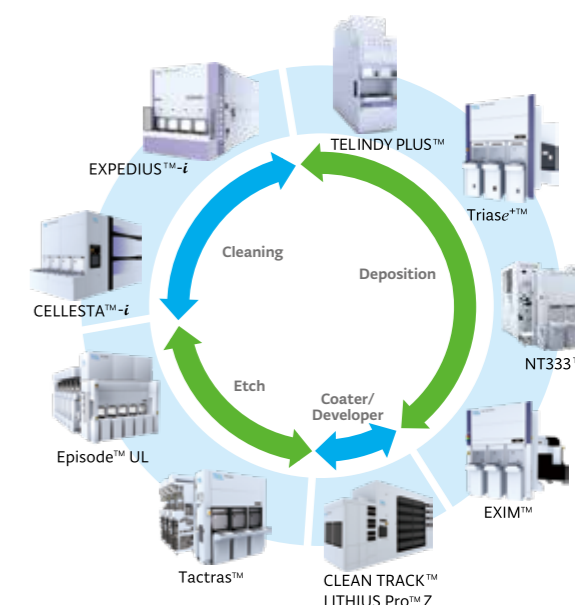
These two divisions work closely with business units, development and manufacturing divisions, service divisions and overseas subsidiaries to develop global operations throughout our entire Group (=One-TEL) and promptly provide customers with the technologies, services and solutions they require.



Proposing Customer Solutions Leveraging a Wide Range of Product Lineup

To solve customers' issues and contribute to the manufacture of highly competitive devices, we offer proposals that leverage our wide range of product lineup, including equipment for key processes such as deposition, coater/developer, etch and cleaning. We simultaneously strive to help optimize manufacturing processes and enhance the productivity and quality of development and manufacturing processes by providing optimal solutions that include remote support systems and software for maximizing equipment utilization rate. Furthermore, through continuous improvements to performance of our mass production equipment, we are proactively working to meet customer demands for the production of multiple generations of products.

We are also responding to satisfy the market's diversifying needs by providing products for the IoT market, which include power devices, image sensors and communication devices, as well as used equipment and re-engineered equipment.



Initiatives for Improvement of Customer Satisfaction

We are working to build a solid relationship of mutual trust with customers by further enhancing customer satisfaction, which we have valued highly since our founding.

In the semiconductor production equipment industry, with rapid technological innovation, we co-create future technology roadmaps with our customers, semiconductor manufacturers, to promote the concurrent evaluation of technologies up to four generations in the future and accelerate the technological development of Shift Left. This allows us to offer highly competitive products that help improve the yield rate of devices and maximize equipment utilization rate.

Further, at customer sites around the world, we are continuously implementing customer-oriented initiatives such

as having our engineers quickly get installed equipment operating at maximum performance, proposing solutions to any technical issues identified and providing feedback on next-generation equipment.

In addition to these activities, we conduct a unique customer satisfaction survey every year and promote ongoing improvements to our business practices.

In fiscal 2022 the results of our activities were highly evaluated and we received best awards from many of our customers. We will continue to provide the Best Products and Best Technical Service and further improve customer satisfaction in order to be the sole strategic partner for our customers.



Initiatives in the Value Chain

Installation and Maintenance Services

We have established a global support system to provide the Best Technical Service with high added value in a prompt and appropriate manner.

For installation and equipment maintenance, we take advantage of a cumulative number of equipment installations of approximately 82,000 units to offer the Best Technical Service with high added value. We make full use of leading-edge AI, digital technology and knowledge management* tools, and promote enhanced efficiency for our services to support the stable operation of various generations of equipment for a wide variety of applications.

By refining the skills of the front-line engineers who interact with customers, we work hard to accurately identify customer

needs and provide timely feedback to our development and manufacturing operations. In addition, we are deploying aspects such as support services that extend the life cycle of equipment as part of our efforts to reduce environmental impact. We are also promoting the further improvement of the quality of our services through the provision of advanced field solutions, such as Total Support Center (TSC) and remote maintenance services.

* Knowledge management: Management approach to promote internal company sharing of tacit knowledge held by individuals, in order to encourage innovation and to improve overall productivity

Key Themes for Medium- to Long-term Value Creation

- Contributing to solving customer issues through the provision of high-value-added service
- Maximizing service revenues through expanded sales of comprehensive contract-based services*
- Addressing new customer needs with equipment for power devices, re-engineered equipment and other measures

* Comprehensive contract-based services: Comprehensive services primarily for post-warranty maintenance (maintenance work, performance maintenance, provision of spare parts etc.)

Management Resources to Be Invested

Service support infrastructure at **77** sites located in **18** countries and regions of the world

Service database and remote support system that utilizes AI, knowledge management etc.

Approximately **4,700** field engineers with highly specialized and broad knowledge

Primary Management Indicators

Net sales for field solutions business

Profitability of field solutions business

Man-hours for installation and maintenance services, etc.

Sustainability Initiatives

- Improving the efficiency of start-up operations and maintenance services [P. 46](#) Continuous Improvement of Business Operations
- Safety initiatives for installation and maintenance services [P. 44](#) Safety
- Provision of high-quality services [P. 45](#) Quality
- Effective utilization of diverse talent [P. 47](#) Human Resources

Risk Management Initiatives

Main Risks	Initiatives
<p>Quality</p> <p>Occurrence of costs for countermeasures of a product defect and a decline in credibility</p>	<ul style="list-style-type: none"> ■ Establish a quality assurance system and a world-class service system ■ Resolve technical issues from the product development and design stage ■ Investigate the cause of any defects and implement measures to prevent the same or similar defects from occurring ■ Monitor the quality status of suppliers, conduct audits and provide support for improvement
<p>Human Resources</p> <p>Diminished product development capability or customer support quality</p>	<ul style="list-style-type: none"> ■ Make continuous improvements to work environments and promote diverse work styles as well as health and productivity management (e.g., sharing our visions by management, establishing training plans for human resource who will lead the future, visualizing career paths for employees and offering attractive remuneration and benefits)
<p>Novel Coronavirus (COVID-19)</p> <p>Slows the Company's business activities or the deterioration of global economic conditions</p>	<ul style="list-style-type: none"> ■ Establish an Emergency Task Force headed by the CEO ■ Restrict travel to high infection-risk countries and regions, maintain supply chains and thoroughly implement infection prevention measures at plants and offices

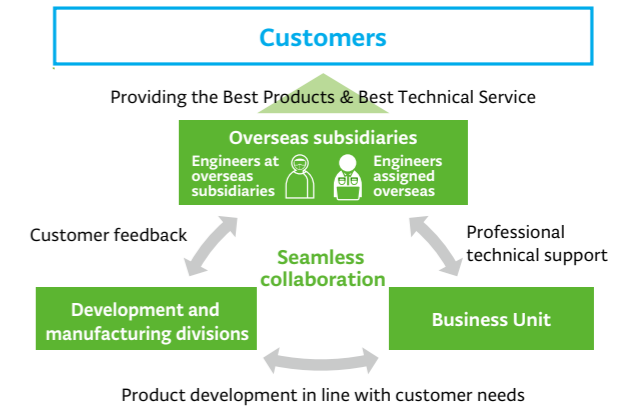
Main Installation and Maintenance Service Initiatives

Enhancing Front-line Engineers

We believe it is essential to accurately ascertain valuable information related to matters such as customer needs and equipment operation status through installation and maintenance services in markets where our equipment is delivered, as well as to provide timely feedback with regard to related operations to assist in equipment development, improvements to functionality and service quality development.

In order to efficiently conduct these activities, we are promoting a human resources development program where engineers from overseas subsidiaries who are in contact with customers in the field acquire knowledge and skills by undergoing training in Japan, thus further strengthening the foundation of our front line. We are also working to promote seamless communication by strengthening cooperation between engineers at overseas subsidiaries, Japanese engineers stationed overseas, development and manufacturing divisions and business units.

We are making efforts to strengthen a management system for service operations in each country and region so that we can respond in a flexible and rapid manner to changes in the business environment and promote efficient operations.



Initiatives to Reduce Environmental Impact

As part of our efforts to reduce the environmental impact of our services, we are also deploying LEAP*, a support service that extends the life cycle of our equipment.

Support for semiconductor manufacturing equipment, which consists of tens of thousands of parts, typically ends seven to eight years after discontinuation of production. The main reason for this is due to the discontinuation of parts or the difficulty in maintaining safety and quality. This has led to the promotion of replacement with newer equipment and the discarding of older equipment. In response to customer needs and in consideration

of SDGs, we began redesigning discontinued parts, and by strengthening and restructuring our support system, including repairs, we are now able to provide extended life cycle support for equipment to more than 15 years after discontinuation. Through these new support services, we are working to reduce equipment disposal and contribute to the continuous use of equipment over a long period of time. In addition, we also offer a re-engineered equipment for 200mm wafers based on the previous generation of equipment.

*LEAP: Lifecycle Extension and Availability Program

Promotion of High-value-added Services

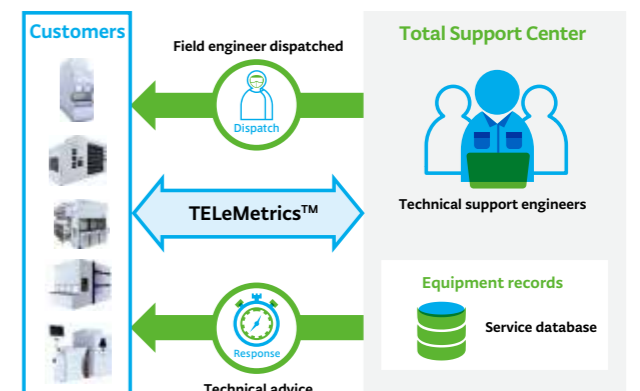
We have built a global support system, establishing Total Support Centers (TSCs) in Japan, the United States, China and Europe. Service CRM¹ centrally manages customers' equipment records (support/trouble history) as a database through knowledge management. We strive to resolve the various issues of customers and support the stable operation of equipment through the use of TELeMetrics™, a remote maintenance service, and smart glasses² with our unique functions as well as by deploying Service CRM at each TSC site.

In addition, in order to further promote the improved productivity of our services, we ascertain each field engineer's actual work status through work orders to optimize personnel assignment and increase efficiency.

Furthermore, we are placing more emphasis than ever on developing advanced equipment diagnostic capabilities that utilize equipment output data. Going forward, we plan to utilize these functions to support comprehensive contract-based services, particularly those with billing based on performance (Pay for Performance contracts).

We will strive to provide high-value-added services through the continuous promotion of these initiatives.

¹ Service CRM: Service Customer Relationship Management
² Smart glasses: Glasses-style wearable devices that can display images and digital information





Sustainability Initiatives in the Value Chain

Tokyo Electron is merging business activities with a variety of sustainability initiatives, focusing on the environment, society and governance to help create new value.

Environment

Environmental Management System

Environmental measures are growing even more crucial. We have established the Environment Promotion Department at our headquarters, headed by a corporate director in charge of the environment, which oversees multiple meetings to promote efforts to address medium- to long-term environmental issues across the entire Group. The details are shown in the table below.

To continuously promote our environmental activities, we began operation of an environmental management system based on ISO 14001 since fiscal 1998, primarily at our manufacturing subsidiaries. In March 2017, the entire Group obtained ISO 14001 certification together, which had previously been obtained at each plant and office in Japan. In accordance

with this certification, we have identified environmental impact assessments and useful environmental aspects and are executing a standardized group format for environmental management programs and internal audit checklists. In fiscal 2022, as part of environmental management across the entire Group, we established a total of approximately 100 environmental goals for different levels and carried out these improvement activities. Any issues identified through these activities are reviewed by the Global Environment Council and reported to the Manufacturing Companies Presidents' Council. We were once again free from environmental incidents, accidents, violations and legal proceedings in fiscal 2022.

Conference Name	Participants	Function	Meeting Frequency
Global Environment Council	Appointed members by the executives at headquarters and the Group companies	Set individual goals related to environmental issues, monitor progress, work to achieve our goals	Twice annually
TEL Corporate Environment Council	The GM in charge of the environment and department heads, etc.	The promotion of environmental activities across the entire Group, set company-wide goals	Appropriately
Council for the Regular Reporting of Environmental Activities (Since fiscal 2022)	CEO, corporate directors in charge of the environment	Report on matters discussed at the Global Environment Council and the TEL Corporate Environment Council and review items for approval	Quarterly
Manufacturing Companies Presidents' Council	Corporate directors in charge of the environment, etc.	Monitor and supervise progress related to environmental issues	Quarterly

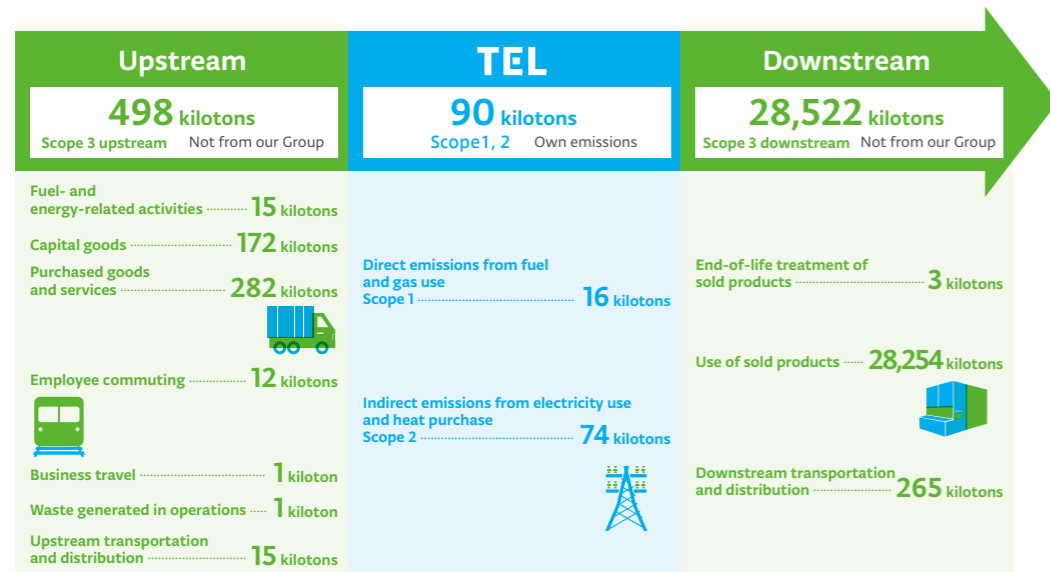
* At the Manufacturing Companies Presidents' Council, information is shared on business affairs and issues regarding environment, safety, quality, supply chain management, etc.

CO2 Emissions across the Value Chain

Based on our environmental slogan "Technology for Eco Life," we aim to resolve environmental problems through leading technology and reliable services, understand the environmental impact generated throughout our entire value chain, and promote business activities to reduce that impact.

Our total CO2 emissions of Scope 1 and Scope 2 is 90 kilotons,

while Scope 3 as the sum of upstream and downstream activities accounts for a total of 29,020 kilotons, approximately 99.7% of the total. Of this, CO2 emissions when using products is 28,254 kilotons, about 97% of the total. This is why we consider the development of products with low CO2 emissions during operation to be important.



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

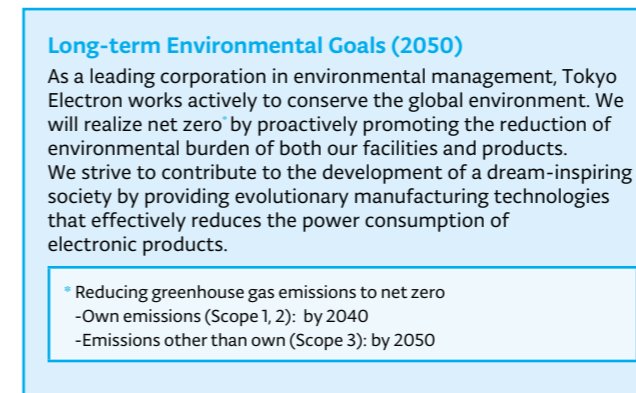
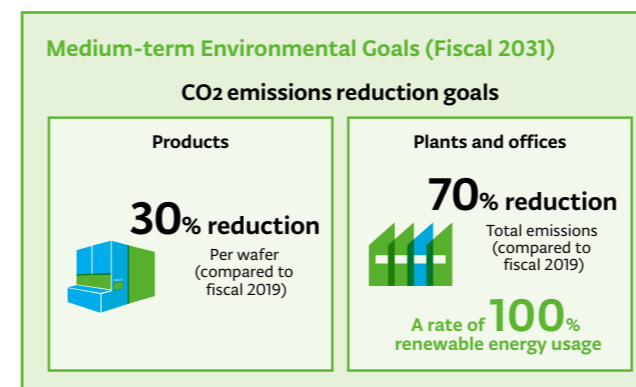
Scope 2: Indirect GHG emissions from use of electricity, steam and heat we purchased

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

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

Medium- and Long-term Environmental Goals

In order to further strengthen our initiatives toward the environment in our products, plants and offices, we have set the following medium- and long-term environmental goals.



In fiscal 2022, we identified CO2 emissions during the use of our reference products and set a roadmap for each product with goals for fiscal 2031. In addition to the status of electricity, process gases and chemicals, water and other resources used in the production and use of each product, factors such as the effects of plans to reduce their use and the reduction effects of productivity improvements were also considered in setting this roadmap. The CO2 emissions per wafer for products shipped in

Initiatives to Reduce Water Consumption

With the growing importance of water resource preservation, we use WRI Aqueduct¹ and freshwater resource quantity indicators to conduct water risk assessments in Japan and overseas. In addition, we confirm the status of water resource use in the supply chain, rainwater and wastewater management and goal setting with suppliers once a year.

We have established an annual sustainability goal of maintaining the same water consumption level of the base year (fiscal 2012 for plants and offices in Japan and a fiscal year of their choosing for each overseas operation). Our ongoing efforts to achieve these goals include reusing pure water from our manufacturing operations, installing water-saving devices, watering lawns with rainwater and implementing the intermittent operation of cafeteria faucets.

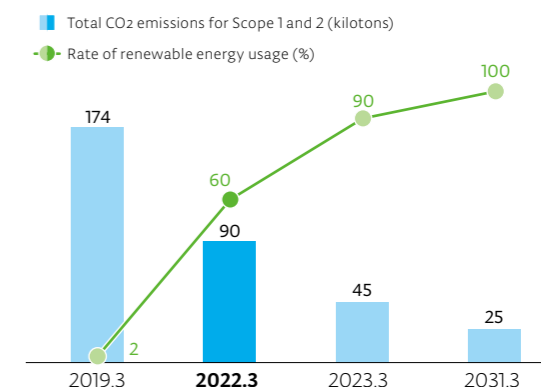
fiscal 2022 were reduced by 11% compared to the base year.

We have started to introduce renewable energy (electricity) at plants and offices in Japan, the United States and China. As a result, the ratio of company-wide renewable energy use in fiscal 2022 was 60%, and CO2 emissions were reduced by 49% from the base year. In fiscal 2023, we plan to complete the introduction of renewable energy at all of our manufacturing sites in Japan, as well as at other overseas plants and offices. Through these efforts, we expect to achieve a 90% of renewable energy usage and a 74% reduction in CO2 emissions for fiscal 2023. We will continue to develop activities that contribute to the achievement of our medium-term environmental goals by fiscal 2031 for our products, plants and offices.

In January 2022, we applied for SBT² certification of our greenhouse gas emission reduction goals, and we plan to receive certification within fiscal 2023. We are working together as one on initiatives to achieve the long-term environmental goals by 2050.

* SBT: Science Based Targets. The Paris Agreement aims to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. SBT is an international initiative to certify greenhouse gas emission reduction targets set by companies for the next five to 15 years, consistent with the levels required by the Paris Agreement.

Reduction in CO2 Emissions through the Introduction of Renewable Energy



During fiscal 2022, as a consequence of the operation of new buildings and an increase in water consumption associated with product development and evaluation, water consumption amounted to 1,417,000 m³, up 1% year-on-year. However, water consumption per net sales was down 29% year-on-year. Moreover, in terms of our goals at each plant and office in Japan and overseas, we achieved 7 of the 14 goals.

In recognition of these efforts, we were selected as a prestigious A List company in the CDP² Water Security Category of the survey in December 2021.

¹ WRI Aqueduct: A water risk assessment tool developed by the World Resources Institute

² CDP: An international environmental non-profit organization (NPO) founded in the United Kingdom that conducts surveys on climate change and water security measures on private companies and municipalities and publishes the results



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

Based on the TCFD recommendations, we examine the risks and opportunities that climate change poses to our business and take various response measures as we endeavor to make ongoing disclosures.

In fiscal 2022, in addition to the previous fiscal year's study, we examined the 1.5°C scenario, which limits the average global temperature increase to less than 1.5°C above pre-industrial levels.

Status of Initiatives Related to Recommendations of the TCFD

Governance

We have established the Environment Promotion Department and the Corporate Sustainability Management Department at our headquarters, and the entire Group is pursuing initiatives for the TCFD recommendations.

Under the supervision of the CEO, the corporate director and executive officer in charge of the environment and sustainability give reports to the Board of Directors on our responses to climate change-related risks and opportunities and progress toward our goals, and conduct reviews.

At the Global Environmental Council, comprised of members appointed by executives of headquarters and the Group companies, goals are set, progress is monitored and the achievement of these goals is promoted.

Strategy

We are conducting analysis that takes into account the following points in order to identify medium- to long-term risks and opportunities that climate change poses for our business.

- Location of plants and offices
- Occurrence of natural disasters caused by climate change and status of damages
- Demands from customers, industries, and investors
- Government policies and regulations and taxation
- Technological trends relating to renewable energy and energy saving
- Climate change scenarios predicted by external agencies and research results

Under the 1.5 °C scenario we identified transition risks including rising energy costs associated with fuel and energy taxes, and under the 4 °C scenario we identified physical risks such as the impact of abnormal weather. Also, on the opportunity side we identified proactive initiatives to address climate change through R&D. In response to these risks and opportunities, we will implement the findings from our scenario analysis into our business strategies and establish medium- and long-term environmental goals, while also pursuing the adoption of renewable energy and the reduction of greenhouse gas emissions strategies across the entire supply chain.

