



INTEGRATED REPORT 2023

Tokyo Seimitsu Co., Ltd.




Tokyo Seimitsu Co., Ltd.

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CONTENTS

Introduction		04	Sustainability		42	Editorial Policy		Scope of the Report	
About Tokyo Seimitsu						Period Covered			
Tokyo Seimitsu's Aspirations 04						This report mainly covers the period from April 1, 2022 to March 31, 2023. It also includes some topics from before and after that period.			
Tokyo Seimitsu's DNA and Mission 05						Organizations Covered			
The History of Tokyo Seimitsu 06						The Tokyo Seimitsu Group, comprising Tokyo Seimitsu Co., Ltd. and its consolidated subsidiaries.			
Message from CEO 08						In principle, reporting covers both Tokyo Seimitsu Co., Ltd. and its consolidated subsidiaries. However, some non-financial data covers Tokyo Seimitsu Co., Ltd. only.			
Message from COO 10						Accounting Standards			
Overview of Tokyo Seimitsu's Businesses 14						Unless otherwise stated, reporting is in accordance with Japan GAAP.			
Financial and Non-Financial Highlights 16						Cautionary Note Regarding Forward-Looking Statements			
						The plans, strategies, and future prospects described in this report are based on certain assumptions that we consider reasonable at the time of disclosure. Actual results may differ due to various factors.			
Strategy		18	Governance		58	Information Disclosure Structure			
Value-Creation Process 18									
The Source of Tokyo Seimitsu's Competitiveness 20									
Tokyo Seimitsu's Business Model 22									
Aiming for the Sustainable Growth 24									
Aiming for the Sustainable Growth									
~Tokyo Seimitsu's Technology Making the NEV Realm a Reality~ 26									
Materiality Issues 28									
Mid-Term Business Plan for Fiscal 2022 to 2024 30									
Message from CFO 32									
Business-Specific Strategies									
Semiconductor Manufacturing Equipment Business .. 34									
Precision Measuring Instrument Business 36									
Intellectual Capital Strategy 38									
Human Capital Strategy 40									
Key Consolidated Financial Data 76						IR Information			
Non-Financial Data 80						https://www.accretech.com/en/ir/			
Company Information and Stock Information 81						Plans are formulated by the Sustainability Committee			
						https://www.accretech.com/en/sustainability/index.html			

About Tokyo Seimitsu

Tokyo Seimitsu's Aspirations

Looking forward, we will work with all stakeholders to overcome challenges and create a sustainable future.

Purpose

Gaging the future with Metrology, Creating the future with Semiconductors

Starting as a company with its precision equipment company in 1949, the Tokyo Seimitsu Group has been providing precision measuring instruments equipped with advanced measurement technology to industries since its inception.

Even in the semiconductor manufacturing equipment business, ever since launching Japan's first wafer slicing machine, our measurement technology has been utilized to meet the demand for advanced miniaturization, 3D applications, and higher efficiency. Being "the only semiconductor manufacturing equipment manufacturer with a metrology business" makes us unique and serves as the source of our strength.

The Tokyo Seimitsu Group will continue to contribute to creating an enriched society of the future through both its precision measuring instrument business and semiconductor manufacturing equipment business.



Corporate Brand



ACCRETECH

A fusion of "Accrete" and "Technology," signifying "Grow Together."

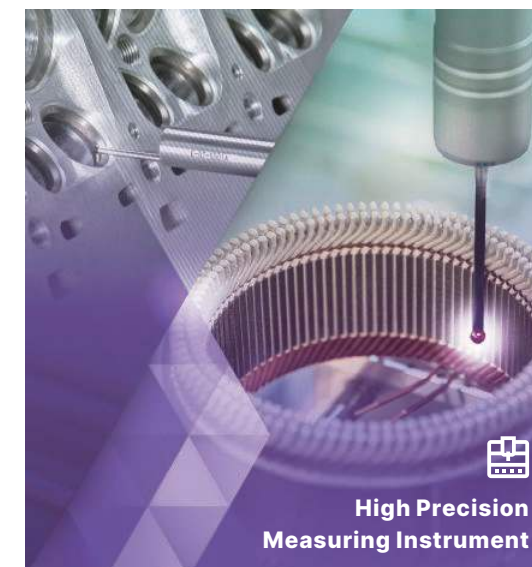
Our symbol mark represents our Corporate Philosophy, which is "Growing together with partners and customers by collaborating technology, knowledge, and information to create the world's No. 1 products."

