

Fundamental Policy on Sustainability-Related Initiatives

In its VISION 2025 medium-term management plan, the Tokyo Electron Device Group has defined “Driving digital transformation” as its mission for the future, aiming to contribute to the arrival of Society 5.0 and its continuing development as a highly efficient, smart society achieved by leveraging data and digital technologies. Based on this perspective, the Group’s fundamental policy on sustainability-related initiative is as follows.

Based on the understanding that increasing corporate value and the continuity of business are intertwined with the sustainable growth of society, the Tokyo Electron Device Group will contribute to the sustainable development of a more prosperous society by providing a variety of solutions through its business activities. In addition, we will refer to various ESG frameworks and the Sustainable Development Goals (SDGs) as we strive to achieve the sustainable development of the Group and increase corporate value by seeking solutions to issues based on an awareness of the material issues shown at right.

Material Issues

1 Leverage the resources that the Company has accumulated with a focus on electronics and IT to contribute to the realization of a sustainable society.



2 With respect for fundamental human rights at the core, create work environments and personnel systems that facilitate work and provide meaningful work while pursuing the sustainable development of the Company.



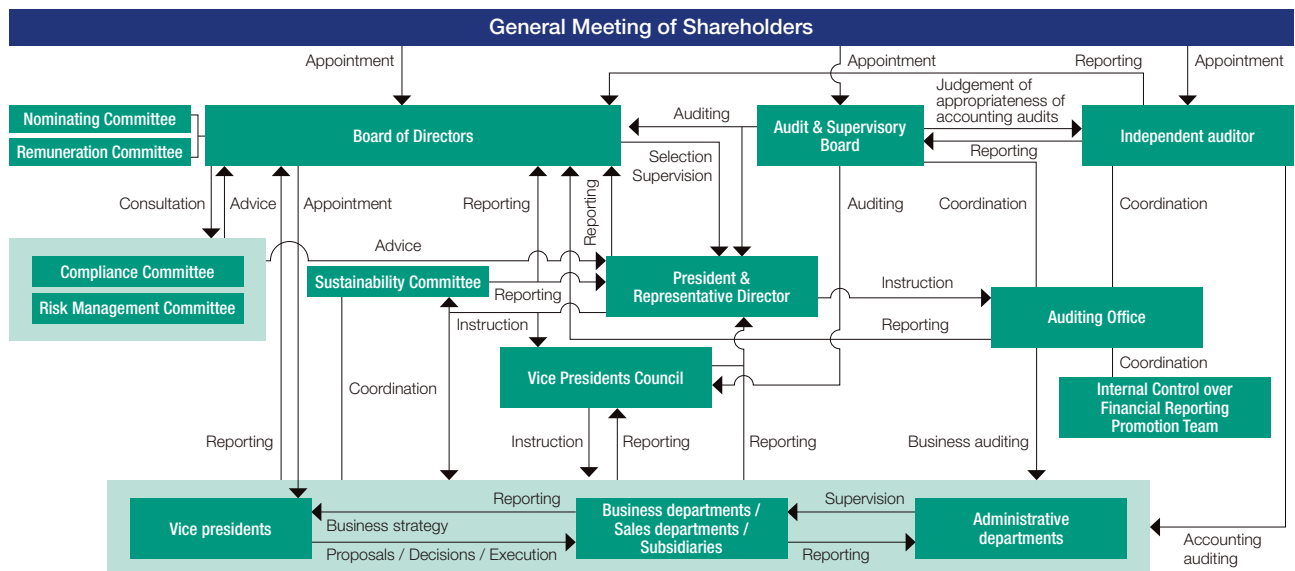
3 Mitigate environmental burdens (environmental risks) that occur as a result of business activities and strive to maintain a sustainable relationship between society and the Company.



Governance and Risk Management Related to Overall Sustainability

Aiming to contribute to the sustainable development of society through its business, in June 2022, the Tokyo Electron Device Group established the Sustainability Committee. The committee operates under the direct control of the president and reports to the Board of Directors. Companywide risk management is handled by the Risk

Management Committee, but the Sustainability Committee leads efforts related to sustainability, including addressing climate change risks, from gathering information to identifying risks and opportunities, reflecting these in business strategy and advancing related activities. The committee reports on its activities to the Board of Directors.



Strategy

Viewing climate change as a medium- to long-term risk, to consider organizational resilience and strategies based on related risks and opportunities, the Tokyo Electron Device Group referenced climate change scenarios (2°C and 4°C) developed by the International Energy

Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) to examine the long-term impact that Tokyo Electron Device will experience up until fiscal 2050 and perform scenario analyses with a focus on the Electronic Components and Private Brand businesses.