We will increase our resilience (responsiveness to climate change) as a company by periodically reviewing the identified risks and opportunities and our responses thereto, and ensure that response measures are implemented.

Risk Management

We utilize enterprise risk management¹ to identify a wide range of risks arising in business activities, and classify "Environmental Issues" including climate change as a key risk having high impact and probability of manifestation. We formulate and execute measures to minimize this risk, monitor the effect of said measures and work to understand the status of risk control, and implement the PDCA cycle for management.

Short-, medium- and long-term company-wide risk management initiatives that related divisions and councils recommend are deployed to the facilities and divisions of the Group companies after approval by the Manufacturing Companies Presidents' Council, which includes the corporate director in charge of the environment.

For Scope 1 and 2 CO₂ emissions, in addition to implementing measures to reduce CO₂ emissions at our key manufacturing sites in Japan with high emissions, we are pursuing the adoption of renewable energy on a global scale. For Scope 3 emissions, we recognize the importance of providing products that generate fewer CO₂ emissions because about 97% of the emissions in our entire value chain are generated during use of products after sale, so we are focusing on development of a range of environmental technologies.

We also formulate business continuity plans (BCPs) 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

We are pursuing the following initiatives for the development of a data-driven society and preservation of the global environment.

- With our semiconductor production equipment technology, we will contribute to enhancing the performance and reducing power consumption for semiconductor devices being used around the world
- Initiatives for our medium- and long-term environmental goals²
In order to achieve our long-term environmental goals of realizing net zero by 2050, we have established the following medium-term environmental goals and are carrying out various activities
 - Reducing our emissions: a 70% reduction in total CO₂ emissions for plants and offices (by fiscal 2031, compared to fiscal 2019), a rate of 100% renewable energy usage at plants and offices (by fiscal 2031), and reducing energy consumption by 1% year-on-year at each plant and office (per-unit basis)
 - Reducing other emissions: a 30% reduction in CO₂ emissions per wafer when using products (by fiscal 2031, compared to fiscal 2019)
 - Reducing the volume of water resources used³ and the environmental burden of logistics⁴, etc.

• We launched "E-COMPASS"⁵ in June 2021 as an initiative to build sustainable supply chains, and are promoting technological innovations for semiconductors, and reducing environmental impacts

Anticipated Risks and Opportunities of Climate Change Impact and Our Response

Timeline: Short-term = five years or less; medium-term = 2030; long-term = 2050
 Scenarios used: 1.5 °C scenario (1.5 °C temperature increase), 4 °C scenario (4 °C temperature increase)
 Scope: The entire Group as well as the entire value chain including upstream and downstream

Type (Scenario)	Timeline of Risk Manifestation	Anticipated Risks and Opportunities	Our Response
Transition Risks (1.5 °C Scenario)	Short- to medium-term	<ul style="list-style-type: none"> • Increased energy costs due to taxes levied on fuel and energy: Assuming our greenhouse gas (GHG⁶) emissions and use of renewable energy remain at fiscal 2022 levels, if a carbon tax⁷ were applied, we estimate our energy costs would increase by 700 million yen/year by fiscal 2026 (assuming a carbon tax of 8,625 yen per ton of CO₂) and 2.1 billion yen/year by fiscal 2041 (assuming a carbon tax of 23,575 yen per ton of CO₂) • Reduced reputation among investors, NGOs and local communities if a response to climate change and other environmental issues is delayed 	<ul style="list-style-type: none"> • Promote energy-saving and adopt renewable energy at plants and offices in order to achieve the medium-term environmental goals. Furthermore, as a result of adopting renewable energy, the increased burden from fiscal 2022 levels due to the introduction of a carbon tax will be reduced by 800 million yen for fiscal 2026 and 2.2 billion yen for fiscal 2041 compared to the amounts originally estimated in fiscal 2021 • Through the activities of our supply chain initiative, "E-COMPASS," we are promoting energy-saving and the adoption of renewable energy in the supply chain • We publish the progress of efforts to achieve the medium-term environmental goals in the Integrated Report and Sustainability Report • By expressing our approval of the TCFD and utilizing its framework, we are conducting risk management and promoting information disclosures
	Medium- to long-term	<ul style="list-style-type: none"> • Decreased net sales if we are unable to meet customers' requirements and demands to address the environment 	<ul style="list-style-type: none"> • Develop semiconductor production equipment technology that contributes to enhanced performance of semiconductor devices and lower power consumption • R&D for future technology markets • Product development to achieve the medium-term environmental goals (reduce per-wafer emissions of CO₂ when products are in use)
Physical Risks (4 °C Scenario)	Short- to long-term	<ul style="list-style-type: none"> • Impacts on us, our suppliers and customers from abnormal weather (net sales decrease as a result of supply chain disruptions, operation stoppages, production/shipping delays, and other factors) 	<ul style="list-style-type: none"> • Promote our business continuity plans (BCPs) and business continuity management (BCM) • Deploy procurement BCPs to suppliers, and implement BCP assessments • Periodic implementation of training, drills, etc. • Maintain a database of suppliers' production sites • Enroll in insurance in preparation for disasters resulting from abnormal weather
	Medium- to long-term	<ul style="list-style-type: none"> • Increased costs associated with increased air-conditioner and chiller usage due to higher temperatures 	<ul style="list-style-type: none"> • Promote energy saving at plants and offices • Adopt the use of renewable energy from our own power generation
Opportunities (Common)	Short- to long-term	<ul style="list-style-type: none"> • Higher productivity due to environment-related operations streamlining, thus reducing energy costs 	<ul style="list-style-type: none"> • Promote energy saving and adopt renewable energy at plants and offices in order to achieve the medium-term environmental goals
	Medium- to long-term	<ul style="list-style-type: none"> • Accelerated drive 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 • Engaging in proactive initiatives for climate change and creating added-value in products and services supplied to the market to gain superiority and business opportunities • Securing a competitive advantage and contributing to improved corporate value by building resilience (responsiveness to climate change) into global operations 	<ul style="list-style-type: none"> • Develop semiconductor production equipment technology that contributes to enhanced performance of semiconductor devices and lower power consumption • Globally promote the latest in research and development with a focus on the future of semiconductors and electronics to continually supply the high-value-added Best Products with innovative technology in a timely manner • Develop technology to achieve reduced per-wafer emissions of CO₂ when products are in use • Through the activities of our supply chain initiative, "E-COMPASS," address climate change as it pertains to supply chains, respond to environmental regulations and innovate environmental technology

¹ Refer to Risk Management on p. 57
² Refer to Medium- and Long-term Environmental Goals on p. 38
³ Refer to Initiatives to Reduce Water Consumption on p. 38
⁴ Refer to "Logistics Initiatives" in the "Tokyo Electron Sustainability Report 2022" www.tel.com/sustainability/report/
⁵ Refer to E-COMPASS on p. 41
⁶ GHG: Greenhouse Gas
⁷ Carbon tax: We referred to the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario for the increase in tax associated with GHG emissions. 1 U.S. dollar was converted as 115 yen



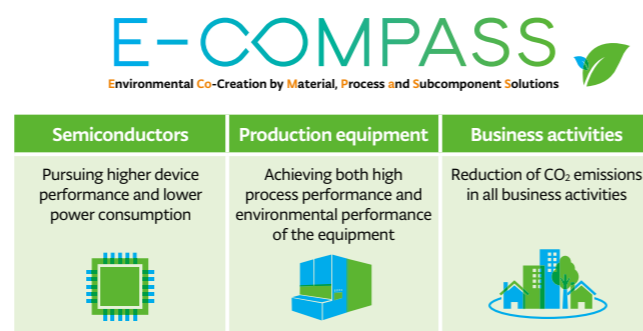
E-COMPASS

In June 2021, we introduced E-COMPASS (Environmental Co-Creation by Material, Process and Subcomponent Solutions) as a new initiative for building sustainable supply chains. Under this initiative, we share goals such as reducing the environmental burden of procurement and logistics, eliminating environmentally hazardous materials, and proactive environmental R&D for equipment with our suppliers, developing activities accordingly. Furthermore, we will also openly seek proposals on reducing environmental burden in relation to the environmental performance of our equipment, manufacturing processes and procurement and logistics, by proactively adopting superior technology and initiatives we are promoting to achieve these goals.

In fiscal 2022, we held the E-COMPASS briefing session for suppliers where, in addition to informing them of the status of our initiatives, we also shared measures for mutual growth through co-creation with our suppliers. We also conducted the “E-COMPASS Survey” to confirm matters including the state of suppliers’ environmentally conscious product development and the status of their products’ compliance with environmental laws and regulations. Based on these results, we will discuss

response measures with our suppliers and aim to further enhance the green performance of the industry as a whole.

We believe that reinforcing partnerships with our suppliers and leadership in the industry are key to the development of a data-driven society and preservation of the global environment. By utilizing every management resource at our disposal to promote E-COMPASS, we will actively endeavor to preserve the global environment throughout the entire supply chain.



Human Rights

Approach to Human Rights

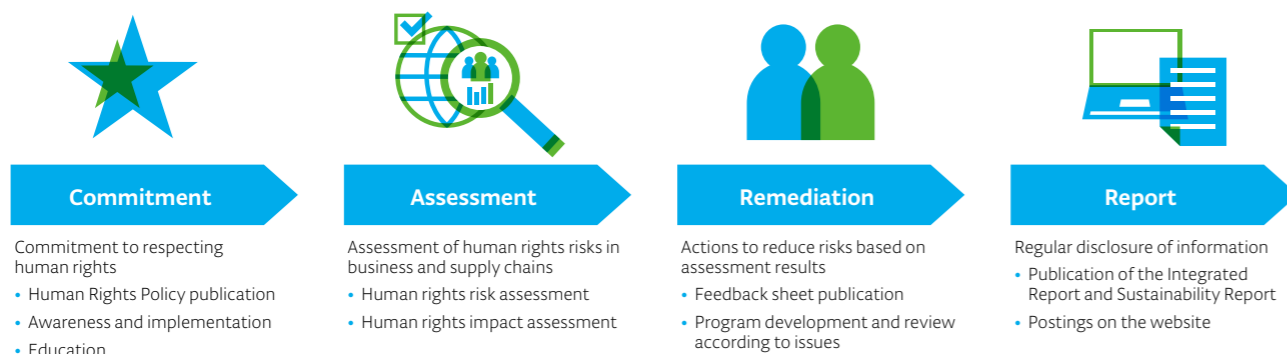
We at Tokyo Electron are conscious of our corporate social responsibility, and we recognize that it is important to conduct ourselves with a strong sense of integrity. Based on this recognition, we have firmly upheld human rights since our founding, as reflected in the spirit of our Corporate Philosophy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

Human Rights Initiatives

Our Human Rights Policy¹, summarizing our approach to human rights specifies five focus areas: Freedom, Equality & Non-Discrimination; Freely Chosen Employment; Product Safety & Workplace Health and Safety; Freedom of Association; and Appropriate Working Hours & Breaks/Holidays/Vacations. In preparing the Human Rights Policy, we referred to the United Nations’ Guiding Principles on Business and Human Rights and the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work referred to therein, the Ten Principles of the United Nations Global Compact, and the RBA Code of Conduct².

We ensure that our executives and employees, as well as suppliers, are fully aware of this content. Specifically, we publish the Human Rights Policy on our website and also implement online training targeting all of our executives and employees.

Initiatives which Align with the United Nations’ Guiding Principles on Business and Human Rights



We identify human rights risks and conduct human rights due diligence to develop remediation actions every year. In fiscal 2022, we unified the survey contents with reference to the RBA auditing standards, and surveyed 12 companies out of the entire Group in Japan and overseas, including the head office, and approximately 650 business partners involved in materials, staffing, customs services, packaging, etc.

Consequently, potential/actual risks (Priority/Major/Minor) turned out to be 17% of our Group companies and 18% of suppliers, with labor- and health and safety-related risks comprising the majority of the risk breakdown.

In the area of labor, items including the formulation of policies and procedures pertaining to thorough management of working hours and the employment of student workers, interns and trainees were identified as risks. In the area of health and safety, items including the implementation of evacuation drills for all workers and deployment of trained emergency response personnel were identified as risks.

With regard to these identified risks and their impact, inside our Group companies we are conducting checks at each of our sites based on feedback sheets, and implementing a remediation program to review the execution of working hours management, formulate various policies and procedures, carry out evacuation drill initiatives, and address ethics and management systems. To our suppliers, using feedback sheets we provide reports on the

potential/actual risks identified in the survey and are working on remediation activities to reduce these risks.

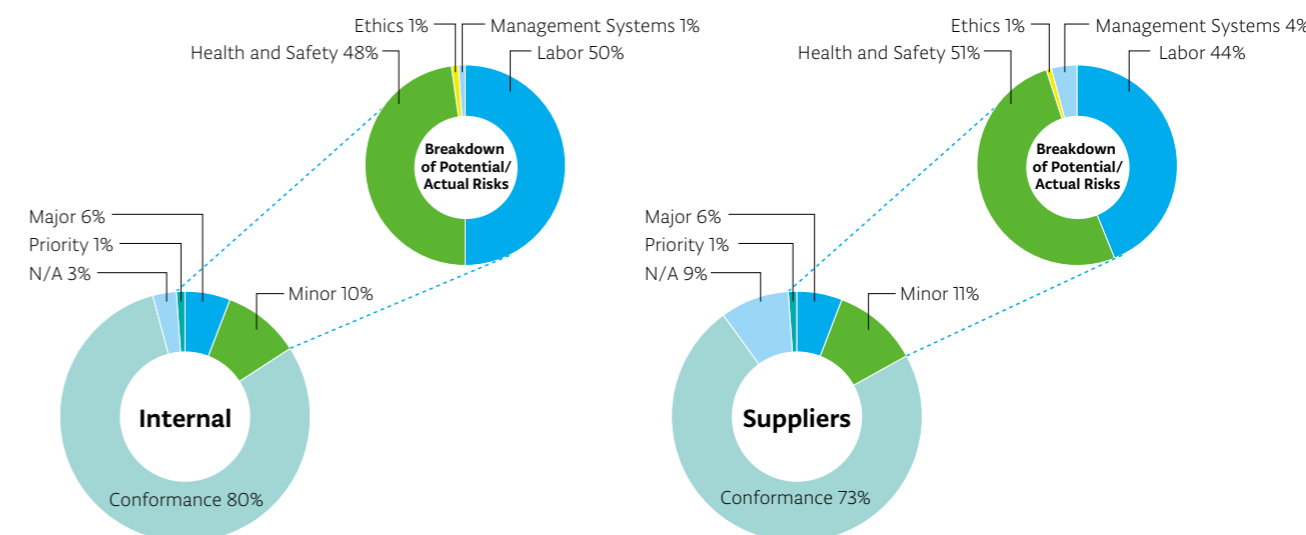
In addition, the percentage of companies where no potential/actual risks are considered to exist (conformance) was 80% for our Group companies and 73% for our suppliers.

Furthermore, we recognize the importance of having highly effective grievance mechanisms related to human rights and are working to establish reporting systems³ for employees and suppliers in Japan and abroad, and to further strengthen the operation of those mechanisms. By adopting highly justified and fair grievance mechanisms, we are identifying adverse human rights impacts at an early stage and building mechanisms to help remediate them.

Going forward, in addition to proactively deploying human rights-related initiatives and further enhancing their efficacy and transparency, we will work to reduce human rights risks in our companies and in our supply chain.

¹ Human Rights Policy: www.tel.com/sustainability/management-foundation/human-rights.html
² RBA Code of Conduct: A set of standards established by the RBA (Responsible Business Alliance) for supply chains in the electronics industry for a safe labor environment, to ensure that workers are treated with respect and dignity, and that companies take responsibility for environmental impact in the manufacturing process.
³ Refer to Compliance on p. 60

Percentages of Conformance and Potential/Actual Risks (Priority/Major/Minor)⁴



⁴ Our classifications and definitions of conformance as well as potential/actual risks based on RBA auditing standards are as follows.
 Priority: Issues considered particularly serious, which are at significant risk and require immediate priority remediation
 Major: High-urgency issues which are at significant risk and require immediate remediation
 Minor: Minor issues and risks recognized in each area which require remediation
 Conformance: No issues were recognized in each area and requirements are being met
 N/A: Indicates that “listed options do not resemble actual circumstances, or that the question is not applicable.”



Supply Chain Management

Principles and System of Supply Chain Management

To build a supply chain that is 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 together with its suppliers, is implementing activities based on this policy. To identify issues in the supply chain from a variety of perspectives, we also value ongoing 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. Under the leadership of the CEO, any identified issues are shared with relevant divisions and efforts are made to implement concrete measures for improvement.

We will continue to 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.

Initiatives in the Supply Chain

• Sustainability Operations

To keep track of our suppliers' engagement in sustainability, we have conducted a sustainability assessment in areas such as labor, health and safety, the environment and ethics since fiscal 2014. We analyze the assessment results, provide feedback to suppliers, and together, promote initiatives for improvement as required. In fiscal 2019, we completely revised the content of the survey based on audit standards stipulated by the RBA, and in addition to materials¹ suppliers, included staffing² and logistics³ suppliers in the scope of surveys.

In fiscal 2022, we confirmed surveys and conducted that suppliers had implemented measures to prevent any reoccurrence of cases of false reporting that were identified in the previous year's assessment and making efforts for improvement, including establishing committees to oversee these measures.

To ensure that all people in our supply chain can work of their own free will, we have expressly stipulated our zero-tolerance policy for forced labor and bonded labor, and have communicated this to our major suppliers.

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

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

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

• Responsible Procurement of Minerals (Conflict Minerals)

We see taking action against conflict minerals (3TG⁴) obtained through illegal exploitation, which lead to human rights violations and poor working conditions, as our corporate social responsibility. Our resolute goal is to eliminate the use of raw materials made from these conflict minerals, as well as any parts or components containing them.

In alignment with this way of thinking, we conduct surveys on potential conflict materials using the CMRT⁵ and referring to the OECD⁶ Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In fiscal 2022, we conducted our eighth annual survey on potential conflict minerals. As a result, we were able to identify 243 RMAP⁷ conformant smelters, providing us confidence that 3TG sourced from these smelters were conflict-free. In addition, none of the materials we procured were found to contain 3TG involved in conflict.

⁴ 3TG: Tantalum, tin, tungsten and gold

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

⁶ OECD: Organisation for Economic Co-operation and Development

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

• Procurement BCP

As part of our business continuity plans (BCPs), we collaborate with suppliers on ongoing disaster preparation.

We maintain a database of suppliers' production sites so that if a crisis arises, we can promptly identify impacted suppliers and quickly collaborate in recovery efforts. During fiscal 2022, approximately 24,000 supplier sites were registered, and we conducted 11 post-disaster impact surveys. In addition, we conduct BCP assessments on our suppliers and analyze their responses to provide them with feedback so that they can promote improvements in areas of concern.

Supply Chain Sustainability Process



Safety

Approach to Safety

Under the "Safety First" slogan, everyone at Tokyo Electron, from top management to on-site personnel, is actively and continuously improving safety and promoting health, giving safety and health the highest priority when carrying out various types of operations such as development, manufacturing, transportation, installation and maintenance.



Safe Design of Equipment

Taking the entire product life cycle into consideration, we carry out product risk assessments as early as possible in the development phase. We implement safe equipment design¹ to reduce the risks posed to humans by incorporating the assessment results in the design. We conduct global surveys of increasingly strict laws and regulations and conduct compliance checks through third-party assessment bodies to ensure conformity with international safety standards, SEMI S2², and CE Marking³ on the equipment we ship. We have also established a system to comply with safety regulations of the regions where our equipment is delivered while working with overseas companies.

¹ Safe equipment design: A design concept that eliminates the cause of the machine's harm to humans through the safety design of the machine

² SEMI S2: This is a set of environmental, health and safety guidelines for semiconductor production equipment. It is used mainly by the leading manufacturers of semiconductor equipment in the United States and Europe, not only for semiconductors but also as safe procurement guidelines for electric and electronic device manufacturing equipment around the world.

³ CE marking: When exporting into the European Union, CE marking defines rules for displaying a CE mark as proof that the equipment is safe and complies with EU-defined rules (directives)

Incident Reporting System

In the event of an incident, we operate the TEL Incident Report System (TIRS) to quickly share information with all parties involved and follow up with the relevant department to confirm the incident response as well as to implement measures to prevent reoccurrence. Through the operation of this system, we will continue to strive for speedy information sharing and incident response.

Safety Education

To help create a safe workplace, we have put in place two education programs globally.

Basic safety education is basic safety training targeting all employees. It is provided as introductory training for new hires, and thereafter, employees are required to take refresher training once every three years. Advanced safety education is a more specialized type of safety training targeted at workers on production lines and in cleanrooms. Those who are eligible for this training are required to take refresher training 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.

Also, to ensure the concept of safe equipment design permeates from design, manufacture and service operations, we hold a semiannual safe equipment design seminar at our manufacturing sites in Japan, inviting an external guest to speak. We also promote our initiatives to prevent incidents, by 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, TCIR* has been maintained at less than the Company's goal of 0.50, with 0.30 in fiscal 2022.

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



New Incident Prevention Initiatives

We are deploying the following new activities with the aim of creating a safer working environment.

• Safety Education Using VR (Virtual Reality)

We are striving to increase danger awareness and prevent incidents by implementing safety education using realistic simulated experiences such as falling from a high place, falling down stairs, electric shock and incidents caused by getting trapped between objects. We are also building a system that allows multiple people to take courses at the same time by developing our own interactive VR system.

• Pocket-edition Work Safety Rules

We have turned basic rules for work safety into pamphlets the size of a business card and distributed them to all employees involved in the work. The pamphlets are made from materials that can be viewed even in clean rooms and are available in Japanese, English, Korean and Chinese.

• Shortening Equipment Start-up Time

We are promoting the development of safer equipment and working to shorten the time from installation to operation. By reducing work times and types of work, we are aiming to reduce the frequency of mistakes and incidents at sites.