Tokyo Seimitsu's DNA and Mission

Providing the Highest-level Technology
to Achieve the World's No. 1 Manufacturing

WIN-WIN RELATIONSHIPS CREATE THE WORLD'S No. 1 PRODUCTS

Our mission is to work with our customers to achieve the world's best manufacturing activities. Breakthrough technologies are needed to realize next-generation products and bring them to market. We provide precision measuring instruments and semiconductor manufacturing equipment that leverage the world-class technological expertise we have cultivated over more than 70 years since our founding to offer new possibilities for our customers' manufacturing operations.



"No Measurement, no Manufacturing"

Measurement is an essential part to all manufacturing. Based on the concept of "No measurement, no manufacturing," we support the development of industries around the world with our ultra-high-precision, high-speed measurement technology for all kinds of objects. This ability to measure precisely also supports the evolution of semiconductors in terms of high performance and miniaturization. We contribute to affluence in people's lives and a new future by remaining abreast of the times.

The History of Tokyo Seimitsu

Precision measurement capabilities, Tokyo Seimitsu's core technologies, have brought about various innovations during the history of Tokyo Seimitsu. We will continue to hone our core technologies and challenge various possibilities to respond to the needs of customers and society and solve their issues.

Our Growth Trajectory

Supporting the evolution of global manufacturing with a spirit of challenge toward technological innovation

Semiconductor Manufacturing Equipment Business

1958
The Company develops a germanium pellet automatic thickness sorting machine
Utilized measurement technology
Technology for automatically and precisely measuring the thickness of small parts



1963
The Company develops an internal diameter blade-type wafer slicing machine



1964
The Company develops a wafer probing machine



1987
The Company develops the S-LM-500 Large diameter wafer slicing machine
Utilized measurement technology
The larger the diameter, the more difficult it is to produce a flat cut. In response, an innovative cutting method that uses both a grinding wheel and a blade were employed. Measurement technology and sensors were utilized for cutting and grinding



1992
The Company develops the A-PM-90A Next-Generation Probing Machine

Utilized measurement technology
The operator work that was previously required for the initial needle alignment is now fully automated by utilizing precision measuring technology for precise automatic needle alignment using a CCD camera



2000
The Company develops the PG200 Polish grinder

In fiscal 2022, net sales reached a record high of
¥146.8 billion

Precision Measuring Instrument Business

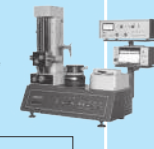
1952
The Company develops a high pressure flow-type air micrometer



1969
The Company develops a coordinate measuring machine



1979
The Company develops the RONDCOM 5A, roundness and cylindrical profile measuring instrument



1949
Tokyo Seimitsu Kogyo Co., Ltd. is established

1960

1962
Changes name to Tokyo Seimitsu
The Company's stock is listed on the Second Section of the Tokyo Stock Exchange

1970
The Company makes a full-fledged entry into the business of semiconductor processing instruments

1980

1986
Listed on the First Section of the Tokyo Stock Exchange

1990

1995
The Company enters a global partnership with Carl Zeiss

2000

2012
The Company acquires a precision blade business from Mitsubishi Materials

2010

2019
The Company acquires Fujitsu Telecom Networks Fukushima Limited (now Accretech Powertro System)

2020

(FY)

1950s

1960s

1970s

1980s

1990s

2000s

2010s

2020s

Trends in the semiconductor industry

Birth of the transistor

Birth of the integrated circuit (IC), semiconductors become smaller and higher-performance

Move toward large-scale integrated circuits and multifunctionality

Increased semiconductor memory/PC proliferation

Smartphones become mainstream

Explosive spread of IoT and 5G

Trends in the precision measuring instruments industry

Metric system introduced

Wave of motorization

Issue of air pollution from automobile exhaust

The golden age of Japanese cars

Automotive industry restructuring

Hybrid vehicles emerge

New-energy vehicles are introduced

Evolution of Tokyo Seimitsu

From the dawning of the Company to the establishment of its technological base

Period of full-scale development through original technological development

Recovery from recession and proactive development of unique new products

Decisive implementation of management reforms and concentrated investment in strategic products

