

Identifying material issues

Tokyo Electron (TEL) uses the following process to identify important and priority material issues (key issues) to be addressed for the medium- to long-term enhancement of corporate value.

Issues awareness

Social environment

While steady growth is forecast for the global economy, humans are also faced with various social issues, including abnormal climate conditions and natural disasters, conflicts between states and cyber-terrorism, water and food crises. TEL is deepening its awareness of social environments that may affect the value chain as a whole, and social issues with a high degree of relevance to the business, giving consideration to SDGs, the United Nations Global Compact, RBA, and recommendations from third-party organizations.

Business issues

With the spread of big data¹ and AI,² the dawn of IoT,³ and the introduction of the 5G⁴ next-generation communication standard, applications are expanding for semiconductors and flat panel displays (FPDs) that support social infrastructure and demand for technological innovation is also growing. In these circumstances, TEL, whose core business is semiconductor and FPD production equipment, must accurately grasp social trends and customer needs, and consider them from the early stages of development, in order to provide products for the market in a timely manner. Furthermore, it is important to provide high-value-added maintenance services for improving the productivity of delivered equipment, extending service life, and so on.

Risks and opportunities

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

Social trends	Risks for TEL	Opportunities
Dealing with environmental issues	<ul style="list-style-type: none"> Failure to comply with laws and regulations or industry codes of conduct Increases in business costs 	<ul style="list-style-type: none"> Promotion of environmental management Improvement of product environmental performance and creation of business opportunities
Evolution of technology	<ul style="list-style-type: none"> Reduction in customer satisfaction Lost business opportunities 	<ul style="list-style-type: none"> Generating of innovative products and services Maintaining competitive advantage
Increased reliance on cyber	<ul style="list-style-type: none"> Loss of core information Stoppage of business operation 	<ul style="list-style-type: none"> Strengthening of information infrastructure Networking for productivity improvement
Governance and compliance	<ul style="list-style-type: none"> Ethics and compliance violations Loss of society's trust 	<ul style="list-style-type: none"> Development of highly effective governance Sustainable corporate management
Supply chain management	<ul style="list-style-type: none"> Weakening of supply system Loss of business continuity 	<ul style="list-style-type: none"> Creation of new value through collaboration Ongoing collaboration by building relationships of trust

Stakeholder engagement

TEL learned about stakeholder opinions and requests through ongoing dialogue, before sorting through them and reviewing the important themes to be addressed.

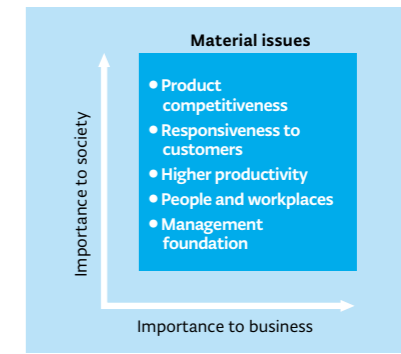
Stakeholders	Communication opportunities	Key opinions and requests	Relevant material issues
Shareholders/ investors	<ul style="list-style-type: none"> Earnings announcement ESG surveys Interviews 	<ul style="list-style-type: none"> Medium- and long-term growth scenario and associated measures Further initiatives for corporate governance Sharing of market perspectives and improved accuracy of business forecasts 	<ul style="list-style-type: none"> Product competitiveness Higher productivity Management foundation
Customers	<ul style="list-style-type: none"> Technology conference Customer satisfaction survey Individual technology collaboration 	<ul style="list-style-type: none"> Understanding of diverse application needs Proposal of high-value-added solutions Comprehensive and optimal solutions 	<ul style="list-style-type: none"> Product competitiveness Responsiveness to customers Higher productivity
Suppliers	<ul style="list-style-type: none"> Production update briefing Partners day STQA* audit 	<ul style="list-style-type: none"> Sharing of higher-quality, timely information Improvement of own processes through compliance with quality standards 	<ul style="list-style-type: none"> Higher productivity Management foundation
Employees	<ul style="list-style-type: none"> Employee meetings Global engagement survey Career interest survey (Japan) 	<ul style="list-style-type: none"> Sharing of management messages, direct dialogue Support for medium- to long-term career development for employees Creation of opportunities for promoting and recognizing productivity in the working environment and the spirit of challenge among diverse employees 	<ul style="list-style-type: none"> People and workplaces Management foundation
Local communities	<ul style="list-style-type: none"> Community contribution activities Tours of factories and offices 	<ul style="list-style-type: none"> Coexistence of company with communities Creation of employment Revitalization of local economies, such through purchasing and logistics 	<ul style="list-style-type: none"> People and workplaces Management foundation
Governments/ associations	<ul style="list-style-type: none"> Industry group activities Collaboration with various initiatives 	<ul style="list-style-type: none"> Creation of innovation leading to the resolution of social issues Initiatives targeted at climate change and respect for human rights Building of sound supply chains 	<ul style="list-style-type: none"> Product competitiveness People and workplaces Management foundation

* STQA: Supplier Total Quality Assessment

Analysis and selection

TEL has ascertained the social and business environment, has considered the risks and opportunities, and made arrangements according to the wishes of all stakeholders. The company has deliberated material issues from the perspectives of their importance to both the building of a sustainable society and importance to the business to lead to increasing TEL's corporate value.

As a result, the company has defined its material issues as product competitiveness, responsiveness to customers, and higher productivity, which are items identified for enhancement in the medium-term management plan, in addition to people and workplaces, which are important as a resource for creating value, and management foundation, which concerns corporate governance, the environment, human rights, and other issues.



Examination of validity

With regard to the defined material issues, an examination of validity was conducted at the review council which included external experts.

Key opinions and advice obtained from Review Council
<ul style="list-style-type: none"> Integrated thinking is exhibited in the fact that goals are set after identifying material issues which are linked to the medium-term management plan and which relate to both strengthening management foundation and creating value High-level goals as well as unique indicators are evident, reflecting an eagerness for action Going forward, further improvements are expected, such as combining both outcome indicators and process indicators for goals

Material issues

Material issues	Medium-term goals	Priority themes
Product competitiveness	<ul style="list-style-type: none"> Create strong next-generation products 	<ul style="list-style-type: none"> Tackling technological innovation Environmental contribution of products
Responsiveness to customers	<ul style="list-style-type: none"> Become the best and sole strategic partner 	<ul style="list-style-type: none"> Solutions that create value for customers Improvement of customer satisfaction
Higher productivity	<ul style="list-style-type: none"> Constantly pursue higher management efficiency 	<ul style="list-style-type: none"> Quality management Improvement of quality in the value chain
People and workplaces	<ul style="list-style-type: none"> Maximize dreams and drive 	<ul style="list-style-type: none"> Diversity and inclusion Career development Work-life balance Health and safety
Management foundation	<ul style="list-style-type: none"> Build a management foundation for increasing value 	<ul style="list-style-type: none"> Corporate governance Compliance Human rights Environmental management Supply chain management