Quality

Initiatives for Quality Improvement

In order to help each of our employees correctly understand and implement quality assurance activities, we realize the importance of clearly defining the ideal form of quality assurance (goals), along with creating an environment and culture for widely disseminating it. From the ideal form, we established “Our Approach to Quality” and “Quality Policy” and communicate the importance of quality to our employees at various opportunities to increase their quality awareness. We are establishing rules for what has to be done in quality assurance activities as well as correctly implementing those rules. In addition, to ensure that

Approach to Quality

We define our approach to quality in the following way: “The Tokyo Electron Group seeks to provide the highest-quality products and services. This pursuit of quality begins at development and continues through all manufacturing, installation, maintenance, sales and support processes. Our employees must work to deliver quality products, quality services and innovative solutions that enable customer success.” We strive to implement this policy.

our employees are always aware of their roles and purposes and perform their work, we are striving to make the rules comprehensive, reassess and deploy our quality education from time to time and visualize appropriate quality information. Based on these foundations, we help our employees mutually enhance awareness about quality in a variety of situations so that their efforts lead to the improvement and growth of our business processes, enabling us to provide product quality and services that surpass customer expectations.

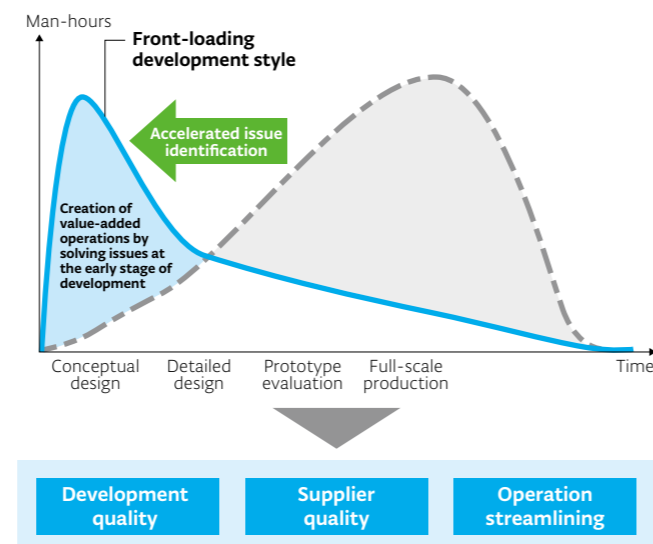
We strive to implement self-process assurance systems by carrying out strict quality-related risk management and development/design inspections beginning at the development stage, and also by ensuring thorough verification of customers’ operations using simulations. We have also built an important component traceability system to strengthen our information environment. Specifically, to prevent various types of non-conformance, we built a system that allows One Platform¹ to view information such as past problems, adjustment values used during manufacturing and assembly and important component inspection information from suppliers, and have successfully strengthened our risk management (FMEA²).

By thoroughly implementing these self-process assurance system and prevention measures, it creates time for employees to focus on high-value-added business operations and promotes initiatives for Shift Left (front-loading).

¹ One Platform: A platform that makes it possible to easily view multiple different systems as seamless information sources, in order to effectively and efficiently achieve traceability.

² FMEA: Failure mode and effects analysis. A method to identify, prevent and mitigate risks in advance.

Shift Left (Front-loading) Initiatives



Quality Management

We have established the TEL Manual (TM) and TEL Guidelines (TG) based on our company-wide quality policy for each major business category, including development, design, manufacturing and services, and are deploying them to the entire Group, including manufacturing sites, as well as suppliers.

Each of our manufacturing sites has established a quality management system based on the TM and TG and have acquired the international standard ISO 9001:2015. With the Quality Assurance Division as the core, we are striving to continuously improve our quality management system by setting annual quality goals based on the results of the previous fiscal year and assessing degree of achievement based on periodic reviews, as well as by effectively operating the PDCA cycle through repeated

audits by internal auditors as well as third-party organizations. In addition, the Quality Assurance Division is in charge of determining shipping risks of evaluation machines and reviewing the transition to mass production in the development process. To ensure the stable supply of parts in the mass production process, we employ methods such as using a statistical method to control process abnormalities as well as making strict equipment shipping judgments to prevent defects from leaking into the market. We promote the realization of self-process assurance and maintenance and improvement of product quality in the upstream processes, providing high-quality and high-value-added products and services leading to the continuous improvement of customer satisfaction.

Continuous Improvement of Business Operations

We are introducing a new enterprise system (ERP¹) to further improve productivity and quality. The new ERP, being operated across operational and national boundaries, is aimed at creating the following five benefits: (1) compliance with the new revenue recognition standards² in Japan; (2) management decision-making with quick response to change; (3) large improvements in business operation efficiency; (4) utilization of globally integrated information with an eye toward digital transformation; and (5) realization of ultimate work style reform.

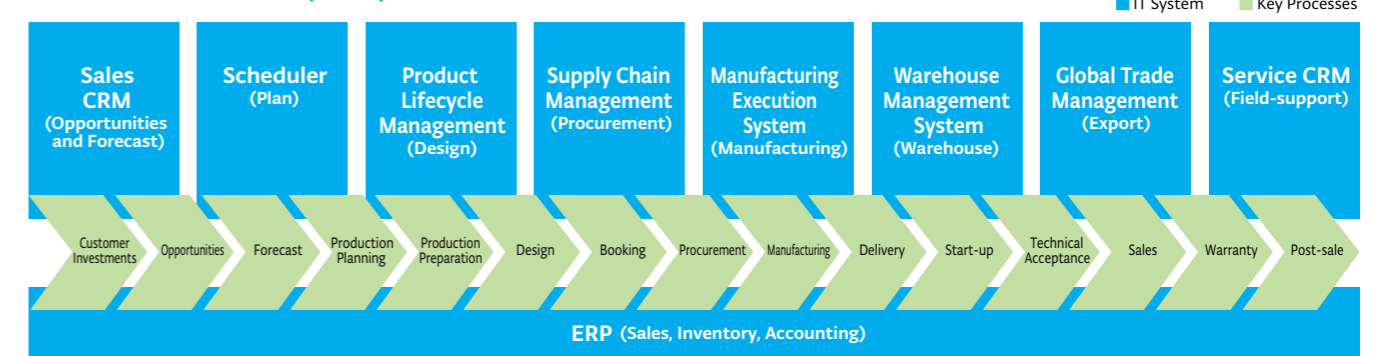
In fiscal 2022, we started with introduction of the new ERP at headquarters, and we completed (1) compliance with the new revenue recognition standards. From fiscal 2023 onward, we will take full advantage of the knowledge gained in the process of

introducing the system at headquarters, and gradually introduce the system at manufacturing sites in Japan and at overseas subsidiaries. In addition, with the aim of realizing a globally integrated system, we will work with our partner companies to improve operations, increase efficiency, and develop functions to further enhance system performance.

¹ ERP: Enterprise Resource Planning. A system that integrates the core business operations of an enterprise, such as accounting, personnel, production, logistics and sales, for better efficiency and centralized information.

² New revenue recognition standards: New Accounting Standard for Revenue Recognition that establishes rules for calculating sales in financial statements, and which became applicable to listed companies, etc. from April 2021

Overview of the New Enterprise System



Quality Policy

1. Quality Focus

Focusing on quality to satisfy customers, meet production schedules and reduce required maintenance even with temporary cost increases.

2. Quality Design and Assurance

Building quality into products and assuring in-process quality control, from the design and development phase throughout every process.

3. Quality and Trust

When a quality-related problem occurs, working as a team to perform thorough root cause analyses and resolve problems as quickly as possible.

4. Continual Improvement

Ensuring customer satisfaction and trust by establishing quality goals and performance indicators and by implementing continual improvement using the PDCA cycle.

5. Stakeholder Communication

Listening to stakeholder expectations, providing timely product quality information and making adjustments as needed.



Human Resources

Employees Both Create and Fulfill Company Values

Tokyo Electron operates in 77 sites in 18 countries and regions. We believe it is important for human resources with different cultural backgrounds, experiences and attributes to share values and work together as one toward value creation. In addition to implementing a common global job-based human resource system (GTC: Global TEL Career-paths) and this system, we are also focusing on global human resource management to promote career advancement under a common platform without biases against any country or the Group companies affiliation. This allows us to respond to changes in business environments and allocate resources in an agile and optimal manner.

We believe that each of the 15,634 employees who work at our company maintaining a high level of engagement and demonstrating their full potential will lead directly to our growth as a company. 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 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.

We believe that our corporate growth is enabled by people, and our employees both create and fulfill company values. Based on this approach, we practice motivation-oriented management. We actively invest in our employees and implement important measures such as below while also providing many opportunities for employees to challenge themselves to achieve high-level goals by making the most of their individual potential.

Practicing Motivation-oriented Management

Important Measures

- Formulating a new Vision and promoting TSV (TEL's Shared Value)
- Setting world-class financial targets in the new Medium-term Management Plan
- Making plans to invest more than 1 trillion yen in research and development in 5 years
- Executing ESG initiatives aimed at continuous corporate value enhancement
- Offering opportunities to gain global work experience and acquire wide-ranging knowledge
- Operating a shared global human resource system
- Introducing a performance-linked compensation system
- Developing human resource education program using TEL UNIVERSITY
- Sharing the CEO mission and having active dialogue with employees
- Increasing opportunities for meetings between employees and the GM of each department

Five Perspectives for Motivation-oriented Management

- Awareness that our company and work contributes to society
- Dreams and expectations of the Company's future
- Opportunities to take on challenges
- Fair evaluations that recognize employee efforts and globally competitive rewards
- Workplace with open atmosphere and positive communication

Human Resource Development 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. We are promoting the following initiatives and focusing on the development of human resources who are essential to our development.

• Provision of Global and On-demand Learning Opportunities
Since each employee's growth is different, we are implementing on-demand education¹ that allows employees to learn when they want according to their own needs. In addition to group training, we are proactively utilizing e-learning programs and providing a common platform from learning from any location in the world.

• Support for Career Development

We are expanding our education programs to help employees quickly acquire basic skills. We also provide information and tools

so that employees can gain a more concrete image of their own learning, experience and career development.

• Leader Programs

In order to nurture the next generation of leaders to support our future, we identify and systematically nurture staff to take on the role of realizing medium- to long-term corporate value enhancement. We provide next-generation management candidates with opportunities to build networks through participation in events such as external training, to develop a broader perspective, and to receive 360-degree feedback². In addition, management, including outside directors, conduct systematic assignment considerations and reviews.

¹ On-demand education: Education programs that allow employees to learn at their own convenience, anywhere, anytime

² 360-degree feedback: Process for collecting feedback from the subordinates, peers and supervisors of employees, as well as self-evaluations by the employees themselves

Diversity and Inclusion

At Tokyo Electron, diversity and inclusion are management pillars that lead to the continuous generation of innovation and increased corporate value. We are actively promoting them with the strong commitment of our management. We have taken on gender, nationality and generation as major themes and set the following goals based on the characteristics of each region. We are implementing various initiatives at each Group company.

- In terms of succession planning, we conduct a diversity-conscious talent pipeline (plan for developing human resources), and are implementing initiatives to achieve the goal of increasing the ratio of female managers¹ to 8.0% globally and 5.0% in Japan by fiscal 2027 (as of March 31, 2022: globally 5.5% and in Japan 2.6%)
- Taking into consideration that many of our employees are engineers, we actively invest in the use of recruiters and branding to hire female engineers at a level that is equal to or greater than the general ratio of female engineers² in each region
- 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 "Diversity and Inclusion Day" and other events with internal promotion leaders and external experts, create networking opportunities for employees with similar characteristics and experience, and hold roundtable discussions regarding careers before and after taking maternity/paternity leave and childcare leave

Diversity and Inclusion Day

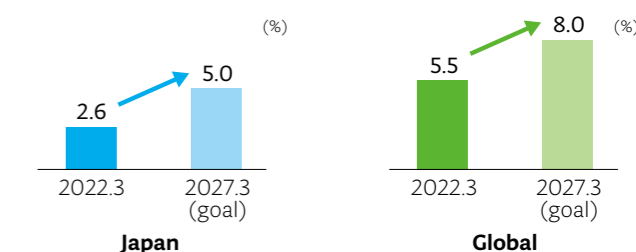
Diversity and Inclusion Day, an online event with simultaneous streaming for Group companies worldwide, was held in February 2022.

In his opening speech, the CEO stated, "We need to incorporate all wisdom and diverse ideas to maximize the growth potential of the entire Group. In order to do this, it is essential to promote diversity and inclusion." In addition, members from the U.S. including the president of Tokyo Electron America spoke about the importance of diversity and inclusion at a talk session. From Japan, two outside directors participated in a panel discussion regarding the roles of the company in a rapidly changing global society. Through this event, the importance of embracing and making the most of diversity was once again confirmed.

¹ Include experts in the number of managers

² The ratio of females majoring in science or engineering

Ratio of Female Managers



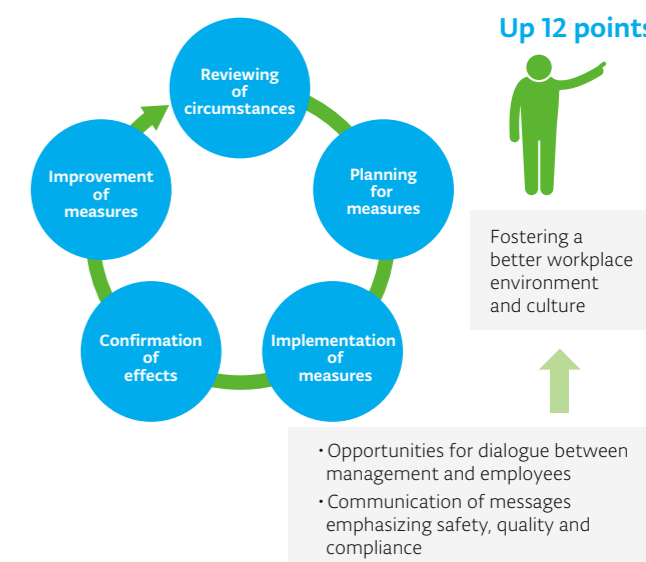
Employee Engagement

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 2016 to assess the current state of employee engagement and identify issues. Based on the results of the surveys, we make improvements to foster a better workplace environment and culture by increasing opportunities for dialogue between management and employees as well as continuously communicating messages that emphasize safety, quality, and compliance. These initiatives resulted in an increase in the overall employee engagement score of 12 points from fiscal 2016 to fiscal 2021. In addition, the retention rate* in fiscal 2022 was 96%, a high level even on a global scale.

We will continue these initiatives, such as clarifying career paths and improving operational efficiency through digital transformation, since we believe that improving employee engagement is important to providing increase value to our stakeholders.

* Retention rate is calculated using data on turnover rate.

Regular Engagement Survey Process



- Opportunities for dialogue between management and employees
- Communication of messages emphasizing safety, quality and compliance



Corporate Governance

Corporate Governance System

Basic Stance

We regard building corporate governance structures as important for achieving success in global competition and realizing sustainable growth. To that end, we have built a structure for utilizing to the maximum the worldwide resources we possess 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 established the Corporate Governance Guidelines* and outlined the corporate governance structures that we have developed and reinforced ahead of other companies.

* Corporate Governance Guidelines: www.tel.com/about/cg/

Further Development of Corporate Governance

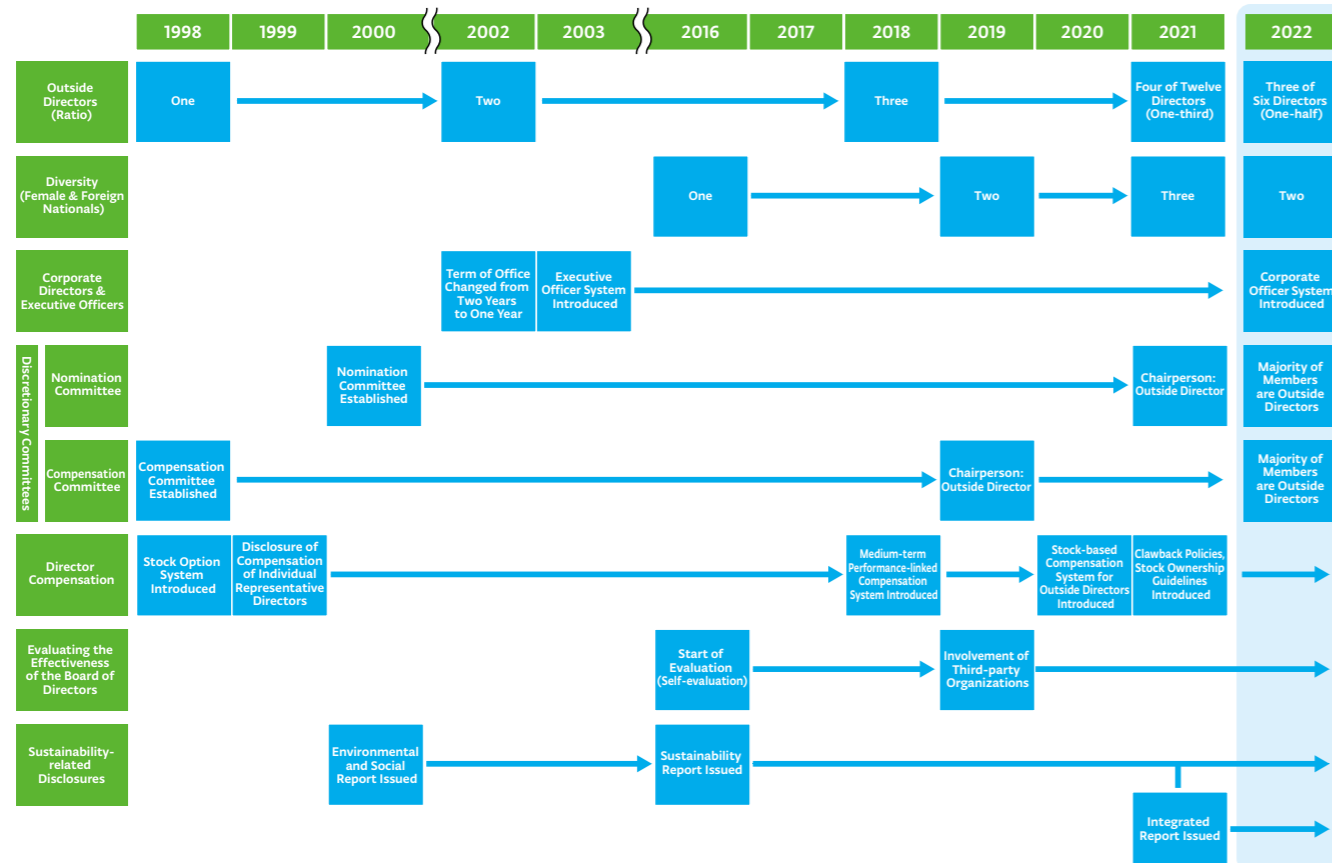
We use the Audit & Supervisory Board System, which consists of a Board of Directors and an Audit & Supervisory Board, and have achieved effective governance based on the supervision of management by the Audit & Supervisory Board.

In April 2022, we transited to the Prime Market of the Tokyo Stock Exchange and took the following actions reinforcing corporate governance to respond to the expectations of capital markets including compliance with the Corporate Governance Code and to enhance corporate value even further.

- (1) Changed the composition of the Board of Directors to three inside directors and three outside directors
- (2) Appointed a majority of outside directors to the Nomination Committee and the Compensation Committee, including their respective chairpersons
- (3) Introduced a Corporate Officer system, under which corporate officers, as the highest decision-making body on the executive side of the Group, are responsible for the entire Group management and business execution
- (4) Established the Corporate Officers Meeting and appropriately delegated authority from the Board of Directors to the executive side to conduct prompt decision-making and agile operational execution
- (5) Corporate officers attend Board of Directors meetings and apply the details of Board deliberations to business execution in an appropriate and speedy manner

By establishing a Board of Directors that performs its supervisory functions and a robust business execution system in the semiconductor production equipment industry, where technological innovation is rapid and market changes are active, we will further promote growth-oriented group management on global basis, expand short-, medium- and long-term profit and achieve continuous corporate value enhancement.