Restructuring of business by keeping an eye on the future and building an unshakable management foundation

Strategic investment and increased production Reinforcement of policies to become a sustainable company

Entering the precision and semiconductor fields

- Based on the technical capabilities that were successfully developed with cutting tools for advanced sewing machines, we respond to the sophisticated needs of the automotive and sewing machine industries
- Entered the precision field with air micrometers
- Entered the semiconductor field with the development of a germanium pellet automated thickness sorting machine

Development of groundbreaking instruments based on the concept of "No measurement, no manufacturing"

- Accumulated various technologies to measure all manner of things for Japanese industry
- The Company develops Japan's first internal diameter blade-type wafer slicing machine and wafer probing machine

Achieved position as the world's leading manufacturer of slicing machines

- The Company captured a 70 to 80% share of the global market with the internal diameter blade-type wafer slicing machine developed in response to the trend toward larger-diameter silicon wafers
- Received acclaim for our roundness and cylindrical profile measuring instrument, which employed the world's most advanced technology

Acquired a top share of the global market for probing machines through our concentrated investment in strategic products

- Made aggressive R&D and capital investments in strategic products, such as wafer slicing machines, probing machines, and dicing machines to rebuild management following the prolonged recession caused by the collapse of the bubble economy
- The Company captures top share of the global probing machine market with the A-PM-90A

Establishment of a management policy that continues to the present and advocacy of ACCRETECH

- Formed an alliance with Germany's Carl Zeiss to streamline product development and expand sales through the mutual supply of products
- Introduced an in-house company system and an executive officer system, establishing the management foundation that continues to the present

Initiatives to become a truly global company and develop products that contribute to carbon neutrality

- Established the Sustainability Committee to reinforce efforts toward creating a sustainable society
- Developed and launched a high rigid grinder optimized for processing power semiconductors (compound semiconductors)
- Expanded operations through acquisition of precision blade, balancer, and charge/discharge testing system businesses

Message from CEO



Hitoshi Yoshida

Chairman and CEO

The world is currently facing a number of unprecedented challenges, like climate change and social instability arising from the growing gap between haves and have-nots. I can see first-hand how efforts are being made all over the world to address these issues, including the United Nations and other international organizations issuing recommendations to various industries, and more stringent regulations being enacted by each country. As a member of society, companies like ours need to fulfill our responsibility by keeping pace with these efforts and developing new technologies and products in each respective field. For around 75 years, the Tokyo Seimitsu Group has grown on the back of semiconductor manufacturing equipment and precision measuring instruments that support the state-of-the-art product development and manufacturing conducted by our client companies, and I want to coordinate efforts with our stakeholders to help create a sustainable society and achieve growth for our companies.

Sustainability of the Tokyo Seimitsu Group

To ensure that the Tokyo Seimitsu Group expands its business and builds up a presence deemed essential to society in the future, I think it will be essential to supply the market with products that have minimal environmental impact and that help people enhance their wellbeing. I also understand that it is extremely important to ensure that stakeholders of the Tokyo Seimitsu Group live a healthy and affluent life, and we are making sure that this forms the very essence of our sustainability activities.

In 2021, we formulated the Basic Sustainability Policy and established the Sustainability Committee, which I chair to spearhead sustainability activities throughout our Group.

The Basic Sustainability Policy covers six key areas: "Efforts to address environmental issues," "Earning the trust of society," "Respect for human rights," "Human resource development,"

"Participation in and contribution to local communities," and "Building and running a fair, transparent, and efficient corporate governance system," on which we based our materiality issues.

● Basic Sustainability Policy

The Tokyo Seimitsu Group is always committed to building a "future full of dreams."

Efforts to address environmental issues

Earning the trust of society

Respect for human rights

Human resource development

Participation in and contribution to local communities

Building and running a fair, transparent, and efficient corporate governance system

"Efforts to address environmental issues" includes initiatives for contributing to the environment by supplying environmentally friendly products and reducing GHG emissions from our manufacturing sites.

"Earning the trust of society," "Respect for human rights," "Human resource development," and "Participation in and contribution to local communities" focus on solving social issues through the provision of high-value-added products and the establishment of supply chains. At the same time, we have embarked on activities in line with priority initiatives based on materiality issues for creating a workplace where a diverse range of people can play an active role and where they can enjoy a healthy and rewarding work environment, both physically and mentally, and with respect for human rights.