Main Climate Change Risks, Opportunities and Countermeasures

Scenario	Cause	Change	Risk/ Opportunity	Impact on the Company	Countermeasures
2°C	Adoption of a carbon tax	Increased procurement costs	Risk	•The adoption of a carbon tax will increase product and distribution costs, squeezing profit	•Find low-GHG suppliers/distributors •Strengthen and promote procurement policy
		Increased operating costs	Risk	•The adoption of a carbon tax will increase operating costs, squeezing profit	•Promote initiatives to reduce CO ₂ emissions •Take air conditioning-related measures and proactively promote telecommuting
	Stronger GHG-related requirements from supply chains	Loss of customers resulting from delayed responses	Risk	•Stronger calls for decarbonization from customers could lead to significant declines in sales and profit if we fail to meet the required standards	•Enhance disclosure aligned with the TCFD recommendations •Calculate CO ₂ emissions by 2023
	Stakeholders' increased concern over and interest in climate change	Impact on financing and sales	Risk	•Delayed responses to climate change could cause our value and reputation to decline and impact our bank loans, stock price and sales	•Enhance disclosure based on external requirements
	Popularization of energy saving	Expansion of business opportunities for semiconductors and solutions that improve the productivity of plants and facilities and enhance energy-saving performance	Opportunity	•Increased demand for facility replacement, etc., aimed at improving plant and facility productivity •Transition to low-carbon energy •Improvement in yield, etc.	•Focus on developing manufacturing systems in our Private Brand Business, making full use of data science, image recognition and robotics •Expand product lineup based on customer needs •Help facilitate use of renewables through development of bulk power control technology (smart energy products)
4°C	Intensification of climate disasters	Progress in electrification of vehicles	Opportunity	•Progress in the electrification of vehicles and advancement of automated driving technology will increase demand for automotive semiconductors	•Strengthen relations with suppliers and customers to respond to increased demand •Strengthen sales framework for automotive customers and keep searching for automotive products
		Possibility of suppliers and distribution bases experiencing disasters, resulting in operational disruption	Risk	•We will face difficulty in maintaining product supply if suppliers experience flooding or climate disasters •If our distribution bases and data centers experience disasters, our shipments will stop and operations will be impaired	•Thoroughly collect supplier-related information to prepare for and mitigate climate disasters •Take further BCP measures at our distribution bases and data centers
		Increased need for disaster response	Opportunity	•With the growing need to respond to increasingly severe disasters, customers will demand more products and solutions that assist disaster preparedness and mitigation	•Strengthen relations with suppliers and customers to capture increased customer demand
		Progress in digital transformation (DX) that caters to changes in living environments	Opportunity	•With rising temperatures and other changes in work conditions, catering to companies that promote DX (e.g., plant automation and telecommuting) will take on greater importance	•Understand customer demand and find and secure products by coordinating with suppliers •Expand solutions and products related to DX

* 2°C scenario: This scenario involves taking measures to minimize the rise in global temperatures, such as tightening regulations or making changes in markets.
4°C scenario: This scenario involves extreme weather and other physical impacts occurring as a result of the rise in global temperatures.

Risk Management

We established a TCFD Working Group and performed a scenario analysis related to climate change risks. We are prioritizing climate-related risks based on the probability of risks/opportunities arising and the magnitude of their impact, and focusing efforts on particularly high-priority matters. Moving forward, the Sustainability Committee will carry out ongoing confirmation. As for our climate-related risk

management process, we plan to analyze climate-related risks, and then develop, promote and manage the progress of countermeasures through the Sustainability Committee and TCFD Working Group. The analyses and considerations of the Committee and Working Group will be reported to the Board of Directors as necessary to promote integrated Companywide risk management.

Metrics and Targets

In consideration of environmental issues, the Tokyo Electron Device Group provides eco-friendly products, prevents contamination and undertakes various other initiatives. Recognizing climate change response as an important management issue, the Group has adopted total greenhouse gas emissions (Scope 1 and 2) as an indicator for use in evaluating and managing the impacts of climate-related issues on management.

The total emissions in fiscal 2021 and 2022 for the domestic consolidated Group were as follows. The Tokyo Electron Device Group

aims to be carbon neutral by fiscal 2050 and has set a reduction target for fiscal 2030. Specifically, through measures including utilizing renewable energy, the Group aims to achieve a 50% reduction from fiscal 2021 levels in fiscal 2030.

	Fiscal 2021 result	Fiscal 2022 result	Fiscal 2030 target
Scope 1 and 2 emissions	1,629 t-CO ₂	1,748 t-CO ₂	50% reduction from fiscal 2021 levels

Strategy

The Tokyo Electron Device Group's fundamental policy on human resource development is as follows.

- Develop human resources with a global perspective, who can satisfy customers and meet their needs based on the premise that employee growth contributes to personal fulfillment and feelings of achievement
- Promote skill development that respects each employee's desire to learn and improve
- Create environments that enable all employees to exercise their abilities to the fullest by developing individual strengths and expertise

In line with this policy, we provide level-specific education, career development training, foreign language training, business skill training, applied skill training and technical training. Furthermore, aiming to become a manufacturer with technology trading company functions, we define the kind of leaders who will create future social value as follows.



New hire training

- Human resources who can promote future-oriented Companywide transformation
- Human resources who can lead business innovation to transition into a manufacturer
- Human resources who can leverage the Group's strengths to lead business expansion

To develop the next generation of leaders, we have launched a human resource development plan focused on the themes of "Purpose," "Leadership," "Innovation," "Results-oriented," "Team building," and "External empathy."