Changes in Corporate Governance (Since FY1998)



Corporate Governance Framework

Board of Directors

Composition: Three inside directors and three outside directors
Corporate officers also attend meetings to give explanations and reports, etc.
Chairperson: Inside director (non-executive)
Number of Meetings: 12 in fiscal 2022

Nomination Committee

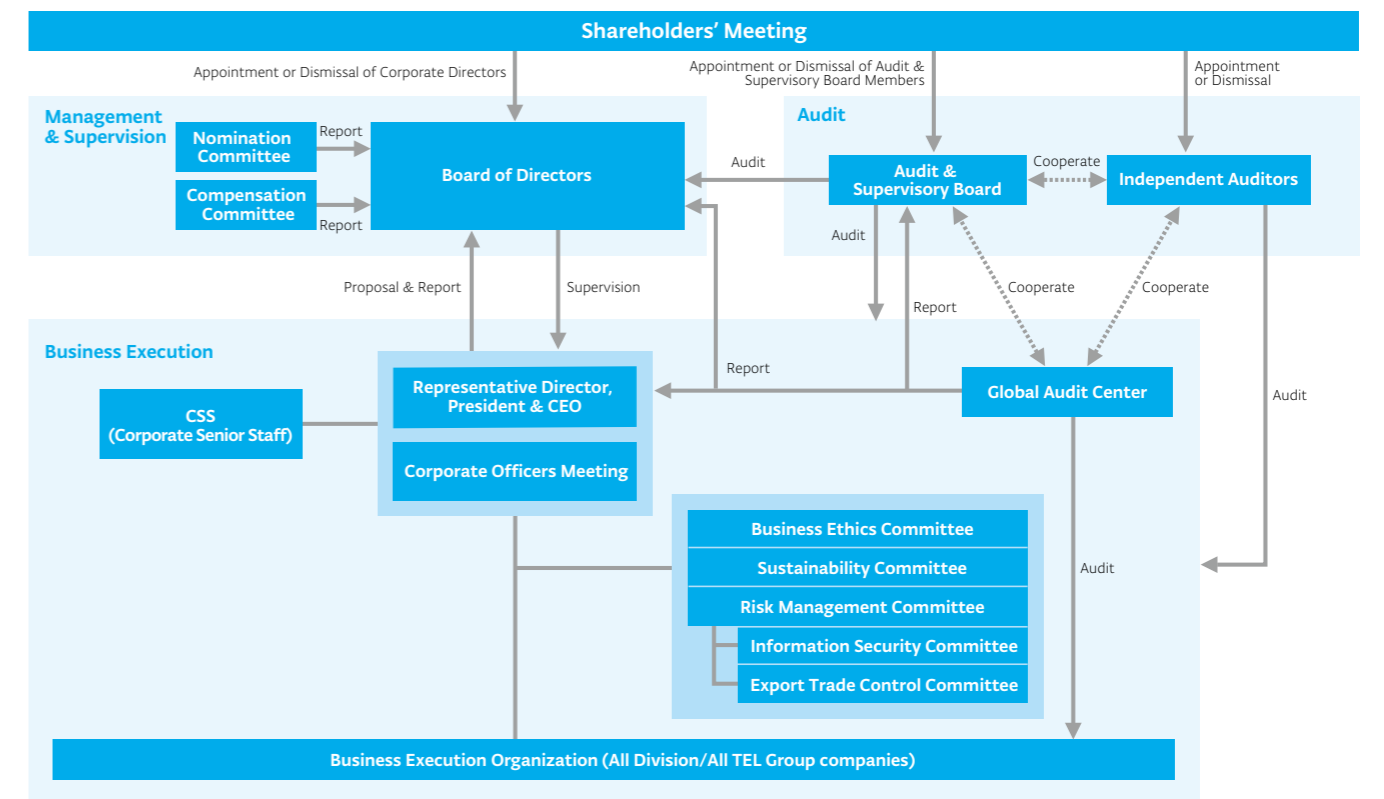
Composition: One inside director and two outside directors
Chairperson: Outside director
Number of Meetings: 12 in fiscal 2022
Deliberation Topics: Appointment and dismissal of corporate directors and the CEO, candidates of independent outside directors, status of successor development, other topics

Audit & Supervisory Board

Composition: Two full-time Audit & Supervisory Board members and three outside Audit & Supervisory Board members
Chairperson: Full-time Audit & Supervisory Board member
Number of Meeting: 9 in fiscal 2022

Compensation Committee

Composition: One inside director and two outside directors
Chairperson: Outside director
Number of Meetings: 10 in fiscal 2022
Deliberation Topics: Policies concerning determination of individual compensation for corporate directors and others and the details of compensation, compensation of individual remuneration, etc. of representative directors, other topics



Corporate Officers Meeting

The highest decision-making body on the executive side; established in June 2022
Composition: Six corporate officers
Inside directors who are not corporate officers and inside Audit & Supervisory Board members also participate
Chairperson: CEO
Meeting Frequency: Once a month in principle

CSS (Corporate Senior Staff)

Reviews progress management and implementation of management plans from a global perspective
Composition: Executive officers, management executives of overseas subsidiaries and others
Meeting Frequency: Once a quarter

Committees on the Executive Side

- Business Ethics Committee
Investigates the revision and revocation of the Code of Ethics and verifies the status of practice in accordance with the Code of Ethics
Proposes and supports training and educational programs relating to business ethics
- Sustainability Committee
Sets annual sustainability goals (short, medium, and long term) and implements measures to achieve them
Implements company-wide projects (the environment, human rights, RBA, etc.)
- Risk Management Committee
Performs and shares information on company-wide risk management
Promotes initiatives to address individual risk items in collaboration with risk owners



Establishment of the Director Compensation System

Basic Policy on Director Compensation

The entire Group emphasizes the following points in its basic policies on compensation for corporate directors and Audit & Supervisory Board members.

- (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
- (3) Securement of transparency and fairness in the decision process of compensation and appropriateness of compensation

Overview of Compensation

The table below provides an overview of the composition of compensation and policies and decision-making for each type

Type of Compensation	Recipient			Overview of Compensation
	Inside Directors	Outside Directors	Audit & Supervisory Board Members	
Fixed Basic Compensation	○	○	○	<ul style="list-style-type: none"> • Determine within the limit of total fixed basic compensation, which has been resolved at the Meeting of Shareholders • For executive directors, amounts are determined according to the scale of job responsibilities by making reference to the job grade frameworks of external expert organizations
Annual Performance-linked Compensation	Cash Bonuses	○	—	<ul style="list-style-type: none"> • Amount is linked to business performance in the relevant fiscal year to raise awareness of enhancing performance in each fiscal year • Consists of cash bonuses and stock compensation-based stock options; the composition ratio is approximately 1:1 • Specific amounts and the number of stock options granted are commensurate with the corporate business performance and the results of individual performance evaluations in the relevant fiscal year (Indicators of the corporate business performance) Net income attributable to owners of parent and consolidated ROE are adopted, and the results of comparisons of operating margin and operating margin growth ratio with competitors are reflected on the amount of payment (Individual performance evaluation items) Contribution to short- and medium-term management strategy targets including ESG
	Stock Compensation-based Stock Options	○	—	<ul style="list-style-type: none"> • Profit-sharing type compensation paid commensurate with business performance in each fiscal year, therefore no policy is in place for the payout proportion of fixed basic compensation • Stock compensation-based stock options are subject to a three-year exercise restriction period to motivate recipients to share a shareholder perspective while contributing to increasing corporate value over the medium to long term
Medium-term Performance-linked Compensation	Performance Share (Stock-based Compensation)	○	—	<ul style="list-style-type: none"> • Paid to motivate recipients to contribute to medium- to long-term business performance improvement • If the payout rate is 100%, the payment amount is set at about 30% to 100% of the fixed basic compensation, commensurate with the scale of job responsibilities • The number of shares delivered is determined depending on the level of achievement of performance goals for the covered period (three fiscal years) • Consolidated operating margin and consolidated ROE have been adopted as the indicators for evaluating business performance
Non-performance-linked Compensation	Restricted Stock Units (Stock-based Compensation)	—	○	<ul style="list-style-type: none"> • The remuneration system is designed to be more consistent with the expected role of giving advice to management from the perspective for increasing corporate value over the medium to long term • Standard amounts are set at about 50% to 60% of the fixed basic compensation to ensure an adequate balance between cash compensation and stock-based compensation • Provided in the form of share delivery after the covered period (three fiscal years) has passed

of compensation.

Role of the Compensation Committee

To secure transparency and fairness in management and the appropriateness of compensation, the Compensation Committee, which is chaired by an independent outside director, utilizes advice from an external expert who attends all meetings, compares compensation levels with companies 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 system that is the most appropriate for the Group and individual compensation amounts for the representative directors based on the basic policies on compensation.

Advanced Initiatives Relating to Director Compensation

● **Shareholding Guidelines**

We have established the Shareholding Guidelines (effective July 1, 2021) to further ensure that management's interests align with those of stakeholders in pursuit of sustainable enhancement of corporate value. We have set targets for management to hold company shares equal to the following within five years after the effective date of the guidelines or appointment.

CEO	Fixed basic compensation (annual amount)	3 times
Inside Directors Corporate Officers		2 times
Outside Directors		1 time
Executive Officers		1 time

● **Clawback Policy**

We have enacted a clawback policy (effective July 1, 2021) whereby we can demand a refund of annual performance-linked compensation and medium-term performance-linked compensation if financial figures are found to be in need of major correction due primarily to the willful misconduct of an executive director or corporate officer.

The amount of compensation subject to refund is the excess portion of the performance-linked compensation received in the fiscal year in which such misconduct was found as well as the three preceding fiscal years.

Evaluating the Effectiveness of the Board of Directors

Overview of Evaluations of Effectiveness

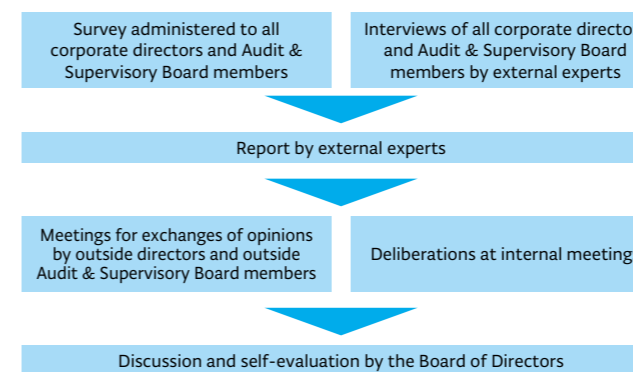
To further enhance our governance and the effectiveness of the Board of Directors, we have conducted annual evaluations of the effectiveness of the Board since fiscal 2016 and have disclosed summaries of the results. Since fiscal 2019, we have used external experts as a third-party organization to verify the status of initiatives relating to issues identified in the preceding fiscal year, identify future issues and work toward continuous improvement.

Evaluation of the Effectiveness of the Board of Directors for Fiscal 2022

● **Scope of Evaluation**

Board of Directors Overall (including details of the activities of the Nomination Committee and Compensation Committee)

● **Process**



● **Evaluation Items**

The main evaluation items for evaluating effectiveness are as follows.

- Overall effectiveness of Governance System and the Board of Directors
 - Roles and functions of the Board of Directors
 - Size and composition of the Board of Directors
 - Operational status of the Board of Directors
- Composition, roles and operational status of the Nomination Committee
- Composition, roles and operational status of the Compensation Committee
- Further support to outside directors
- Roles of Audit & Supervisory Board members
- Relationship with investors and shareholders

● **Fiscal 2022 Initiatives**

- Reinforcement of continuous deliberation concerning medium- to long-term management strategies
Two off-site meetings were held for in-depth discussions on growth strategies, the Medium-term Management Plan, the future governance system and other issues.
- Promoting diversity and developing and appointing global human resources
Initiatives and the status of disclosure regarding human capital are reported to the Board of Directors, and with respect to diversity, the Board discusses, sets and discloses targets for the ratio of female managers and implement specific measures.
- Reinforcement of the internal audit system and collaboration between the Internal Audit Department and the Board of Directors
The status of implementation of internal audits is reported to

the Board of Directors. Also, risk-based audits are conducted pursuant to the audit map.

- Enhancement of information sharing by the Nomination Committee and the Compensation Committee with the Board of Directors

The status of activities of the Compensation Committee, discussion points concerning review of compensation systems, the status of progress of successor development plan and other matters are reported to the Board of Directors.

● **Overview of Fiscal 2022 Evaluation Results**

We recognize that the Board of Directors appropriately performs its roles and obligations, generally with a high level of effectiveness, and the Board, including the Nomination Committee and the Compensation Committee, functions effectively (the analysis and evaluation by external experts resulted in a similarly high evaluation).

● **Future Initiatives**

Based on the results of the most recent evaluation, we will continuously take action regarding the following items and work to enhance effectiveness even further.

- (1) Measures to enhance the effectiveness of the Board of Directors in the 60th fiscal year
 - Clarify the division of roles and decision-making authority and ensure appropriate checks and balances between the executive side and the Board of Directors
 - Conduct appropriate operations of the newly established Corporate Officers Meeting to ensure effectiveness
- (2) Continuous deliberation by the Board of Directors to achieve growth over the medium to long term and continuously enhance corporate value
 - After clarifying specific timeframes (short, medium and long term), organize targets and strategic themes and risk issues (deepen discussion relating to medium- to long-term growth strategies)
 - Continuously address diversity and inclusion
- (3) Investigate optimal information sharing among members of the Board of Directors and with the voluntary committees
 - Ideal state of information sharing on the activities of the Nomination Committee with the Board of Directors
 - Establish venues for exchanges of opinions among outside directors and outside Audit & Supervisory Board members

Main Topics for the Board of Directors and Off-site Meetings in Fiscal 2022

CEO	<ul style="list-style-type: none"> • Reports on status of business execution by CEO (each meeting) • Sharing of CEO missions
Medium- to Long-term Growth Strategies	<ul style="list-style-type: none"> • Market environments over the medium to long term and our growth plans • New Medium-term Management Plan and future growth strategies • Expansion and reinforcement of development and production facilities in Japan and overseas • Business innovation projects
Risks	<ul style="list-style-type: none"> • Improvement of risk management processes • Legal affairs and compliance • Procurement risks
Governance	<ul style="list-style-type: none"> • Future governance system and decision-making processes • Action policies concerning sustainability and diversity • Reports on investment in human capital and intellectual property activities • Reports on internal audits • Status of investment targets and cross-shareholdings and status of IR activities • Status of the activities of the Compensation Committee • Status of progress of successor development plan • Closed session on evaluation of representative directors (corporate directors, excluding representative directors, and Audit & Supervisory Board members; once a year)



Skills Matrix

We define “Product Competitiveness,” “Customer Responsiveness,” “Higher Productivity” and “Management Foundation,” which supports our overall business activities, as material issues.
We will address priority themes relating to each material issue

and achieve expansion of medium- to long-term profit and continuous corporate value enhancement by each corporate director and Audit & Supervisory Board member demonstrating their skills in global business, governance, sustainability and in particular, the areas listed below.

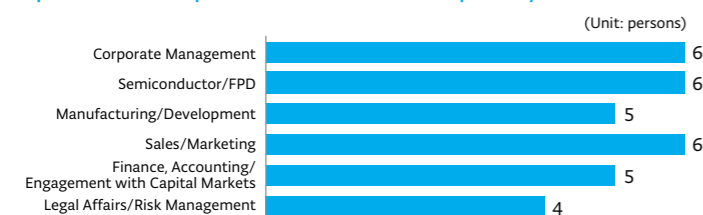
	Name	Expected Skills					
		Corporate Management	Semiconductor/FPD	Manufacturing/Development	Sales/Marketing	Finance, Accounting/Engagement with Capital Markets	Legal Affairs/Risk Management
Corporate Directors	Toshiki Kawai	●	●	●	●		
	Sadao Sasaki	●	●	●	●		
	Yoshikazu Nunokawa		●	●	●	●	
	Michio Sasaki Outside	●		●	●		
	Makiko Eda Outside	●	●		●		
	Sachiko Ichikawa Outside					●	●
Audit & Supervisory Board Members	Yoshiteru Harada		●			●	●
	Kazushi Tahara	●	●	●	●		
	Kyosuke Wagai Outside					●	●
	Masataka Hama Outside	●				●	
	Ryota Miura Outside						●

* Definition of Expected Skills

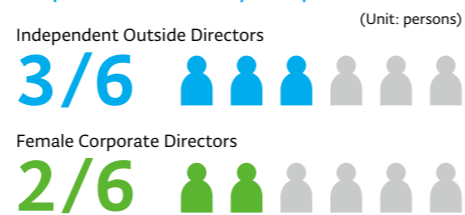
Corporate Management	Experience of corporate management (experience serving as a representative director or chairman/president)
Semiconductor/FPD	Knowledge of semiconductor/FPD-related industries
Manufacturing/Development	Knowledge/experience in manufacturing and development at Tokyo Electron and other manufactures
Sales/Marketing	Knowledge/experience in sales and marketing at Tokyo Electron and other manufactures
Finance, Accounting/Engagement with Capital Markets	Knowledge in financial accounting and M&A, or knowledge/experience in engagement with capital markets
Legal Affairs/Risk Management	Knowledge in legal affairs, compliance and risk management

Diversity of Board Members

Expected Skills of Corporate Directors and Audit & Supervisory Board Members



Independence and Diversity of Corporate Directors



Directors, Audit & Supervisory Board Members and Corporate Officers (As of July 1, 2022)

Directors



Toshiki Kawai
Representative Director
President & CEO
Corporate Officer



Sadao Sasaki
Representative Director
Senior Executive Vice President
Corporate Officer
President & Representative Director,
Tokyo Electron Technology Solutions
Ltd.



Yoshikazu Nunokawa
Corporate Director
Chairman of the Board of Directors



Michio Sasaki
Outside Director
Director and Vice President,
SHIFT Inc.
Outside Director,
ZUIKO CORPORATION



Makiko Eda
Outside Director
Chief Representative Officer,
World Economic Forum Japan
Outside Director,
FUJIFILM Holdings Corporation



Sachiko Ichikawa
Outside Director
Partner, Tanabe & Partners
Outside Director, OLYMPUS CORPORATION
Statutory Auditor,
The Board Director Training Institute of Japan

Audit & Supervisory Board Members



Yoshiteru Harada
Audit & Supervisory Board Member



Kazushi Tahara
Audit & Supervisory Board Member



Kyosuke Wagai
Outside Audit & Supervisory Board
Member
Representative, Wagai CPA Office
Outside Audit & Supervisory Board Member,
Mochida Pharmaceutical Co., Ltd.



Masataka Hama
Outside Audit & Supervisory Board
Member
Outside Director,
Nissay Asset Management Corporation



Ryota Miura
Outside Audit & Supervisory Board Member
Partner, Miura & Partners Legal Profession Corporation
Corporate Auditor, TECHMATRIX CORPORATION
Outside Director, Eisai Co., Ltd.

Corporate Officers



Tatsuya Nagakubo
Corporate Officer



Seisu Ikeda
Corporate Officer



Yoshinobu Mitano
Corporate Officer



Takeshi Okubo
Corporate Officer

Messages from Outside Directors

Michio Sasaki

Independent Outside Director (Nomination Committee Chairman)

Contributing with an awareness of priorities, balance and speed to expand profits and increase corporate value



Tokyo Electron's corporate culture, Corporate Philosophy, Management Policies and TEL Values, which are one of the sources of its competitiveness, are clearly reflected in the Board of Directors, and there is an open, candid and active exchange of opinions. I believe that carefully listening to the opinions of outside directors and Audit & Supervisory Board members, speedy and high-quality execution and organizational values have contributed to high evaluations of the effectiveness of the Board of Directors every year.

The explanation of business performance and other important matters in the CEO reports at each Board of Directors meeting is detailed, easy to understand and helpful in gaining an overall understanding. Off-site meetings are also valuable opportunities to deepen understanding of matters such as medium- to long-term management strategies and development investments through in-depth explanations and discussions, so I would like the company to continue these going forward.

I would like to utilize the management experience I have accumulated in the development and manufacturing industry until now as well as my current experience in the IT industry to continue to contribute as an outside director. I would like to do this with a particular awareness of whether our priorities, balance and speed are optimized in order to expand profit and improve corporate value, including ESG, SDGs, development investment, DX, human resource development and risk management such as security in order to achieve our new Medium-term Management Plan.

Role of the Nomination Committee

The most important role of the Nomination Committee is selecting candidates for the next CEO and proposing them to the Board of Directors.

The Nomination Committee holds fair and open-minded discussions every month regarding the creation of a framework to select and develop the next CEO who will inherit Tokyo Electron's excellent corporate culture, which is the foundation of its growth, and who will achieve both sustainable growth and improved corporate value over the medium to long term. Specific selection and development frameworks are discussed at the Top Management Review Meeting (TRM) consisting of the representative director, the executive officer in charge of human resources and other members, and attended by members of the Nomination Committee. There, the next generation leader development PDCA cycle is reviewed and assignments are determined.

In the next-generation leader development program, the cycle is as follows:

1. A succession planning roadmap is established
2. Executive officers, division general managers and the Human Resources Department select succession candidates and continuously update the succession pool
3. Individual development plans for succession candidates are formulated, followed by the person in charge, capability development through other competitions, and training using TEL UNIVERSITY
4. Review is conducted at TRM

Through this cycle, we reinforce the leadership, on-site skills, judgment, environmental adaptability and sense of balance of candidates and promote the continuous development of next-generation leaders.

The Nomination Committee consults with the CEO and selects several future CEO candidates, discussing and formulating a roadmap that follows them on the path to becoming CEO. Through this process, we work with the recognition that it is our responsibility to our stakeholders to propose a leader to the Board of Directors who can realize Tokyo Electron's medium- to long-term growth and expansion of profits.

Makiko Eda

Independent Outside Director

Fostering a culture that embraces diversity and nurturing it to become a strength that is a part of the company's DNA



Discussions at Tokyo Electron's Board of Directors are open, fast-paced and lively. I expected Japanese companies to place more of an emphasis on formality, but Tokyo Electron is completely different. Things that need to be discussed are discussed with the necessary depth and internal discussions are becoming more transparent. In my participation in the Board of Directors meeting over the past few years, I have seen that Tokyo Electron is a lively company that continues to evolve, learn and embrace new opportunities to grow without any hesitation.

As the company continues to grow, it is essential to be able to incorporate the talents of people from diverse backgrounds. This was more clearly defined as both a company policy and a growth strategy in 2021. Setting a numerical target is just the first step. The true work is in fostering a culture that embraces diversity, building a framework and nurturing this diversity to become a strength that is part of the company's DNA.

As Tokyo Electron grows rapidly, we must quickly assess and respond to a variety of opportunities and risks. Semiconductors shape the future, and in this regard, I believe that Tokyo Electron has a significant role to play. From my position as an outside director, I would like to contribute to Tokyo Electron's sustainable growth from a medium- to long-term perspective.

Sachiko Ichikawa

Independent Outside Director

Governance has performed well to date; however, governance is never complete and always requires improvement



The Board of Directors and its members have a responsibility to shareholders and other stakeholders. This responsibility is not limited to the current fiscal period but rather extends over the medium to long term. Tokyo Electron's strong performance in fiscal 2022 despite the difficult economy environment can be seen as a product of its corporate governance to date.

At Tokyo Electron's Board of Directors meetings, the words "investor and shareholder reaction," "time axis" and "alternative scenarios" appear frequently. This shows that the Board of Directors is looking further and wider while monitoring and supervising the current status of business execution. This perspective is necessary to avoid short-term bias, closed-minded thoughts and a lack of analysis. This receptive approach to listening has made Tokyo Electron what it is today. However, governance is never complete and always requires improvement. Furthermore, the level of uncertainty in the economic environment has increased significantly. The needs of stakeholders are likely different than they have been in the past. I will strive to realize a Board of Directors that has an eye on the future, conducts investments and structure improvements in advance to continue producing good business results, and allows the executive side to fully demonstrate its abilities when opportunities arise.