"Building and running a fair, transparent, and efficient corporate governance system" involves strengthening the management foundation, compliance, and risk management that underpins our corporate activities. As the chairman of the Board of Directors, I am also rolling out initiatives to enhance the board's effectiveness.

Climate Change Initiatives

Climate change is considered a significant management risk for our Group. In addition to the major impact on the socioeconomic sector that the increase in extreme weather events caused by global warming will have, there are a range of other potential risks, such as rising costs due to more stringent regulations implemented to achieve decarbonization and shrinking target markets due to changes in the markets that our Group targets. In contrast, our products and services also present major growth opportunities toward the realization of a decarbonized society—an example that illustrates this is the way we can contribute to the spread of NEVs.

As such, responding to climate change is viewed as a high-priority challenge, so we are focusing on building a cross-divisional framework to handle this. In 2022, we agreed to the rec-

ommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and are analyzing and disclosing risks and opportunities based on this framework.

We aim to reduce our Group's 2030 Scope 1 and 2 CO₂ emissions by 50% compared with fiscal 2018 and are focusing on power-saving efforts with the primary aim of reducing the CO₂ equivalent of electricity purchased, as a way of slashing our greenhouse gas emissions.

As a Global Company

Currently, overseas markets account for the majority of the Tokyo Seimitsu Group's sales, and we have approximately 950 employees in 18 countries outside Japan. Regardless of the countries or regions we operate businesses in, the Tokyo Seimitsu Group aspires to be a global company that has common policies and goals that respects the differences in customs and ways of thinking among countries and regions. To this end, we are working to strengthen ties between our employees.

Similarly, we believe that ensuring management discipline throughout the Group is of the utmost importance, so we are enhancing global management toward all of our sites in any country or region where the Group is operating.

Gaging the future with Metrology, Creating the future with Semiconductors

The Tokyo Seimitsu Group is implementing our own style of sustainability activities based on our mission of "Growing together with partners and customers by collaborating technology, knowledge, and information to create the world's No. 1 products." Furthermore, by keeping to our purpose of "Gaging the future with Metrology, Creating the future with Semiconductors," we aim to achieve an affluent society where everything in people's lives advances conveniently, and a sustainable society where we can enjoy the richness of nature and happiness in various ways.

I am delighted to present this Integrated Report 2023, with the hope that it reinforces your understanding of the direction the Tokyo Seimitsu Group is heading, and to grow together with our stakeholders. I would appreciate you taking the time to read through the report and providing us with any feedback you may have.

October 2023
Chairman and CEO

Message from COO



Ryuichi Kimura

President and COO

The Industry's Only Manufacturer of Semiconductor Manufacturing Equipment that also has Measurement Technologies

I would like to begin by highlighting that measurement technology forms the core technology of the Tokyo Seimitsu Group. Since our founding in 1949, it was our precision measuring instruments that enabled us to expand our business opportunities—the measurement technology that we developed over this time is also utilized in our semiconductor manufacturing equipment that continues to grow in market scale. In light of this, I am keenly aware that the Tokyo Seimitsu Group is the industry's only manufacturer of semiconductor manufacturing equipment that also has measurement technologies. In the past, we focused on sustaining stable earnings from two key businesses, but with semiconductor devices reaching the limits of technological advancements, we believe

we can make further advances by applying our measurement technology to semiconductor manufacturing equipment. This has enabled even higher-precision inspection and processing, and our Company's core strengths are being harnessed in the world's No. 1 manufacturing activities.

Maintaining Technological Superiority in an Intensifying Market Environment

The semiconductor market continues to experience rapid advances in functionality and quantitative growth. To date, needs have been met through advances in front-end process technology for design shrinkage and larger diameter wafers. As these now approach their technological limits, the industry is seeking new solutions, such as 3D packaging, that can be realized with post-processing technology. The Tokyo Seimitsu Group offers a wide range of products for back-end process-

es, and I believe we can contribute greatly to this kind of innovation.