In addition to hiring a set number of new graduates each year, we engage in mid-career hiring aimed at reinforcing our human resources and expanding our range of operations. In addition, we work to reinforce human resource measures through a PDCA cycle that involves understanding progress and hurdles related to the aforementioned themes in each business segment and implementing countermeasures as needed. Specifically, such measures include securing

mid-career human resources with expertise in advanced technologies, such as data science, image recognition, robotics, AI, IoT and security, as well as implementing programs to enhance the specialized technical skills of employees.

In terms of personnel allocation, based on the annual transfer request system, we operate a framework aimed at putting the right people in the right jobs in the short, medium, and long term through regular rotation meetings attended by the managers in charge of each business segment. The Tokyo Electron Device Group is committed to respecting differences in culture, ethnicity and personality, and does not restrict opportunities for employees based on nationality, gender, sexual orientation, disability, age or other such factors. We believe that utilizing each employee's abilities to the fullest—including their individual character and experience, backed by diverse perspectives and values—will contribute to the Group's sustainable growth.

We have built a flexible compensation system based on employee roles and provide environments that allow employees to take initiative in their work. By doing so, we are advancing efforts to ensure that we can flexibly respond to changes in the market environment. Beginning in April 2022, we have adopted a permanent remote work system with no upper limit on usage, in part to help improve employee work-life balance.



Online training

Other initiatives related to human capital and diversity include the following.

- Promotional activities to advance active recruitment of female new graduates
- Support for using the Company's systems of short-term and long-term leave for childcare and nursing care
- Education about various types of harassment and compliance
- Reducing working hours by promoting efficiency and the use of paid time off, and establishing a weekly no-overtime day
- Encouraging male employees to take childcare leave to promote a workplace culture that is supportive of employees balancing work and family responsibilities

Metrics and Targets

Our targets and results related to human capital and diversity are shown at right. These figures are for Tokyo Electron Device Limited, which operates the main businesses of the Group.

Metric	Fiscal 2022 result	Fiscal 2024 target
Rate of management positions held by women	8.4%	(Note 1)
Attrition rate	0.9%	3.0% or less
Refreshment leave usage ²	65.4%	70.0% or more
Paid time off usage	65.8%	70.0% or more
Rate of employees undergoing annual health checkups	99.9%	100.0%

1. The Company has set the targets for rate of management positions held by women of 10% or more in fiscal 2025 and 12% or more in fiscal 2029.
2. Refreshment leave is a system of special leave that enables employees to take longer, consecutive periods of leave, according to their years of service with the Company.

Policies on Constructive Dialogue with Shareholders

The Company considers it important to conduct constructive dialogue with shareholders in order to deepen ideas and understanding on both sides and thereby enhance corporate value. The Company responds proactively to shareholders' requests for dialogue (meetings) after inquiring about the purposes and outline of the dialogue in advance.

1. Executives in charge

The Company recognizes that constructive dialogue with shareholders is important. Accordingly, the president and the director in charge of the Corporate Administration Division attend major meetings, such as investor meetings.

2. Internal framework for dialogue

The first contact point for shareholders is the IR Department for analysts and institutional investors and the General Affairs Department for individual shareholders. In fiscal 2023, 74 one-on-one meetings were held with analysts and institutional investors. The Company proactively requests meetings with analysts and institutional investors, and will continue such efforts going forward. A framework is established where the relevant departments support dialogue with shareholders as needed.

3. Dialogue other than individual meetings

The Company makes efforts to enrich dialogue other than through individual meetings by attending investor meetings for analysts and institutional investors as well as investor meetings for individual shareholders held by stock exchanges and securities companies. In fiscal 2023, the Company held two briefings for individual investors and participated in one IR event for individual investors.

4. Feedback to the Board of Directors

After meetings with shareholders, the president and the director in charge of IR report the details in the Board of Directors meeting as needed. There, the information is shared among the corporate directors, who discuss the future direction of management and IR measures.

5. Information management framework for dialogue

The Company has established rules concerning insider information management and takes care to prevent leaks of pre-disclosure information during dialogue. It also appropriately discloses necessary information to shareholders in accordance with the timely disclosure system.



Facility tour



Online IR event

Our first point of contact with analysts and institutional investors is the IR Department. For these parties, in addition to one-on-one meetings, we hold results briefings to announce our financial results for the full year and for the first half. In fiscal 2023, we also held a facility tour for analysts and institutional investors. For individual investors, in fiscal 2023 we took part in online IR events. We will continue striving to provide timely disclosure to investors.

Enhancing Management Awareness of Cost of Capital and Share Price

We believe that advancing management with an awareness of the cost of capital and return on capital is crucial to achieving ongoing growth and enhancing corporate value over the medium and long term in order to meet the expectations of investors and other stakeholders. As such, every year, the estimated cost of capital is regularly calculated and reported to the Board of Directors.

To promote management with an awareness of return on capital,

we have included ROE in the financial targets of VISION 2025, our medium-term management plan aimed at fiscal 2025.

Using these metrics, to increase enterprise value, we review revenue plans and the business portfolio, allocate management resources accordingly, and communicate with shareholders about such plans and their results appropriately.