Risk Management

Approach to Risk Management

We are building and developing a risk management system to respond appropriately and promptly to risks that are growing increasingly complex and diverse as society and the business environment change. We identify cross-division and comprehensive risks across the entire Group to build a solid financial foundation based on the new Medium-term Management Plan that is competitive globally. We make decisions and supervise particularly material risks at the Corporate Officers Meeting and the Board of Directors, and implement countermeasures without fail alongside each of the Group companies and related departments.

We believe accurately understanding the risks and impacts that we may face in our businesses with an eye on the future, viewing them as opportunities for business growth and appropriately addressing them are essential to sustainable growth as a company that is trusted by society.

Risk Management System

We have established the organization to oversee the entire Group at our headquarters and carry out enterprise risk management¹ to promote more effective risk management. This organization, together with the respective departments responsible for each operation, comprehensively identifies a wide range of risks associated with our business activities, such as compliance, human resource, labor and business continuity, and classifies those with high impact and probability as our material risks.

In addition to holding management workshops and training for employees and raising awareness company-wide, we are also working to strengthen the PDCA cycle and improve the effectiveness of risk management by formulating and executing measures to mitigate material risks, monitoring the effect of said measures and holding discussions at major internal meetings. Specifically, we review the response status of the executive department and each of the Group companies regarding the identified material risks at the BUGM meeting, quarterly

review meeting and the CSS, etc., and decide a response policy at the Corporate Officers Meeting. We ensure the operating rhythm of this procedure and also report periodically to the Board of Directors.

Additionally, we are continuing to focus on the revision and operation of our BCP, including responses to COVID-19, and are rapidly executing business continuity measures.

In fiscal 2021, we introduced CSA², with each risk owner of the Group further strengthening risk management in the 13 defined categories. We will continue to implement autonomous and highly effective risk management.

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

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

Auditing by the Internal Audit Department

The Global Audit Center serves as the internal audit department for the entire Group, conducts audits based on plans, provides instructions and support for making improvements to issues and confirms the progress of these improvements.

The Group's internal control over financial reporting during fiscal 2022 was evaluated as effective by the independent auditors, the same as in the previous fiscal year.

Risk Management Initiatives

We have begun to address emerging risks from a medium- to long-term perspective, going a step further than its conventional approach of assessing the current risk management state, identifying known and unknown risks that may surround the company in the future and examining mitigation measures.

In fiscal 2022, the 13 risks identified to date were reviewed and reevaluated from the perspective of their potential to have a significant impact on our operating results, financial condition and cash flow. We then pushed forward risk management initiatives for each identified risk even further.

Item	Main Potential Risks	Main Risk Management Initiatives
1. Market Fluctuations	<ul style="list-style-type: none"> A rapid contraction of the semiconductor market could lead to overproduction or an increase in dead inventory A sharp increase in demand could lead to an inability to supply customers with products in a timely manner, resulting in lost opportunities 	<ul style="list-style-type: none"> Periodically review market conditions and orders received at the Board of Directors and other important meetings, and appropriately adjust capital investments, personnel/inventory planning and other aspects of business The Account Sales Division and the Global Sales Division strengthen the sales framework and customer base by grasping investment trends of customers and responding to a wide range of customer needs
2. Geopolitics	<ul style="list-style-type: none"> Geopolitical tensions could undermine the international order and global macroeconomic conditions, affecting national and regional security, foreign, industrial or environmental policy. This could in turn lead to supply chain disruptions or deterioration of the macroeconomic environment, restricting the Company's ability to operate business 	<ul style="list-style-type: none"> Carefully monitor the international situation as well as the diplomatic and security measures and industrial policy trends in each country and region Anticipate the impact of macroeconomic fluctuations and regulations related to product imports/exports or technological development on the Company's business and consider countermeasures in advance

Item	Main Potential Risks	Main Risk Management Initiatives
3. Research and Development	<ul style="list-style-type: none"> Delays in the launch of new products or the mismatch of such products with customer needs could lead to a decline in the competitiveness of products 	<ul style="list-style-type: none"> Establish the Corporate Innovation Division and build a Group-wide development framework that integrates innovative technology development with the technologies of each development division Provide highly competitive next-generation products ahead of competitors by collaborating with research institutions and sharing a technology roadmap spanning multiple generations with leading-edge customers
4. Procurement, Production and Supply	<ul style="list-style-type: none"> Interruptions in the Company's production due to a natural disaster or delays in component procurement due to deterioration in the business conditions of a supplier or an increase in demand that exceeds the supplier's supply capacity could lead to delays in the supply of products to customers 	<ul style="list-style-type: none"> Formulate business continuity plans, develop alternate production capabilities, promote the seismic reinforcement of plants, level production, enhance the backup capabilities for information systems, use multiple sources of important parts, and maintain appropriate inventory levels Share forecasts based on demand projections with suppliers and build a system for the stable supply of products
5. Safety	<ul style="list-style-type: none"> Safety problems with the Company's products could lead to damage to customers, liability for damages and a decline in the Company's credibility 	<ul style="list-style-type: none"> Based on the "Safety First" approach, place the highest priority on the safety and health of all people, implement inherently safe design with an awareness of risk reduction at the product development stage, promote safety training, and establish an accident reporting system
6. Quality	<ul style="list-style-type: none"> The occurrence of a product defect could lead to liability for damages, costs for countermeasures and a decline in the Company's credibility 	<ul style="list-style-type: none"> Establish a quality assurance system and a world-class service system Resolve technical issues from the product development and design stage Investigate the cause of any defects and implement measures to prevent the same or similar defects from occurring Monitor the quality status of suppliers, conduct audits and provide support for improvement
7. Laws and Regulations	<ul style="list-style-type: none"> Violations of the laws and regulations of the countries and regions where the Company operates could lead to diminished public confidence in the Company, fines, liability for damages or restrictions on business activities 	<ul style="list-style-type: none"> Monitor compliance activities at key sites in and outside Japan under the direction of the Chief Compliance Officer Have assessments conducted by external experts and report identified issues to the CEO, the Board of Directors and the Audit & Supervisory Board for swift and effective action
8. Intellectual Property Rights	<ul style="list-style-type: none"> The inability to obtain exclusive rights to proprietary technologies could lead to reduced product competitiveness Infringement of the intellectual property rights of third parties could lead to restrictions on the production and sale of products as well as liability for damages 	<ul style="list-style-type: none"> Advance the intellectual property strategy, business strategy and R&D strategy in an integrated manner to build an appropriate intellectual property portfolio
9. Information Security	<ul style="list-style-type: none"> Breaches of information or the suspension of services due to unauthorized access by cyberattack, natural disasters or other factors could lead to diminished public confidence in the Company or liability for damages 	<ul style="list-style-type: none"> Launch a dedicated security organization and establish an information security system that conforms to international standards by having security assessments conducted by external experts, etc. Establish globally standardized rules and regulations for information management and implement response guidelines
10. Human Resources	<ul style="list-style-type: none"> The inability to recruit and retain necessary human resources on an ongoing basis or the inability to create an environment where people with diverse values and expertise can play an active role could lead to diminished product development capability or customer support quality 	<ul style="list-style-type: none"> Make continuous improvements to work environments and promote diverse work styles as well as health and productivity management (e.g., sharing our visions by management, establishing training plans for human resource who will lead the future, visualizing career paths for employees and offering attractive remuneration and benefits)
11. Environmental Issues	<ul style="list-style-type: none"> The inability to respond appropriately to each country's climate change policies, environmental laws and regulations, and customer needs could lead to additional related costs such as for developing new products or changing specifications, as well as to reduced product competitiveness and diminished public confidence in the Company 	<ul style="list-style-type: none"> To achieve industry-leading medium- to long-term environmental goals that include the net zero target, implement measures such as reducing greenhouse gas emissions from the use of our products, increasing the rate of renewable energy usage at plants and offices, reducing overall power consumption, reviewing packaging materials, and promoting a modal shift Provide technologies, etc., that contribute to higher performance and energy efficiency of semiconductor devices through implementation of our E-COMPASS initiative
12. Novel Coronavirus (COVID-19)	<ul style="list-style-type: none"> The spread of COVID-19 could slow the Company's business activities or lead to a global economic downturn 	<ul style="list-style-type: none"> Establish an Emergency Task Force headed by the CEO Restrict travel to high infection-risk countries and regions, maintain supply chains and thoroughly implement infection prevention measures at plants and offices
13. Other Risks	<ul style="list-style-type: none"> Business could be influenced by the global and regional political landscape, economic environment, financial and stock markets, foreign exchange fluctuations and other factors 	<ul style="list-style-type: none"> Take appropriate measures to counter such risks

Information Security

As the data-driven society advances and the importance of information security increases, we aim to achieve both data utilization and information security by promoting digital

transformation and other measures, and actively promote measures that protect the entire supply chain from the risk of cyberattacks that target companies.

Main Activities

Information Security Systems



The Vice President and General Manager, Information Security, run the Security Committee and implement measures on a global scale. We hold the TEL Group Information Security Committee twice a year, and Information Security Committees at each company more than twice a year.

Information Security Management



We established global information security rules, and conduct security education twice a year and phishing email training every month for all executives and employees. We hold seminars twice a year to share the latest situation to all Group members. In addition, we implement risk assessments and internal audits for each department of the entire Company to identify risks and strengthen technological, human, organizational and physical security measures.

Responses to Security Threats



We have proactively introduced advanced technology and established a dedicated security organization to build a robust monitoring system in order to respond to security threats such as cyberattacks and information leaks.

Security at Manufacturing Sites



We implement security measures at each manufacturing site to ensure that the manufacturing systems that support our business activities are operating safely and stably while maintaining QCD¹.

Supply Chain Security



We respond to customer requests for security and monitor the security status of our suppliers to ensure that confidential information and information on our customers and suppliers that is shared in the course of business activities can be used safely without a loss of convenience.

Increasing Resilience



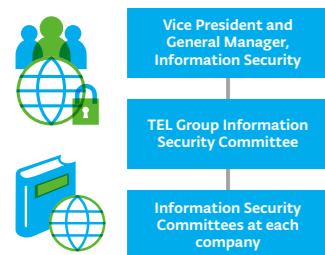
We operate a system that can detect the occurrence of security incidents. We confirm pre-determined procedures so that we can do the right actions for a swift response and recovery by implementing incident response training. We also implement a penetration test² once a year to verify system vulnerabilities.

¹ QCD: Quality, Cost, Delivery

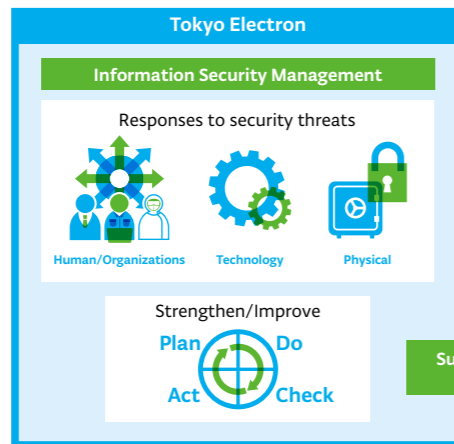
² Penetration test: A test method for verifying vulnerabilities in networks, PCs, servers and systems.

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 compliance program that is expected of a global company, Tokyo Electron has appointed a Chief Compliance Officer (CCO) and established a dedicated Compliance Department at its headquarters. Additionally, the persons responsible for compliance who called Regional Compliance Controllers have been appointed at key overseas sites, an operation for direct reporting to the Chief Compliance Officer and Compliance Department.

Compliance Initiatives

Business Ethics

Tokyo Electron has established the Business Ethics Committee to promote and raise awareness of compliance and business ethics more effectively together with implementing "Tokyo Electron's Code of Ethics" as the standard of conduct for all executives and employees. We have also set up the Disciplinary Committee as a subordinate organization of the Business Ethics Committee to ensure the implementation of reasonable and appropriate disciplinary action and proper procedures. In addition, through regular meetings with each of the Group companies, we discuss and implement measures to promote compliance.

Initiatives for Anti-Bribery and Corruption and for Competition Laws

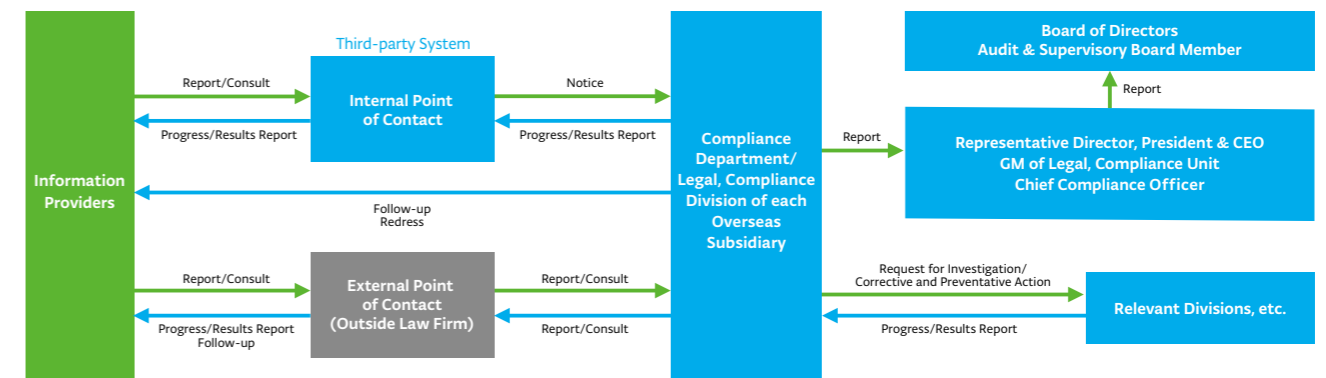
We have globally established the Basic Policy on the Prevention of Bribery and Corruption and the Guidelines for Gift, Hospitality, and Entertainment in the area of anti-bribery and corruption, and the Basic Policy on Competition Law Compliance and Guidelines in the area of competition laws. In order to prevent violations, we regularly provide training to promote understanding and awareness of these Policies and Guidelines as well.

Internal Reporting System

Preventing problems from occurring and resolving them quickly when they occur 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. 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.

Global Response to Internal Reports





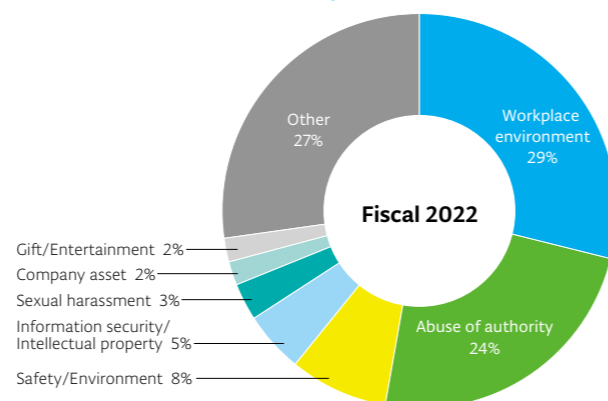
Reports and consultations received via these points of contact are handled with sincerity and investigations are undertaken in accordance with internal regulations. If a compliance violation is found, disciplinary action is taken in accordance with the Rules of Employment*, and preventive measures and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

In fiscal 2022, a total of 95 cases were received via the internal reporting system, of which 19 were recognized as compliance violations. The reports and requests for advice primarily related to harassment and the workplace environment. Based on this result, we have conducted regular education programs for our employees with the goal of preventing harassment and have provided thorough follow-up with those concerned or involved.

There were no reports or cases of non-compliance that could have had a serious impact on our business or on local communities.

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

Breakdown of Consultation/Report Contents



Engagement with Capital Markets

Our management actively engages in IR (investor relations) and SR (shareholder relations) activities to contribute to our sustainable growth and increase corporate value over the medium to long term.

For IR activities, in addition to quarterly earnings conferences, the CEO and each company's executive appear at Medium-term Management Plan announcement and IR Day events to share our business strategies and growth story. Simultaneous interpretation and subtitles are used to broadcast briefings in Japanese and English in an effort to provide fair disclosures to overseas investors. The IR Department, which was established under the direct control of the CEO, also supplements explanations as appropriate through individual interviews and regularly reports opinions from investors to management and the Board of Directors so that feedback can be of use in management. In addition, we actively participate in IR and ESG conferences in Japan and overseas and encourage dialogue with capital markets through the cooperation of company executives and the IR Department to gain a deeper understanding of the Group. In fiscal 2022, we received a Best IR Award from Japan

Investor Relations Association and were selected as a Most Honored Company by Institutional Investor magazine in the U.S. for the seventh consecutive years.

As a part of our SR activities, company executives play a central role in constructive dialogue with our major investors and proxy advisory firms. In addition to explaining the Shareholders' Meeting agenda in advance, we engage in repeated dialogue throughout the year on a wide range of topics including corporate governance, our policies about sustainability-related initiatives, the environment, human rights, and diversity and deepen mutual understanding.

To encourage active discussion and facilitate smooth and efficient voting at Shareholders' Meetings, we send convocation notices at an early stage, and also post notices in both Japanese and English on our website prior to sending notices and take other measures to provide information to shareholders in a timely manner. In addition, we analyze the results of the exercise of voting rights, report to the Board of Directors, and use the results to further enhance engagement with investors.

Evaluation from Third-party Institutions

Our sustainability initiatives have allowed it to continue to be selected as a constituent stock under leading global ESG investment indices, including the DJSI¹ Asia Pacific Index, FTSE4Good Index², MSCI World ESG Leaders Indexes³, Euronext Vigeo World 120 Index⁴ and STOXX Global ESG Leaders indices⁵. At the same time, we were evaluated as a low-risk company in Sustainalytics' ESG Risk Ratings⁶.

In 2021, we were selected as a prestigious A List company in

the water security category of a survey conducted by the CDP, and won recognition as the "Grand Prize Company," an award given to the most outstanding company, in the Corporate Governance of the Year⁷ 2021 program sponsored by the Japan Association of Corporate Directors.

Additionally, the entire Group in Japan received recognition as top 500 companies under the 2022 Certified Health & Productivity Management Outstanding Organizations

Recognition Program⁸.

Regarding our IR activities, we received "the Best IR Award," and were selected as the "Most Honored Company".

The Tokyo Electron Integrated Report 2021 was selected as an

"Excellent Integrated Report" by the Government Pension Investment Fund (GPIF)'s external asset managers entrusted with domestic equity investment.



- 1 DJSI: Dow Jones Sustainability Indices. An ESG investment index of S&P Dow Jones Indices LLC. The DJSI Asia Pacific covers companies in that region.
- 2 FTSE4Good Index: An index related to environmental performance and corporate social responsibility developed by FTSE Russell.
- 3 MSCI World ESG Leaders Indexes: Companies that have high ESG performance are selected from the MSCI Global Sustainability Index, an ESG investment index developed by Morgan Stanley Capital International (MSCI). Please refer to the link for the logo's disclaimer. www.tel.com/sustainability/review.html
- 4 Euronext Vigeo World 120 Index: An index selected by NYSE Euronext and Vigeo Eiris composed of 120 companies that excel from an ESG perspective.
- 5 STOXX Global ESG Leaders indices: STOXX, a subsidiary of Deutsche Börse, selects companies that meet its evaluation standards based on the results of research from the ESG research company Sustainalytics.
- 6 Sustainalytics' ESG Risk Ratings: An ESG risk measured for institutional investors by Sustainalytics in the Netherlands. The rating is based on a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. Copyright ©2022 Sustainalytics. All rights reserved. This article contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>.
- 7 Corporate Governance of The Year[®]: Carried out by the Japan Association of Corporate Directors since 2015 with the endorsement of the Ministry of Economy, Trade and Industry and other organizations to encourage companies that practice sound corporate governance to attain medium- to long-term growth.
- 8 Certified Health & Productivity Management Outstanding Organizations Recognition Program: The program publicly recognizes particularly outstanding organizations that are practicing health-oriented business management, based on initiatives attuned to local health-related challenges and toward health promotion initiatives led by the Nippon Kenko Kaigi.

Participation in Global Initiatives

We participate in a variety of global initiatives and promote sustainability in our business activities.



United Nations Global Compact

The United Nations Global Compact (UNGC) is a global initiative that promotes sustainability, proposed by ex-UN Secretary-General Kofi Annan at the 1999 World Economic Forum. We signed onto the UNGC in 2013 and are working to contribute to the realization of sound globalization and a sustainable society in accordance with its Ten Principles in the areas of Human Rights, Labor, Environment and Anti-Corruption.



Responsible Business Alliance

The Responsible Business Alliance (RBA) is a global initiative promoting supply chain sustainability focused on the electronics industry. We joined the RBA in 2015, and as a member company, we work together with suppliers to ensure compliance with the RBA Code of Conduct comprised of five sections: Labor, Environment, Health and Safety, Ethics and Management Systems.



Task Force on Climate-related Financial Disclosures

In 2020, we expressed our approval of the recommendations offered by the Task Force on Climate-related Financial Disclosures (TCFD[®]). We are conducting ongoing disclosures and discussions based on the framework of governance, strategy, risk management, metrics and targets relating to the risks and opportunities that climate change presents to our overall business.

* Refer to Initiatives Related to Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on p. 39

Medium- to Long-term Outlook

Societal Trends

Society today is facing a variety of challenges, including prolonged outbreaks of COVID-19, changes in social conditions due to conflicts between nations, abnormal weather conditions and natural disasters caused by climate change, human rights issues, demographic changes, stagnation of supply chains, geopolitical risks, cyber-attacks and so forth. Mitigating climate change and eliminating inequality in human rights in particular are pressing issues, and global efforts involving not only international organizations and national governments but also by the private sectors are expected to become more important going forward.

Advancement of Digitalization in Society

As digitalization in society accelerates, lifestyles and business models are changing drastically with the creation of new technologies and services. In addition, the demand for semiconductors to support these societal trends is continuously growing along with technological innovation. The market was driven by personal computers in the 1990s and mobile devices such as smartphones in the 2000s. Today, the spread of IoT, AI, 5G/6G, cloud computing, the metaverse and other technologies are further increasing the demand for semiconductors. Going forward, it is expected that there will be a shift to a world where people are connected with everything in society through the shift to EVs for automobiles, autonomous driving, development of smart cities as well as smarter industries in the plant, agriculture, medical and energy sectors.