In addition, an increasing number of countries are now pursuing national policies to strengthen semiconductor development and production. While this move presents an opportunity for the Tokyo Seimitsu Group to expand its market, it also carries the risk of creating new competition. The Tokyo Seimitsu Group is aiming to maintain its competitive advantage by investing in research and development to maintain its technological edge, as well as by developing its service structure and expanding its production capacity to improve our response to customer needs.

Precision Measuring Instruments Available for an Extensive Range of Manufacturing Activities

In the area of precision measuring instruments, which are essential for high-quality manufacturing, the Tokyo Seimitsu Group has maintained steady growth by capturing demand for measuring the dimensions and shapes of high-precision parts, especially for automobiles with internal combustion engines. Industry shifts toward energy conservation, fuel efficiency, and the unification of automobile platforms have also created new demand.

While there was a temporary lull in demand caused by the spread of COVID-19, the market for manufacturing activities does remain stable, and growing demand for NEVs toward decarbonization and greater sales in the robotics, medical care, and semiconductor industries mean these businesses are slowly expanding. Our business for test systems of batteries and other secondary cells is beginning to take hold, with business opportunities steadily increasing.

Capture Business Opportunities and Strengthen Initiatives in Growth Industries

The Tokyo Seimitsu Group has set the numerical targets for fiscal 2024, the final fiscal year of the three-year mid-term business plan, to reaching ROE of 15% or higher, consolidated net sales of 170.0 billion yen, and consolidated operating profit of 37.5 billion yen.

The Group believes that the world of "Society 5.0," meaning an integration of the virtual and physical society, will continue as 5G drives advances in communication technology. We also expect the semiconductor market to grow rapidly by both monetary and quantitative measures. While the market for ICE automobiles is tending to decrease, the precision measuring instrument market is expected to grow due to the need for new types of measurements for NEVs, aircraft, and other sectors.

In the semiconductor manufacturing equipment business, we see business opportunities in the growing demand for testing systems (probing machines) as semiconductor devices and electronic components become more sophisticated and com-

plex, and assembly equipment (dicing machines and polish grinders) as devices are comprised of more individual components. We also anticipate expansion of the machining process market related to new compound semiconductors, such as those made of silicon carbide (SiC) and gallium nitride (GaN) with a view toward going carbon neutral. To this end, we will promote development that matches the needs of our customers and expand our business by developing new products in the processing equipment category.

In precision measuring instruments, we believe that the rapid shift in direction toward carbon neutrality and the expansion of the NEVs and renewable energy markets will stimulate new demand for measurement, as well as demand for automation in manufacturing in response to the declining workforce. We also believe the semiconductor-related market presents business opportunities. To this end, we will strengthen our efforts in growth industries, as well as in the charge/discharge testing business and solutions for automation.

Expanding Business with the Synergy of Semiconductor Manufacturing Equipment and Precision Measuring Instruments

We are creating unique new business opportunities through the fusion of semiconductor manufacturing equipment and precision measuring instruments. By incorporating our precision measuring instruments into semiconductor manufacturing equipment, we can provide fresh new solutions and greater added value—we will also be able to expand our target markets by making our precision measuring instruments available throughout semiconductor-related industries.

With these synergies, the Company is anticipating to increase sales to around 13 billion yen in 2025.

Reviewing 2020 and Beyond

From fiscal 2018 to 2021, the Company expanded business toward its four-year mid-term management targets (ROE of 10%, operating profit of 22 billion yen, and sales assumption of 110 billion yen). Business assumptions made at the time included advances in 5G technology and demand from China for the semiconductor manufacturing equipment business, and automobile platform innovation for the precision measuring instrument business. Yet the sudden growth in EVs owing to moves toward decarbonization, demand from people staying at home due to the outbreak of COVID-19, and the rapid development of new working styles (WFH: Working From Home) resulted in a major growth in demand for semiconductor devices and semiconductor manufacturing equipment. Meanwhile, significant changes had unfolded, like difficulties in sourcing the materials required for production, and these made me acutely aware that our businesses and industries related to the Company had become directly linked to the people's lives around the world and that the mission of the Tokyo Seimitsu Group was to provide the products required by cus-

tomers exactly when they need them. This is why we have been expanding production capacity during the period of the current mid-term business plan—to fulfill the responsibility we have for our customers.

With global temperatures continuing to rise so quickly, the Company recognized that it should be one of the members focusing on resolving these issues, endorsed the TCFD recommendations, and incorporated into the current mid-term business plan operations for achieving decarbonization and the supply of products that contribute to decarbonization.