Future of Computer Technology and Semiconductors

As data-driven society progresses rapidly, the computer technology that is responsible for information processing will also evolve. In addition to conventional bit-based computers such as personal computers and data servers that perform mathematical processing, new technologies such as quantum computers and brain-inspired computers that copy the movements of the human brain are expected to emerge going forward. A variety of services and products are expected to give color to future society by processing enormous amount of data at high speeds and with low power consumption in accordance with the characteristics of each computer technology.

In addition, the semiconductor market that supports computer technology is also expected to evolve under the three scenarios of Moore's Law, Customization and Hyper-Mass.

Initiatives to Achieve Further Growth of Tokyo Electron

We achieved the financial model for fiscal 2024 in the previous Medium-term Management Plan, formulated in May 2019, two fiscal years ahead of schedule.

In response, we formulated a new Medium-term Management Plan and a Vision in June 2022 to achieve further growth. The new Medium-term Management Plan sets financial targets as well as key indicators including areas related to ESG such as efforts to reduce greenhouse gas emissions to net zero. We will put our Corporate Philosophy into practice by promoting TSV (TEL's Shared Value), steadily implementing the new Medium-term Management Plan, and realizing our Vision for mid- to long-term profit expansion and continuous corporate value enhancement.

Climate change



Human rights



Demographic changes



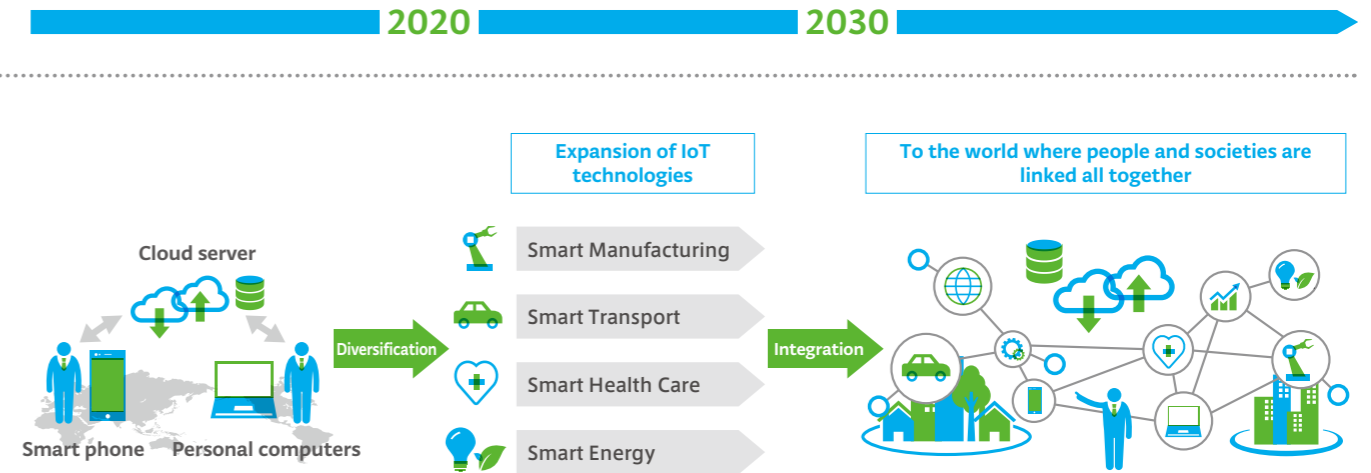
Supply chain



Geopolitics



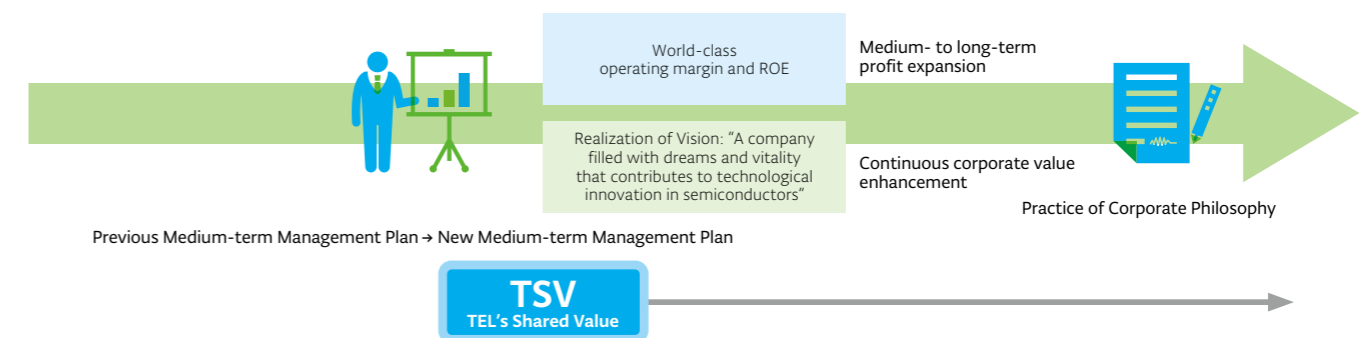
Cyber security



Customization: As applications and services diversify, there will be demand for semiconductor devices that are optimized for specific applications. The overall optimization of technologies such as design and manufacturing technology as well as implementation and software technology as well as goal of maximizing efficiency are expected. In this scenario, there will be value in quickly providing the best manufacturing method solution to meet the requirements of customers who manufacture semiconductor devices.

Moore's Law: There will continue to be increasing demand for performance improvements through scaling and integration in the manufacturing of semiconductor devices in order to further increase the computational power of computers. In this scenario, there will be value in introducing innovative technologies as well as controlling manufacturing costs.

Hyper-Mass: There will be demand for an enormous amount of semiconductor devices for high-capacity data communications and their processing and analysis. Additionally, overwhelming cost reductions will be necessary to realize a world in which everyone can enjoy the benefits of ICT (information and communication technology). In this scenario, there will be value in ultra-efficient productivity, including for non-advanced devices. In addition, the provision of manufacturing methods that autonomously optimize environmental impact will also be important.



Aiming to Be a Company Filled with Dreams and Vitality

The world is currently pushing firmly ahead with implementing ICT (information and communication technology) as well as taking action to realize decarbonization in order to build a strong and resilient society in which economic activities do not stop under any circumstances.

Semiconductors are growing even more important as social infrastructure with increasing technological demands such as larger capacity, higher speed, higher reliability and lower power consumption.

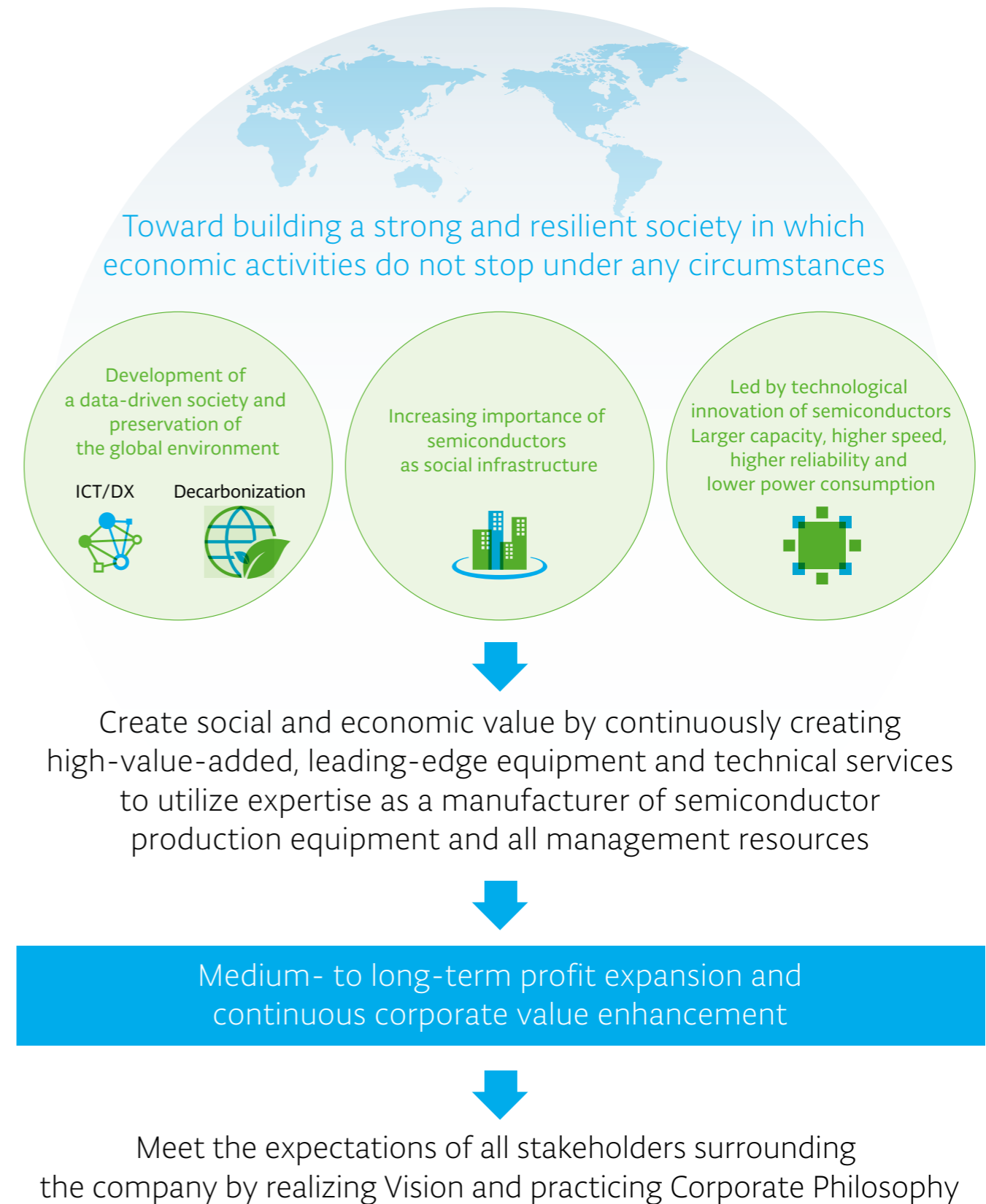
Tokyo Electron will strive toward medium- to long-term profit expansion and continuous corporate value enhancement by continuously creating high-value-added, leading-edge equipment and technical services to apply its expertise as a manufacturer of semiconductor production equipment and using all management resources, including its employees who create and fulfill company values.

Based on these activities, we will realize our Vision, which specifies our medium-to long-term business aspirations and the direction of our near future; practice our Corporate Philosophy, which specifies our mission in society and the purpose of our existence; and meet the expectations of all of our stakeholders.

We started our 60th fiscal year in April 2022. Going forward, we will continue to take on challenges and evolve to be a company filled with dreams and vitality that is loved and highly trusted by all stakeholders.

Corporate Philosophy

We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.



Financial Review

From the beginning of fiscal 2022, Tokyo Electron (TEL) applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). Comparisons between the same period in the previous year in the explanation of operating results and cash flows and comparisons between the end of the previous fiscal year in the explanation of financial positions are made using figures from the consolidated results of the previous fiscal year prior to the application of the change in accounting standard.

Operating Results

During fiscal 2022, despite the effects of the COVID-19 pandemic and heightened geopolitical risks, a gradual recovery in the global economy has been observed.

In the electronics industry, where the TEL operates, further growth in semiconductor production equipment market is expected due to the growing importance of semiconductors, driven by the transition to a data society due to the expansion of communications technologies and efforts toward realizing a decarbonized society.

In this environment, the consolidated business results for fiscal 2022 are as follows.

Net sales for the fiscal year increased 43.2% from the previous fiscal year to 2,003.8 billion yen. Domestic net sales increased 16.6% from the previous year to 230.3 billion yen, while overseas net sales increased 47.6% to 1,773.4 billion yen to account for 88.5% of net sales.

Cost of sales increased 30.9% to 1,091.9 billion yen and gross profit increased 61.4% to 911.8 billion yen. As a result, the gross profit margin expanded by 5.1 points to 45.5%. Selling, general and administrative (SG&A) expenses increased 28.0% to 312.5 billion yen, while the ratio to consolidated net sales declined by 1.9 points to 15.6%.

As a result, operating income increased 86.9% to 599.2 billion yen and operating profit ratio increased 7.0 points to 29.9%.

Income before income taxes was 596.6 billion yen (year-on-year growth of 88.2%) and net income attributable to owners of parent was 437.0 billion yen (year-on-year growth of 79.9%).

As a result, net income per share was 2,807.84 yen compared to net income per share of 1,562.20 yen in the previous fiscal year.

Financial Conditions

Current assets at the end of fiscal 2022 were 1,408.7 billion yen, an increase of 393.0 billion yen compared to the end of the previous fiscal year. This was mainly due to an increase of 242.2 billion yen in notes and accounts receivable-trade, and contract assets, an increase of 69.6 billion yen in cash and cash equivalents, and an increase of 58.5 billion yen in inventories.

Tangible fixed assets increased by 26.1 billion yen from the end of the previous fiscal year, to 223.0 billion yen. Investments and other assets increased by 49.9 billion yen from the end of the previous fiscal year, to 262.6 billion yen.

As a result, total assets increased by 469.0 billion yen from the end of the previous fiscal year, to 1,894.4 billion yen.

Current liabilities increased by 140.9 billion yen from the end of the previous fiscal year, to 468.5 billion yen. This was largely due to an increase of 57.9 billion yen in income taxes payable, an increase of 30.3 billion yen in trade notes and accounts payable, and an increase of 20.8 billion yen in customer advances.

Long-term liabilities increased by 5.6 billion yen from the end of the previous fiscal year, to 78.8 billion yen.

Net assets increased by 322.4 billion yen from the end of the previous fiscal year, to 1,347.0 billion yen. This was largely due to an increase of 437.0 billion yen resulting from recording net income attributable to owners of parent, a decrease resulting from the payment of 166.2 billion yen in year-end dividends for the previous fiscal year and interim dividends for fiscal 2022, and an increase of 27.3 billion yen in net unrealized gains on investment securities. As a result, the equity ratio was 70.5%.

Cash Flows

Cash and cash equivalents at the end of fiscal 2022 increased by 69.6 billion yen compared to the end of the previous fiscal year, to 335.6 billion yen. The combined balance including 35.6 billion yen in time deposits and short-term investments with maturities of more than three months that are not included in cash and cash equivalents was 371.2 billion yen, an increase of 59.7 billion yen from the end of the previous fiscal year. The overall situation regarding cash flows for fiscal 2022 was as described below.

Cash flows from operating activities were positive 283.3 billion yen, an increase of 137.4 billion yen from the previous fiscal year. The major positive factors were 596.6 billion yen in income before income taxes, a 36.7 billion yen in depreciation and amortization, and a 32.0 billion yen increase in customer advances. The major negative factors were 195.5 billion yen increase in notes and accounts receivable-trade, and contract assets, a 106.0 billion yen in income taxes paid, and a 100.3 billion yen increase in inventories.

Cash flows from investing activities were negative 55.6 billion yen compared to negative 18.2 billion yen in the same period of the previous fiscal year. This was largely due to the payment of 56.1 billion yen for the purchase of fixed assets.

Cash flows from financing activities were negative 167.2 billion yen compared to negative 114.5 billion yen in the same period of the previous fiscal year. This was largely due to the payment of 166.2 billion yen in dividends.

Production, Orders and Sales Results

We conduct production activities while flexibly responding to market changes. As our production trends are similar to those of our sales, we omit description of these results. We also do not indicate order results because they are not necessarily an appropriate indicator for projecting medium- to long-term corporate performance, with short-term orders tending to fluctuate significantly according to customers' investment trends.

Sales results by major customer and their ratio to total sales results are as shown below.

Fiscal 2021 (Fiscal year ended March 31, 2021)

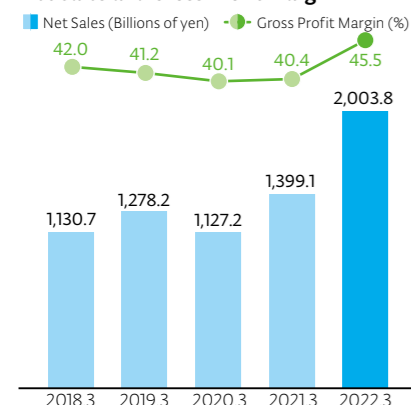
Name of customer	Sales (Millions of yen)	Ratio (%)
Samsung Electronics Co., Ltd.	256,656	18.3
Intel Corporation	193,706	13.8
Taiwan Semiconductor Manufacturing Company Ltd.	164,340	11.7

Fiscal 2022 (Fiscal year ended March 31, 2022)

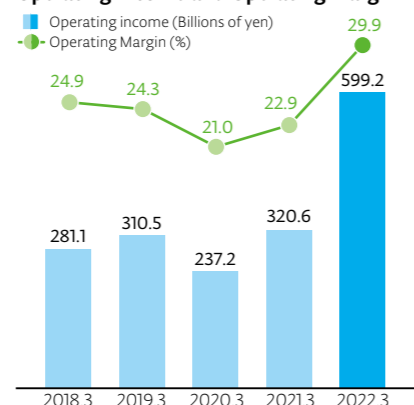
Name of customer	Sales (Millions of yen)	Ratio (%)
Samsung Electronics Co., Ltd.	312,279	15.6
Intel Corporation	303,982	15.2
Taiwan Semiconductor Manufacturing Company Ltd.	231,393	11.5

Note: The amounts include sales to the customer and its subsidiaries

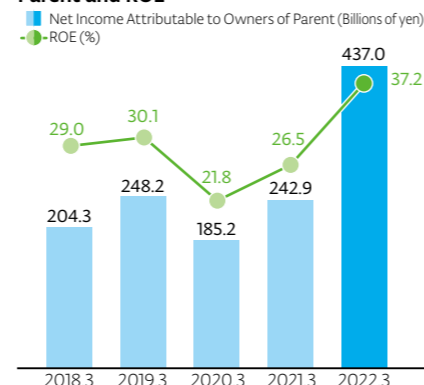
Net Sales and Gross Profit Margin



Operating Income and Operating Margin



Net Income Attributable to Owners of Parent and ROE



Financial Conditions

	Millions of yen				
	2018.3	2019.3	2020.3	2021.3	2022.3
Total current assets	¥946,597	¥982,897	¥962,484	¥1,015,696	¥1,408,703
Net property, plant and equipment	125,952	150,069	175,580	196,967	223,078
Total investments and other assets	130,246	124,661	140,431	212,699	262,676
Total assets	1,202,796	1,257,627	1,278,495	1,425,364	1,894,457
Total current liabilities	368,452	304,882	382,578	327,661	468,578
Total liabilities	431,287	369,510	448,802	400,801	547,408
Total net assets	771,509	888,117	829,692	1,024,562	1,347,048

Notes: From fiscal 2019, the Company applied the Accounting Standard Board of Japan's "Partial Amendments of Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018). Total current assets, total investments and other assets, total assets and total liabilities for fiscal 2018 have been restated in accordance with the revised accounting standard

Cash Flows

	Millions of yen				
	2018.3	2019.3	2020.3	2021.3	2022.3
Cash flows from operating activities	¥186,582	¥189,572	¥253,117	¥145,888	¥283,387
Cash flows from investing activities	(11,833)	(84,033)	15,951	(18,274)	(55,632)
Cash flows from financing activities	(82,549)	(129,761)	(250,374)	(114,525)	(167,256)
Cash and cash equivalents at end of year	257,877	232,634	247,959	265,993	335,648

Management Discussion and Analysis of State of Operating Results

Our operating results for fiscal 2022 were a record-high 2,003.8 billion yen, an increase of 43.2% from the previous fiscal year, due to active capital expenditure by customers in the semiconductor production equipment market.

Together with the significant increase in net sales, operating income also reached 599.2 billion yen, an increase of 86.9% from the previous fiscal year, and the operating margin was 29.9%, an increase of 7.0 points from the previous fiscal year. This was mainly due to the increase in gross profit margin from the increase in sales of newly acquired high value-added processes in the key fields, and the decrease in the ratio of selling, general and administrative expenses arising from the significant increase in net sales. Total R&D expenses increased by 21.6 billion yen (year-on-year growth of 15.8%) from the previous fiscal year to a record-high of 158.2 billion yen in order to achieve the financial model of the Medium-term Management Plan announced in May 2019 as well as to achieve further growth in the future.

Net income attributable to owners of parent—which is operating income with other income and expenses reflected less tax expenses—was 437.0 billion yen, and its ratio against net sales was 21.8%, an increase of 4.4 points from the previous fiscal year. Net income per share was 2,807.84 yen due to the increase in profits resulting from the increase in net sales, as mentioned above.

With regard to objective indicators to assess the achievement status of management policy, management strategy and management goals, the Group uses net sales, operating margin and return on equity (ROE) as indicators for the financial model of the Medium-term Management Plan.

The following is our understanding, analysis and consideration about the state of operating results for each segment. Please note that segment profit corresponds to income before income taxes on the consolidated statements of income.

•Semiconductor Production Equipment

Capital investment in semiconductors for logic/foundry has been robust in a wide range of areas, from cutting-edge to mature generations of semiconductors, driven by the digitalization of society. Furthermore, as the quantity of data being handled continues to increase on an annual basis, capital investments in both DRAM and NAND flash memory continue to see high levels of investment. Consequently, net sales to customers in this segment during fiscal 2022 were 1,943.8 billion yen an increase of 47.8% from previous fiscal year. Segment profit was 667.4 billion yen, an increase of 84.1% from the previous fiscal year. As described as the business environment, customers have been actively investing in new equipment against a backdrop of growing demand for semiconductors, and our sales strategies in the key fields have progressed steadily. As a result, net sales in fiscal 2022 increased significantly, especially for logic/foundry and DRAM. In addition, net sales of used equipment and modifications as well as parts and services also grew steadily due to an increase in the cumulative number of equipment installations and high equipment utilization by customers.

The segment profit margin for fiscal 2022 was 34.3%, up 6.7 points from 27.6% in the previous fiscal year. This was mainly due to a decline in the ratio of fixed costs associated with substantial increase in net sales as a result of the Company succeeding in reliably responding to rapidly increased demand for semiconductor production equipment.