Business Performance for Fiscal 2022

While the direct impact of COVID-19 and the restrictions put in place by various countries began to subside during fiscal 2022, inflation increased due to the disruption of the supply chain and other factors. Countries around the world introduced monetary tightening as part of policies aiming to curb these trends, resulting in major fluctuations in exchange rates. The war in Ukraine also triggered an increase in the cost of materials and energy, all of which led to an outlook of ongoing economic uncertainty.

Given these circumstances, we increased production capacity for the semiconductor manufacturing equipment department, to ensure that existing orders could be shipped as per the required delivery schedules. Global demand for power semiconductors required for carbon neutrality also increased, and we also responded to these changes. In the precision measuring instrument department, a resumption in capital investments that had slowed down led to signs of recovery in the market, and we moved to diversify target markets by meeting demand for charge/discharge testing systems and automation.

With these efforts, fiscal 2022 resulted in the third consecutive year of increased revenue and profit, and the second consecutive year of all-time highs. We also paid special bonuses in recognition of the considerable efforts made by employees toward giving form to customer feedback, despite such tough business environments.

Full Year Operating Results (Unit: hundred million yen)	FY2020	FY2021	FY2022
Net sales	971	1,307	1,468
Operating profit (Operating margin)	156 (16%)	283 (22%)	345 (24%)
Recurring profit	159	292	353
Current net profit	122	213	236

A Succession Plan is the Top Challenge for Management

Time flies so fast, and I turned 60 years old in 2022. At the moment, three of us hold positions with the most responsibility—Chairman and CEO Yoshida, Executive Vice President and CFO Kawamura, and myself as the COO—but this personnel structure will not continue forever. In a few years, we may have to make the decision to hand over the reins to the next President. The most important role for me as the COO is to ensure that the strengths and strategies developed by Tokyo Seimitsu since its founding are passed on and implemented successfully, to nurture and cultivate a successor capable of sustainable growth for the Company.

I do not necessarily intend to name a successor from someone in the current management team. Instead, I hope to find skilled personnel, regardless of nationality or gender, and build up their experience before handing over the reins.

Lessons from Sales. Giving Form to Customer Feedback

I joined Tokyo Seimitsu as a fresh graduate, where I was involved solely in the field of sales in the semiconductor manufacturing equipment department. Just like today, semiconductor devices were experiencing rapid growth, and device manufacturers and manufacturing equipment manufacturers had a mutually beneficial relationship.

The most valuable thing I learned during that time was to identify exactly what customers wanted—in other words, to listen carefully to their needs. We need to pay special attention to customer feedback at every given opportunity, to leverage their "requirements" to develop devices. This is what forms our mission. While I was working in sales, this positive chain was leveraged to deliver to customers numerous devices that became the world's first or Japan's first, and as a result, we were able to achieve what they were seeking. I personally believe that such person-to-person connections, particularly those connections leveraged for finding solutions to issues, are so important—even now in my role as the President—and I am trying to convey this level of importance to employees on a daily basis.

Aiming to Be the World's No. 1 Giving Shape to Engineers' Ideas

I am of the firm belief that "people" are key assets of Tokyo Seimitsu, and experienced engineers and the staff that assist them are the source of growth for our Group.

The Company has developed a corporate culture where engineers tackle customers' issues head-on and pursue innovation based on their wisdom and experience.

I always tell our engineers that I want them to reflect their own ideas in product development, and the Company has created

a system for executing development budgets in a way that gives concrete form to their ideas. Going forward, we will continue to cherish "human resources" as our valuable assets, and work alongside our customers to be the world's No. 1 in manufacturing.

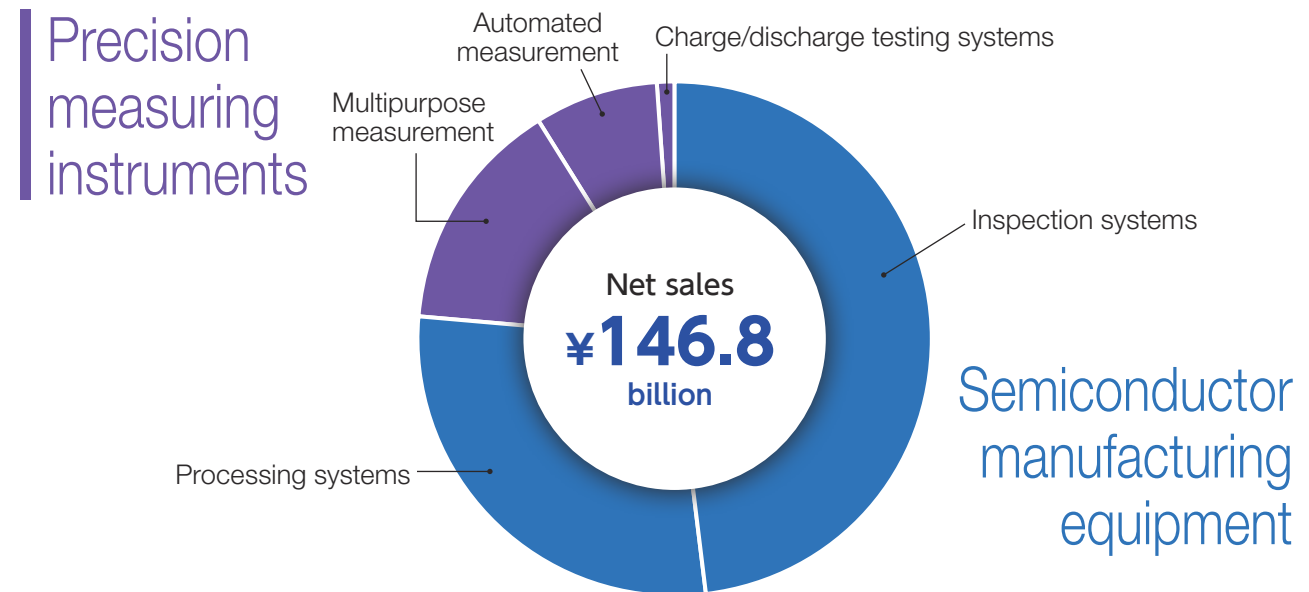
October 2023
President and COO




Overview of Tokyo Seimitsu's Businesses

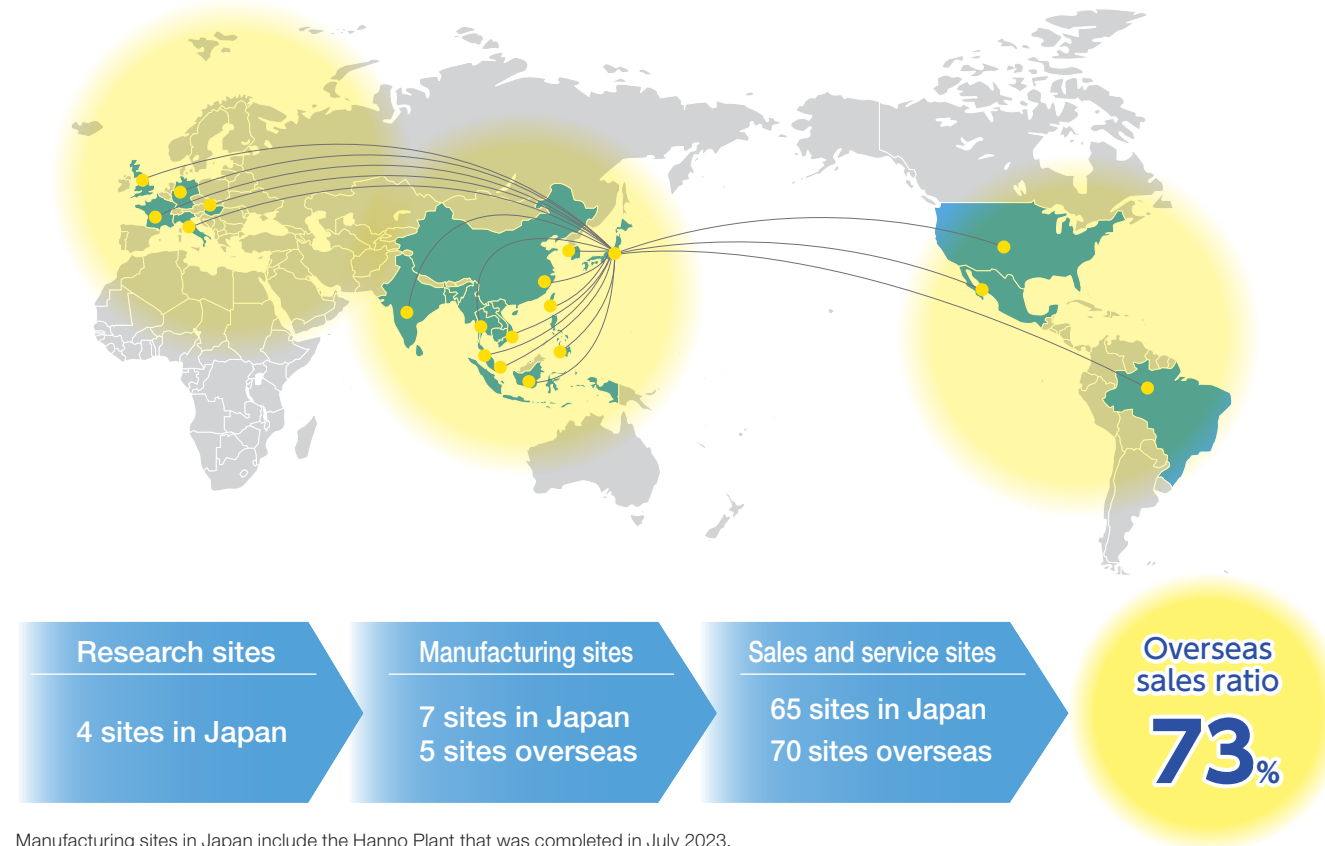
Tokyo Seimitsu achieves stable earnings through operations in two fields of business: semiconductor manufacturing equipment and precision measuring instruments. By boosting the synergy between these two businesses, we have earned a high share of the global market as the only producer of semiconductor manufacturing equipment that also has measurement technologies.