•FPD Production Equipment

As capital investment for large-sized LCD panels for televisions has run its course, the overall manufacturing equipment market for FPD TFT arrays has slowed. Meanwhile, capital investments in small and medium-sized OLED panels continues in conjunction with displays installed in end products being converted from LCD panels to OLED panels. Consequently, net sales to external customers in this segment during fiscal 2022 were 59.8 billion yen, a decrease of 28.6% from the previous fiscal year. Segment

profit was 3.8 billion yen, a decrease of 56.1% from the previous fiscal year. With fiscal 2022 being a transition period to shift from LCD to OLED, capital investment was adjusted for FPD production equipment. Consequently, net sales in this segment decreased.

The segment profit margin for fiscal 2022 was 6.5%, down 4.0 points from 10.5% in the previous fiscal year. This was mainly due to a decrease in sales of new equipment in fiscal 2022 amid customers' adjustments to their investment for FPD production equipment.

Management Discussion and Analysis of State of Financial Conditions and Cash Flows, and Information Related to Sources of Capital and Fluidity of Funds

Regarding our financial conditions, total assets stood at 1,894.4 billion yen at the end of fiscal 2022, an increase of 469.0 billion yen from the end of the previous fiscal year. This was mainly due to the increase in notes and accounts receivable – trade, and contract assets, inventories, property, plant and equipment, and investment securities included in investments and other assets. Notes and accounts receivable – trade, and contract assets reached 433.9 billion yen, an increase of 242.2 billion yen from the end of the previous fiscal year, due to the significant increase in net sales against the backdrop of rapid growth in the market for semiconductor production equipment. Inventories reached 473.8 billion yen, an increase of 58.5 billion yen from the end of the previous fiscal year, in reflection of the robust demand for equipment and spare parts—which will continue into the following fiscal year—as well as a result of incorporating measures such as leveling of production. Tangible fixed assets reached 223.0 billion yen, an increase of 26.1 billion yen from the end of the previous fiscal year. The increase mainly reflects the acquisition of equipment and metrology tools necessary for R&D of leading-edge technology and the construction completion of the Miyagi Technology Innovation Center, which is intended for

development of production technology and collaboration with suppliers, as well as a new development building under construction in Nirasaki City, Yamanashi Prefecture. Investment securities increased 39.9 billion yen year-on-year to 144.9 billion yen due to the higher market prices of strategically-held listed shares. Due to these factors, total assets increased since the end of the previous fiscal year, but as the increase in net sales was greater, the turnover period for total assets* decreased from 353 days in the previous fiscal year to 301 days, improving asset efficiency.

Regarding cash flows, the balance of cash and cash equivalents including deposits and short-term investments with original maturities of more than three months decreased 59.7 billion yen year-on-year to 371.2 billion yen. This was largely attributable to significant growth in business performance for fiscal 2022.

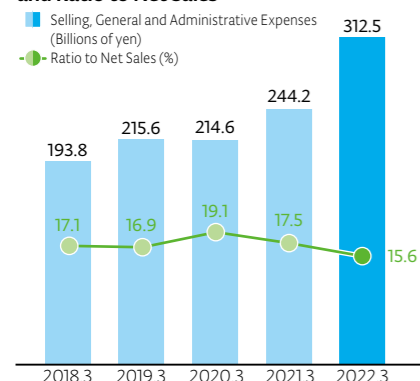
With the expansion of business, the level of inventories continued to rise and necessary working capital increased in fiscal 2022. Against this background, we continued growth investments, such as investment in R&D to create innovative technologies with high added value that meet growing technological demands and differentiate us from competitors, and collaboration with suppliers in consideration of production technology innovations and reduction of environmental impact. At the same time, we returned 166.2 billion yen to our shareholders based on our shareholder return policy of a 50% dividend payout ratio. These were all covered using cash on hand obtained through business operations. We will continue to maintain a solid financial foundation built up by a high profit margin, and at the same time, undertake growth investments for the future and proactive efforts to return profits to shareholders.

Return on equity (ROE), one of our management indicators, increased from 26.5% in the previous fiscal year to 37.2%, improving capital efficiency. This was due to the increase in the ratio of net income attributable to owners of parent against net sales as well as the decrease in the turnover period for total assets.

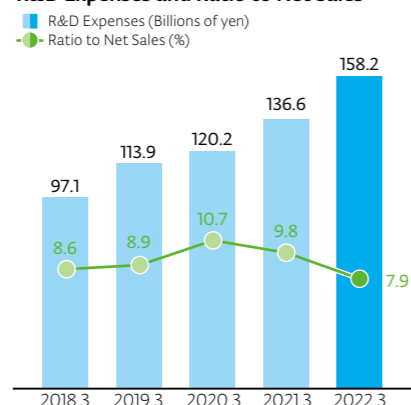
* Turnover period for total assets = Average total assets / Net sales × 365

For the details of financial data, please refer to the "Consolidated Financial Statements" on the Company's website. www.tel.com/ir/library/consolidated-financial-statements/

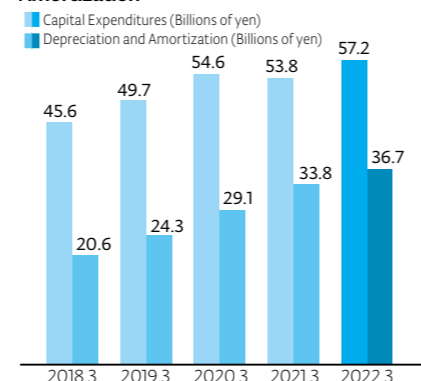
Selling, General and Administrative Expenses and Ratio to Net Sales



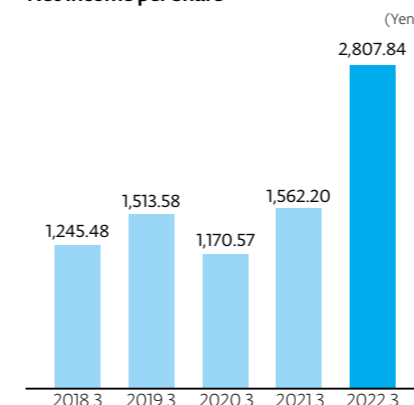
R&D Expenses and Ratio to Net Sales



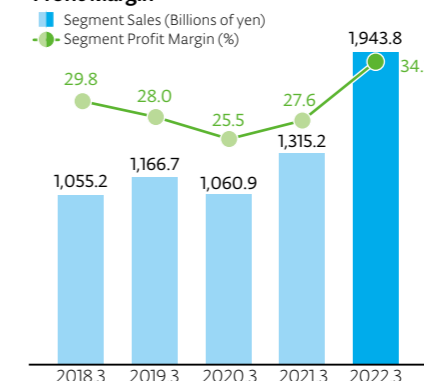
Capital Expenditures and Depreciation and Amortization



Net Income per Share

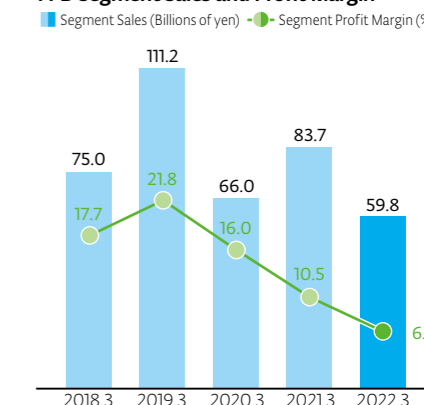


Semiconductor Segment Sales and Profit Margin



Notes: Segment profit corresponds to income before income taxes on the consolidated statements of income.

FPD Segment Sales and Profit Margin



Notes: Segment profit corresponds to income before income taxes on the consolidated statements of income.

Consolidated Eleven-Year Summary

Tokyo Electron Limited and Subsidiaries
From fiscal 2012 to fiscal 2022

The amounts in this summary in millions and thousands of yen; thousands of U.S. dollars; and thousands of shares as of and for the years ended March 31, 2016 and prior are rounded to the nearest unit. Such amounts as of and for the years ended March 31, 2017 and onward are truncated at the nearest unit. Accordingly, totals for the years ended March 31, 2017 and onward do not necessarily agree with the sum of the corresponding individual amounts.

	Thousands of U.S. dollars				Millions of yen								
	2022.3 ⁶	2022.3 ⁶	2021.3	2020.3	2019.3	2018.3	2017.3	2016.3	2015.3	2014.3	2013.3	2012.3	
Net sales ¹	\$ 16,372,300	¥ 2,003,805	¥ 1,399,102	¥ 1,127,286	¥ 1,278,240	¥ 1,130,728	¥ 799,719	¥ 663,949	¥ 613,125	¥ 612,170	¥ 497,300	¥ 633,091	
Semiconductor production equipment	15,882,375	1,943,843	1,315,200	1,060,997	1,166,781	1,055,234	749,893	613,033	576,242	478,842	392,027	477,873	
FPD production equipment	488,849	59,830	83,772	66,092	111,261	75,068	49,387	44,687	32,710	28,317	20,077	69,889	
PV production equipment	—	—	—	—	—	—	—	—	3,618	3,806	83	—	
Electronic components and computer networks	—	—	—	—	—	—	—	—	—	100,726	84,665	84,868	
Other	1,075	131	129	197	197	425	438	6,229	555	479	448	461	
Operating income	4,896,405	599,271	320,685	237,292	310,571	281,172	155,697	116,789	88,113	32,205	12,549	60,443	
Income (loss) before income taxes	4,875,384	596,698	317,038	244,626	321,508	275,242	149,116	106,467	86,828	(11,756)	17,767	60,602	
Net income (loss) attributable to owners of parent	3,571,176	437,076	242,941	185,206	248,228	204,371	115,208	77,892	71,888	(19,409)	6,076	36,726	
Comprehensive income (loss)	3,972,410	486,183	305,801	187,084	242,696	206,152	119,998	60,984	80,295	(10,889)	15,826	36,954	
Domestic sales	1,882,250	230,368	197,566	161,812	208,796	148,760	101,122	121,808	95,046	161,631	118,504	171,364	
Overseas sales	14,490,049	1,773,437	1,201,535	965,474	1,069,443	981,967	698,597	542,141	518,079	450,539	378,796	461,727	
Depreciation and amortization ²	300,081	36,727	33,843	29,107	24,323	20,619	17,872	19,257	20,878	24,888	26,631	24,198	
Capital expenditures ³	468,080	57,288	53,868	54,666	49,754	45,603	20,697	13,341	13,184	12,799	21,774	39,541	
R&D expenses	1,293,048	158,256	136,648	120,268	113,980	97,103	83,800	76,287	71,350	78,664	73,249	81,506	
Total assets ⁵	15,478,858	1,894,457	1,425,364	1,278,495	1,257,627	1,202,796	957,447	793,368	876,154	828,592	775,528	783,611	
Total net assets	11,006,199	1,347,048	1,024,562	829,692	888,117	771,509	645,999	564,239	641,163	590,614	605,127	598,603	
Number of employees		15,634	14,479	13,837	12,742	11,946	11,241	10,629	10,844	12,304	12,201	10,684	
Net income (loss) per share of common stock:	U.S. dollars				Yen								
Basic	\$ 22.94	¥ 2,807.84	¥ 1,562.20	¥ 1,170.57	¥ 1,513.58	¥ 1,245.48	¥ 702.26	¥ 461.10	¥ 401.08	¥ (108.31)	¥ 33.91	¥ 205.04	
Diluted ⁴	22.83	2,793.89	1,553.29	1,164.02	1,507.22	1,241.22	700.35	460.00	400.15	—	33.85	204.72	
Net assets per share of common stock	70.04	8,572.45	6,512.18	5,267.96	5,371.78	4,674.49	3,919.50	3,428.37	3,567.23	3,225.92	3,309.58	3,275.14	
Cash dividends per share of common stock	11.46	1,403.00	781.00	588.00	758.00	624.00	352.00	237.00	143.00	50.00	51.00	80.00	
Number of shares outstanding (thousands)		157,210	157,210	157,210	165,210	165,210	165,210	165,211	180,611	180,611	180,611	180,611	
Number of shareholders		34,258	29,547	30,348	50,843	35,186	21,937	24,664	20,829	30,563	41,287	42,414	
ROE		37.2	26.5	21.8	30.1	29.0	19.1	13.0	11.8	(3.3)	1.0	6.3	
Operating margin		29.9	22.9	21.0	24.3	24.9	19.5	17.6	14.4	5.3	2.5	9.5	
Equity ratio ⁵		70.5	71.1	64.1	70.0	63.8	67.2	70.9	73.0	69.8	76.5	74.9	
Total asset turnover (times) ⁵		1.21	1.03	0.89	1.04	1.05	0.91	0.80	0.72	0.76	0.64	0.79	
Net sales per employee	U.S. dollars				Thousands of yen								
	\$ 1,047,224	¥ 128,169	¥ 96,629	¥ 81,468	¥ 100,317	¥ 94,653	¥ 71,143	¥ 62,466	¥ 56,540	¥ 49,754	¥ 40,759	¥ 59,256	

1 From fiscal 2015, Electronic components and computer networks were excluded because Tokyo Electron Device Limited, a former consolidated subsidiary, became an equity method affiliate. Photovoltaic panel (PV) production equipment was included in FPD production equipment until fiscal 2012 but from fiscal 2016, it has been included in Other.

2 Depreciation and amortization does not include amortization and loss on impairment of goodwill.

3 Capital expenditures only represent the gross increase in property, plant and equipment.

4 Dilution is not assumed for the year ended March 31, 2014.

5 From fiscal 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28, revised on February 16, 2018) released by the ASBJ. Accordingly, total assets, equity ratio and total asset turnover for fiscal 2018 have been restated.

6 From fiscal 2022, the Company applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). Each number for fiscal 2022 includes the effects of the new standards.

Sustainability Data

Social

Tokyo Electron Limited and Subsidiaries

From fiscal 2018 to fiscal 2022

* ● denotes data in the "Tokyo Electron Sustainability Report 2022" with third-party assurance. www.tel.com/sustainability/report/

Composition of Employees (Japan and entire Group)

	2018.3	2019.3	2020.3	2021.3	2022.3
Number of regular employees	11,696	12,469	13,542	14,022	15,140
Regular employees (Region/Entire Group)					
Japan	7,268	7,526	7,806	7,921	8,234
Rest of Asia	2,218	2,832	3,494	3,796	4,328
Europe and Middle East	492	513	528	509	578
North America	1,718	1,598	1,714	1,796	2,000

	2018.3	2019.3	2020.3	2021.3	2022.3
Number of employees	7,516	7,797	8,100	8,296	8,661
Regular employees	7,268	7,526	7,806	7,921	8,234
Employees (Employment type/Japan)					
Men	6,292	6,479	6,681	6,722	6,944
Women	976	1,047	1,125	1,199	1,290
Non-regular employees	248	271	294	375	427
Men	181	220	263	348	403
Women	67	51	31	27	24

Recruitment/Employment (Japan and part of entire Group included)

	2018.3	2019.3	2020.3	2021.3	2022.3
Number hired	167	199	281	253	209
Under 30 yrs. old	163	198	280	252	208
New graduates hired					
Men	131	166	233	207	177
Women	32	32	47	45	31
30-49 yrs. old	4	1	1	1	1
Men	4	1	1	1	0
Women	0	0	0	0	1
50 yrs. old and over	0	0	0	0	0
Men	0	0	0	0	0
Women	0	0	0	0	0
Percentage of women	19.2	16.1	16.7	17.8	15.3
Number hired	262	239	150	191	400
Under 30 yrs. old	102	85	42	56	131
Career-track recruits					
Men	85	67	35	49	96
Women	17	18	7	7	35
30-49 yrs. old	156	145	96	123	250
Men	135	119	82	92	202
Women	21	26	14	31	48
50 yrs. old and over	4	9	12	12	19
Men	3	5	10	11	17
Women	1	4	2	1	2
Percentage of women	14.9	20.1	15.3	20.4	21.3
Percentage hired (TEL)	2.22	2.18	2.06	2.43	2.32
Percentage hired (Group in Japan)	1.91	2.04	2.01	2.3	2.37
Number of people	—	—	—	—	163
Female managers ^{1,2} (Entire Group)					
Percentage	—	—	—	—	5.5
Number of people (senior directors and above ³)	—	—	—	—	10
Percentage (senior directors and above ³)	—	—	—	—	2.2
Number of people (Japan)	20	22	23	26	46
Percentage (Japan)	1.8	2.0	2.0	2.2	2.6
Number of users	156	201	242	313	389
Reemployment system					
Men	155	196	235	305	376
Women	1	5	7	8	13

1 Percentage of female managers, calculation method: Number of female managers/Number of managers × 100 (Include experts in the number of managers from fiscal 2022)

2 As of March 31, 2022 3 Employees of a certain level or position based on the global human resources system

	2018.3	2019.3	2020.3	2021.3	2022.3
Number of users	31	30	23	23	18
Second career support system					
Men	30	28	18	20	15
Women	1	2	5	3	3
Percentage of regular employees who received regular performance and career evaluations	100.0	100.0	100.0	100.0	100.0

Employee Retention (Japan and part of entire Group included)

	2018.3	2019.3	2020.3	2021.3	2022.3
Retention after three years of joining TEL ¹	93.4	93.0	93.8	94.1	94.7
Employee retention					
Men	94.3	93.5	94.6	94.8	95.0
Women	87.1	88.0	88.6	89.3	93.5
Average service years	17 yrs. 1 mo.	17 yrs. 2 mos.	17 yrs. 2 mos.	17 yrs. 4 mos.	17 yrs. 2 mos.
Men	17 yrs. 4 mos.	17 yrs. 5 mos.	17 yrs. 5 mos.	17 yrs. 7 mos.	17 yrs. 6 mos.
Women	15 yrs. 7 mos.	15 yrs. 8 mos.	15 yrs. 11 mos.	15 yrs. 10 mos.	15 yrs. 8 mos.
Employee turnover	103	108	82	87	87
Men	82	88	54	75	69
Women	21	20	28	12	18
Turnover ²					
Turnover percentage	1.4	1.4	1.0	1.0	1.0
Employee turnover (Entire Group)	—	—	—	—	589
Men	—	—	—	—	507
Women	—	—	—	—	82
Turnover percentage (Entire Group)	—	—	—	—	4.2

1 Average in recent five years 2 Turnover due to personal circumstances

Work-life Balance (Japan)

	2018.3	2019.3	2020.3	2021.3	2022.3
Annual paid leave					
Take-up rate*	64.3	67.2	72.6	62.5	64.6
Refreshment leave					
Number of those who took leave	639	605	901	688	512
Men	556	507	773	610	435
Women	83	98	128	78	77
Paternity leave					
Number of those who took leave	180	155	184	148	137
Number of those who took leave	41	56	46	41	70
Men	4	8	12	16	36
Women (percentage who took leave)	37 (92.5)	48 (100.0)	34 (97.1)	25 (92.6)	34 (97.1)
Childcare leave					
Number of those who returned to work after leave	44	43	48	54	60
Men	6	6	8	15	32
Women	38	37	40	39	28
Percentage reinstated	93.6	93.5	94.1	96.4	95.2
Retention rate	90.0	88.9	93.3	95.0	90.0
Shorter working hour system					
Number of those who used	176	153	149	132	110
Men	24	8	11	9	7
Women	152	145	138	123	103
Leave to care for sick/injured child					
Number of those who took leave	455	517	625	510	547
Men	281	334	428	353	373
Women	174	183	197	157	174
Childcare support leave					
Number of those who took leave	120	129	125	86	80
Men	19	26	26	29	23
Women	101	103	99	57	57
Extended nursing care leave					
Number of those who took leave	3	5	2	2	1
Men	2	2	2	0	0
Women	1	3	0	2	1
Short nursing care leave					
Number of those who took leave	47	63	95	110	87
Men	25	38	56	69	57
Women	22	25	39	41	30
Shorter working hour system for nursing care					
Number of those who used	0	2	2	0	4
Men	0	0	1	0	2
Women	0	2	1	0	2

* Take-up rate of annual paid leave, calculation method: (Days of paid leave taken by employees*) / (Days of paid leave provided to employees*) × 100 * Incl. non-regular employees

Customers

	2018.3	2019.3	2020.3	2021.3	2022.3
Percentage of respondents who selected "Very Satisfied" or "Satisfied" in the customer satisfaction survey	59.4	84.4	93.3	96.7	100.0

Products/Innovation

	2018.3	2019.3	2020.3	2021.3	2022.3
Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	0	0	0	0	0
Number of active issued patents	16,767	17,473	18,137	18,692	19,572
Active issued patents (Region/Country)					
Japan	5,091	5,304	5,348	5,484	5,703
U.S.	4,321	4,415	4,606	4,822	4,988
Europe	185	179	191	206	167
Korea	2,864	3,076	3,223	3,363	3,731
Taiwan	2,675	2,817	2,948	2,925	3,014
China	1,631	1,682	1,821	1,892	1,969

	2016.12*	2017.12*	2018.12*	2019.12*	2020.12*
Global patent application rate	76.1	81.2	79.8	74.3	74.6
Patent application success rate					
Japan	71.5	82.9	83.1	84.9	79.8
U.S.	78.0	85.1	85.5	87.3	83.9

* Calendar year when patents were filed/granted

Safety

	2018.3	2019.3	2020.3	2021.3	2022.3
Percentage of employees who received training on basic safety	100	100	100	100	100
Percentage of employees who received training on advanced safety	100	100	100	100	100
Lost time incident rate (LTIR)	0.77	0.40	0.51	0.63	0.66
Number of workplace injuries per 200,000 work hours (TCIR)	0.38	0.20	0.23	0.27	0.30

Procurement

	2018.3	2019.3	2020.3	2021.3	2022.3
Percentage of new important suppliers screened using social criteria	100	100	100	100	100
Rate of improvement after supply chain sustainability assessment	20.7	—*	35.8	23.1	31.5
Rate of improvement after supply chain BCP assessment	21.2	19.4	16.0	20.3	24.4
Number of identified RMAP conformant smelters (rate of identification)	249 (100)	253 (100)	261 (100)	236 (100)	243 (100)

* Unable to compare with previous fiscal year due to comprehensive revisions, including the survey

Governance

	2018.3	2019.3	2020.3	2021.3	2022.3
Total number of critical incidents notified to the Board of Directors	0	0	0	0	0
Total number of incidents subject to legal action on the basis of anti-competitive conduct, antitrust activity or monopolistic practices where the governance body's involvement was revealed	0	0	0	0	0
Number of executive officers who received training on anti-corruption ¹	13	0	0	15	20
Total number (percentage) of directors who provided instructions on the body's policies and procedures in relation to anti-corruption ¹	12 (100)	12 (100)	11 (100)	11 (100)	12 (100)
Total number (percentage) of directors who received training on anti-corruption ¹	9 (75.0)	0 (0)	11 (100)	0 (0)	0 (0)
Payment to industry groups, etc. (thousand yen) ²	20,543	21,093	29,927	32,036	56,374
Payment to politically affiliated organizations (yen)	0	0	0	0	0
Average tenure of directors	8.04	7.36	4.84	6.09	6.58
Average rate of attendance for Board meetings	99.46	98.24	99.39	98.96	99.50

¹ Scope: Japan ² Industry groups were reviewed from fiscal 2022

Compliance

	2018.3	2019.3	2020.3	2021.3	2022.3
Education on TEL's Code of Ethics/pledge rate*	—	—	—	98.8	91.6
Percentage of employees who have consented to the information security agreement	99.9	100.0	100.0	99.4	99.9
Significant fines and non-monetary sanctions for non-compliance with laws and regulations in the social and economic area	0	0	0	0	0

* Scope: Entire Group

Social Contribution

	2018.3	2019.3	2020.3	2021.3	2022.3
Spending on social contribution (million yen)*	238	281	250	244	170
Cash donations breakdown					
Charity donations (providing donations/relief supplies to charity organizations)	13	11	4	13	15
Community investment (charitable expenses for long-term cause for community)	49	55	68	62	75
Commercial initiatives (charitable expenses with anticipated effects on business growth)	38	34	28	25	10

* Spending on social contribution activities excluding disaster relief contributions

Environment

Tokyo Electron Limited and Subsidiaries

From fiscal 2018 to fiscal 2022

* ● denotes data in the "Tokyo Electron Sustainability Report 2022" with third-party assurance. www.tel.com/sustainability/report/

Greenhouse Gas Consumption/Emissions

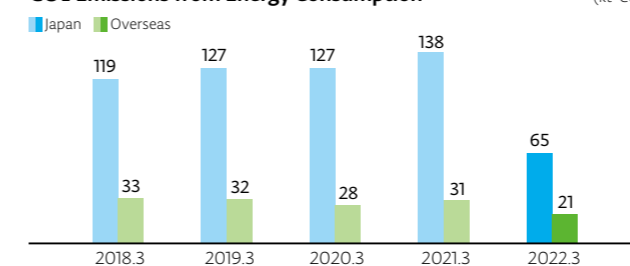
	2018.3	2019.3	2020.3	2021.3	2022.3
Emissions metric (sales) (t-CO ₂ /billion yen)	1.34	1.24	1.38	1.21	0.43
Emissions (kt-CO ₂)	152	159	155	169	86
CO ₂ from energy consumption					
Japan	119	127	127	138	65
Overseas	33	32	28	31	21
CO ₂ by scope					
Scope 1 emissions (kt-CO ₂)	9	9	11	12	12
Japan, energy-derived	7	7	10	10	10
Overseas, energy-derived	2	2	2	2	2
Scope 2 emissions (kt-CO ₂)	143	150	144	157	74
Japan	112	120	118	128	55
Overseas	31	30	26	29	19
Scope 3 emissions (kt-CO ₂)	23,163	25,354	22,691	24,453	29,020
Non-energy-derived greenhouse gas					
Consumption (kt-CO ₂ e) (Japan)	26	47	59	70	66
Japan - HFCs	3	3	6	5	5
Japan - PFCs	11	18	24	30	30
Japan - SF ₆	4	11	11	7	11
Japan - Other	8	15	18	28	20
Consumption (kt-CO ₂ e) (Overseas)	—	—	—	—	6
Overseas - HFCs	—	—	—	—	0
Overseas - PFCs	—	—	—	—	1
Overseas - SF ₆	—	—	—	—	1
Overseas - Other	—	—	—	—	4
Scope 1 emissions (kt-CO ₂ e)	8	15	16	17	4

- Scope 1: Direct GHG emissions from use of fuel and gas we owned or controlled
Calculation method: Emissions = Σ (fuel consumed × CO₂ emission factor)
Emission factor based on Japan's Act on Promotion of Global Warming Countermeasures
- Scope 2: Indirect GHG emissions from use of electricity we purchased
Calculation method: Emissions = Σ (purchased electricity × CO₂ emission factor)
Adjusted emission factors for the electrical power providers concerned based on Japan's Act on Promotion of Global Warming Countermeasures were used as the emission factor for Japan
Emission factors based on values from the Emissions Factors 2019 edition published by the International Energy Agency (IEA) were used as the emission factor for overseas electricity consumption
- Scope 3: Emissions from corporate value chains (excluding scope 1 and 2 emissions), such as product transportation, employee business travel and major outsourced production processes
The entire scope is divided into 15 categories, of which calculations were made for categories 1, 2, 3, 4, 5, 6, 7, 9, 11 and 12. Past category 11 was reviewed. Calculations for categories 8, 10, 13, 14 and 15 were not made as they are either not included in our activities or have already been included in other categories.
- Scope 1: Non-energy-derived CO₂ and greenhouse gases other than CO₂
Calculation method: Emissions = Σ (consumption × emission per unit consumption - amount recovered and properly treated) × global warming factor
Global warming factor is based on Japan's Act on Promotion of Global Warming Countermeasures.
From fiscal 2022, the value for the amount recovered and properly treated have been reviewed to match actual conditions.

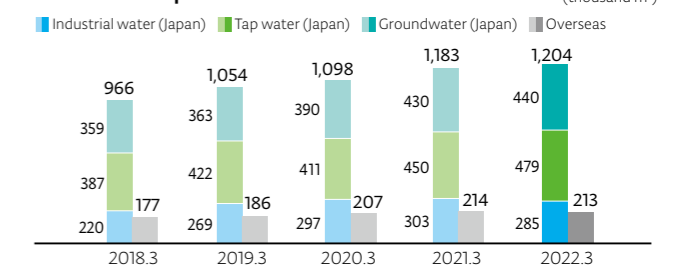
Resource Consumption

	2018.3	2019.3	2020.3	2021.3	2022.3
Consumption (thousand m ³)	1,143	1,240	1,305	1,397	1,417
Water					
Japan	966	1,054	1,098	1,183	1,204
Groundwater	359	363	390	430	440
Tap water	387	422	411	450	479
Industrial water	220	269	297	303	285
Overseas	177	186	207	214	213
Copier paper					
Use (t) (Japan)	194	165	132	38	32

CO₂ Emissions from Energy Consumption



Water Consumption



Energy Consumption/Generation

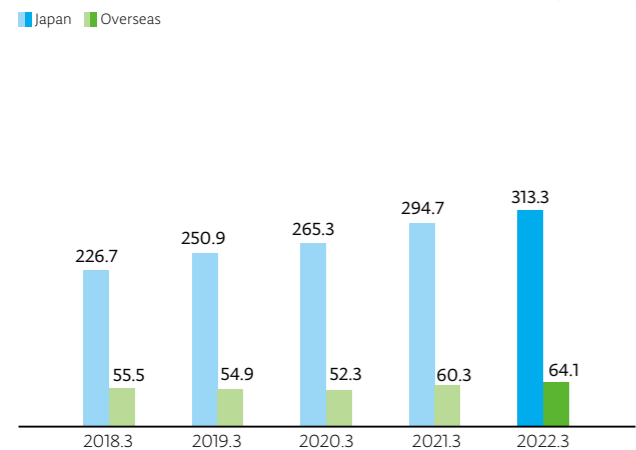
		2018.3	2019.3	2020.3	2021.3	2022.3
Energy	Consumption metric (sales) (kL/billion yen)	0.67	0.63	0.75	0.68	0.50
	Consumption (crude oil equivalent) (kL) ^{1,2}	75,199	81,074	85,074	94,746	100,265
	Japan	59,765	65,897	70,642	78,126	82,703
	Overseas	15,434	15,177	14,432	16,620	17,562
Electricity	Consumption (MWh)	282,274	305,795	317,614	354,961	377,432
	Japan	226,747	250,911	265,293	294,652	313,322
	Overseas	55,527	54,884	52,321	60,309	64,110
Gas (city gas, LPG)	Consumption (crude oil equivalent) (kL)	3,083	2,991	3,565	3,820	3,796
	Japan	1,947	1,948	2,611	2,728	2,738
	Overseas	1,136	1,043	954	1,092	1,058
	Consumption (crude oil equivalent) (kL) ^{1,2}	1,040	1,072	1,624	1,667	1,625
Fuel (heavy oil A, diesel oil, kerosene, gasoline)	Japan	1,026	1,055	1,603	1,651	1,612
	Overseas	14	17	21	16	13
	Purchase (MWh)	3,458	3,834	3,334	4,980	227,523
Renewable energy (electricity)	Japan	0	0	0	0	197,137
	Overseas	3,458	3,834	3,334	4,980	30,386
	Power generation (MWh)	4,414	4,392	3,804	4,068	3,890
PV power generation system	Japan	4,414	4,392	3,804	4,068	3,890
	Overseas	0	0	0	0	0
	Power sales (MWh) ³	1,386	1,382	1,225	1,285	1,195
Power sales	Japan	1,386	1,382	1,225	1,285	1,195
	Overseas	0	0	0	0	0
	Power use percentage	2	2	2	2	60
Renewable energy (electricity) use rate	Japan	1	1	1	1	63
	Overseas	6	7	6	8	47

¹ Calculated using the conversion factors for fuel, gas and electricity in relation to the "Act on Rationalizing Energy Use"
² Past energy consumption and fuel consumption were reviewed ³ Heat and steam not sold

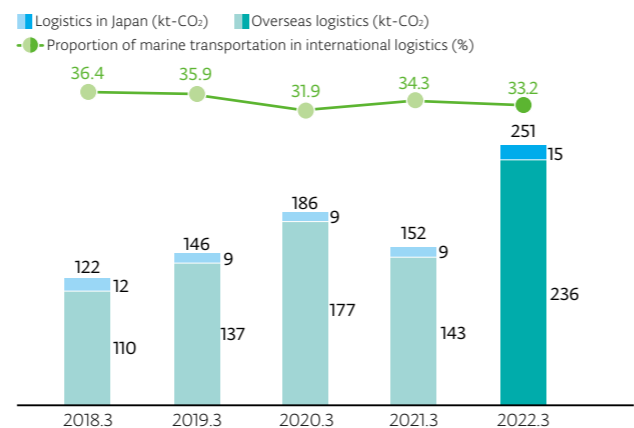
Environmental Impact of Logistics

		2018.3	2019.3	2020.3	2021.3	2022.3
CO ₂	Emissions (kt-CO ₂)	122	146	186	152	251
	Japan	12	9	9	9	15
	Overseas	110	137	177	143	236
Proportion of marine transportation (international)		36.4	35.9	31.9	34.3	33.2

Electricity Consumption



CO₂ Emissions from Logistics and the Proportion of Marine Transportation



Amount of Waste Generated

		2018.3	2019.3	2020.3	2021.3	2022.3
Waste	Amount generated (t)	14,435	14,960	13,989	14,997	14,465
	Japan	13,694	14,208	12,973	13,705	12,927
	Overseas	741	752	1,016	1,292	1,538
Dangerous/Hazardous waste	Amount generated (t)	5,158	6,951	6,228	7,227	5,232
	Japan (Specially controlled industrial waste)	4,904	6,619	5,911	6,718	4,706
	Overseas (Dangerous/Hazardous waste per country)	254	332	317	509	526
Recycling	Recycled amount (t)	14,211	14,770	13,748	14,814	14,195
	Japan	13,561	14,092	12,831	13,587	12,795
	Overseas	650	678	917	1,227	1,400
Incinerated and landfill waste	Amount of waste (t)	224	190	241	183	270
	Japan	133	116	142	118	132
	Overseas	91	74	99	65	138
Water discharges	Water discharge volume (thousand m ³)	905	1,006	1,078	1,195	1,194
	Japan	759	850	900	1,006	1,009
	Overseas	146	156	178	189	185

Chemical Substances Consumption/Emissions (Japan)

		2018.3	2019.3	2020.3	2021.3	2022.3
PRTR Class I designated chemical substances	Volume handled (t)	100	101	121	144	119
	Ferric chloride	82	84	98	106	85
	Hydrogen fluoride and its water-soluble salts	12	11	12	24	22
	Methylnaphthalene	5	5	10	13	11
	VOCs*	0.0	0.0	0.1	0.1	0.1
	Other	1	1	1	1	1
Amount transported (waste amount) (t)		95	96	111	131	108
Consumption (t)		5	5	10	13	11
NO _x	Emissions (t)	11.5	9.6	11.9	13.0	13.1
SO _x	Emissions (t)	2.7	2.8	4.0	4.9	4.8

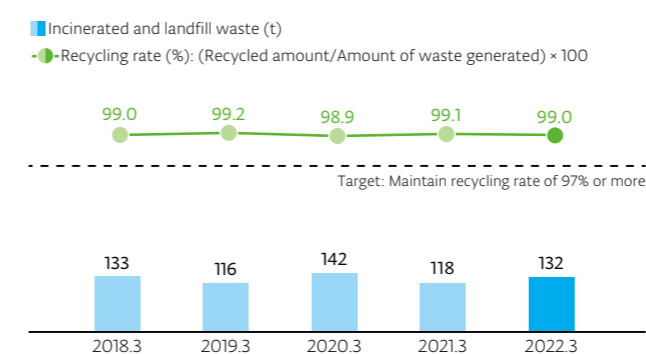
* VOCs: Volatile Organic Compounds

Other

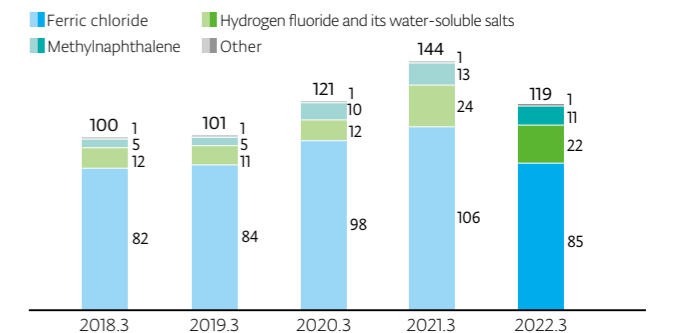
		2018.3	2019.3	2020.3	2021.3	2022.3
ISO 14001	Number of certified offices	9	9	9	11	11
	Japan	5	5	5	5	5
	Overseas	4	4	4	6	6
Biodiversity	Number of ecosystem tours*	22	17	18	18	16
	Number of ecosystem tour participants*	718	595	368	52	87
Environmental laws and regulations	Number of breaches of environmental laws and regulations	0	0	0	0	0
	Amount of fines for breaches of laws and regulations	0	0	0	0	0
Total product shipment (t)*		34,110	32,715	31,184	28,862	41,352

* Scope: Japan

Recycling Rate/Generation of Incinerated and Landfill Waste in Japan



Volume of PRTR Class I Designated Chemical Substances Handled in Japan



Consolidated Subsidiaries (As of March 31, 2022)

Japan

- Tokyo Electron Technology Solutions Ltd.
- Tokyo Electron Kyushu Ltd.
- Tokyo Electron Miyagi Ltd.
- Tokyo Electron FE Ltd.
- Tokyo Electron BP Ltd.
- Tokyo Electron Agency Ltd.

U.S.

- Tokyo Electron U.S. Holdings, Inc.
- Tokyo Electron America, Inc.
- TEL Technology Center, America, LLC
- TEL Venture Capital, Inc.
- TEL Manufacturing and Engineering of America, Inc.

Europe

- Tokyo Electron Europe Ltd.
- Tokyo Electron Israel Ltd.
- TEL Magnetic Solutions Ltd.

Asia

- Tokyo Electron Korea Ltd.
- Tokyo Electron Taiwan Ltd.
- Tokyo Electron (Shanghai) Ltd.
- Tokyo Electron (Kunshan) Ltd.
- Tokyo Electron Singapore Pte. Ltd.

26 consolidated subsidiaries in total, including the above 19 companies

Stock Information (As of March 31, 2022)

Corporate Name and Head Office

Tokyo Electron Limited
Akasaka Biz Tower
3-1 Akasaka 5-chome, Minato-ku,
Tokyo 107-6325, Japan

Established

November 11, 1963

Annual General Meeting of Shareholders

June

Common Stock

Stock trading unit	100 shares
Authorized	300,000,000 shares
Issued	157,210,911 shares
Number of shareholders	34,258

Common Stock Listed on

Tokyo Stock Exchange Prime Market
(Stock code: 8035)

Website

www.tel.com

Independent Auditor

KPMG AZSA LLC

Administrator of Shareholders' Register

Sumitomo Mitsui Trust Bank, Limited
4-1 Marunouchi 1-chome, Chiyoda-ku,
Tokyo, Japan

Direct mail and inquiries to:

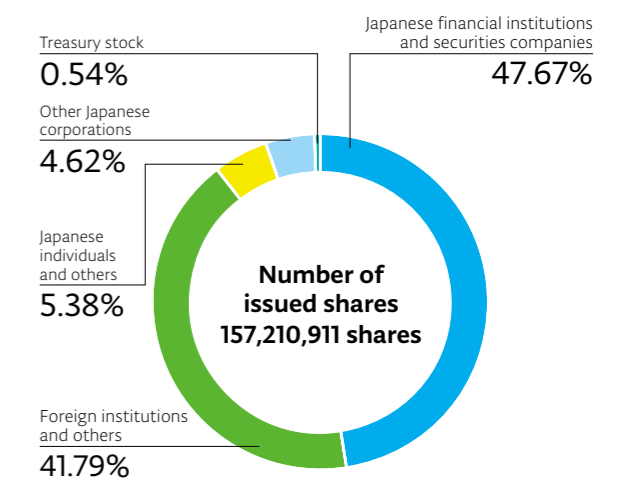
Sumitomo Mitsui Trust Bank, Limited
8-4 Izumi 2-chome, Suginami-ku,
Tokyo, 168-0063, Japan
Tel (toll free): 0120-782-031 (available only
in Japan)

Major Shareholders

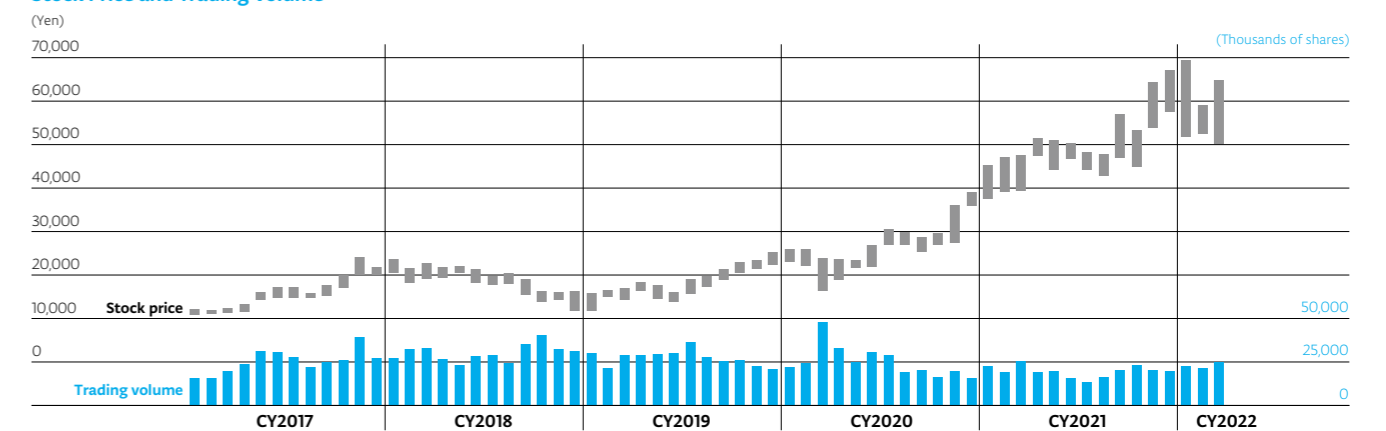
	Number of shares held (thousands)	Voting share ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	42,017	26.87
Custody Bank of Japan, Ltd. (trust account)	13,743	8.78
JP Morgan Chase Bank 385632	8,137	5.20
TBS HOLDINGS, INC.	5,801	3.71
Custody Bank of Japan, Ltd. (securities investment trust account)	2,983	1.90
STATE STREET BANK WEST CLIENT - TREATY 505234	2,580	1.65
Custody Bank of Japan, Ltd. (trust account 4)	2,347	1.50
SSBTC CLIENT OMNIBUS ACCOUNT	2,229	1.42
JP Morgan Chase Bank 385781	1,917	1.22
The Dai-ichi Life Insurance Company, Limited	1,440	0.92

Notes: 1. Shares of less than one thousand have been rounded down in the "Number of shares held."
2. Voting share ratios are calculated excluding treasury stock (851,052 shares). Figures are truncated after the second decimal place. Treasury stock excludes the 610,529 Company shares owned by the executive compensation Board Incentive Plan (BIP) trust account and the share-delivering Employee Stock Ownership Plan (ESOP).

Distribution of Ownership among Shareholders



Stock Price and Trading Volume



	2018.3	2019.3	2020.3	2021.3	2022.3
High (yen)	23,875	21,935	25,875	47,320	69,170
Low (yen)	11,455	11,595	13,760	18,925	42,670
Total shareholder return (%) (TOPIX, dividends reinvested)	169.8 (115.9)	143.0 (110.0)	183.7 (99.6)	407.6 (141.5)	554.5 (144.3)