Business Portfolio



Global Network Supporting the World's Leading-Edge Manufacturing

Group companies globally expanding at 70 sites in 18 countries and regions provide on-site support for the world's leading-edge manufacturing activities. Providing prompt and meticulous support is earning the strong trust of our customers.



Tokyo Seimitsu's Product Characteristics

Semiconductor Manufacturing Equipment

Semiconductor manufacturing equipment that is essential to producing next-generation and other leading-edge devices

- Probing machines
- Dicing machines
- High rigid grinders
- Polish grinders
- CMPs (chemical mechanical planarizers)
- Edge grinding machines
- Sliced wafer demounting and cleaning machine

Probing machines
Top share of the global market



Precision Measuring Instruments

Supporting and ensuring manufacturing at automobile and other production sites by offering the world's highest level of precision, speed, and resistance to environmental factors

- Coordinate measuring machines
- Surface texture and contour measuring instruments
- Roundness and cylindrical profile measuring instruments
- Optical measuring instruments
- Optical shaft measuring instruments
- X-ray CT systems
- Charge/discharge testing systems
- Machine control gauges

Coordinate measuring machines, surface texture and contour measuring instruments
Top share of the Japanese market



Technical Synergies Between Semiconductor Manufacturing Equipment Business and Precision Measuring Instruments Business

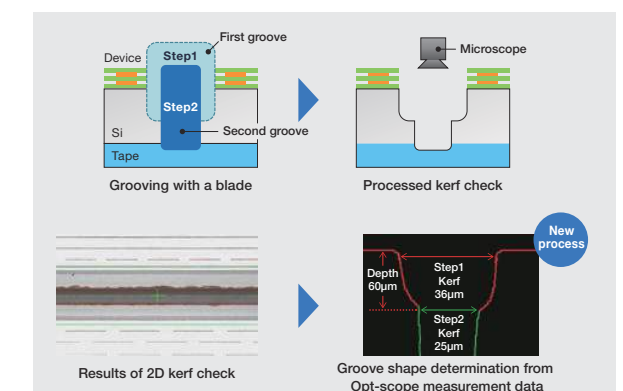
Applying the measurement technology of the Precision Measuring Instrument Business to semiconductor manufacturing equipment enables higher precision machining and inspections.

AD3000T-PLUS Opt-scope built in

Dicing machines are equipped with non-contact measuring technology to support new inspection functions



- Dicing machines can be used for measuring machining groove profiles



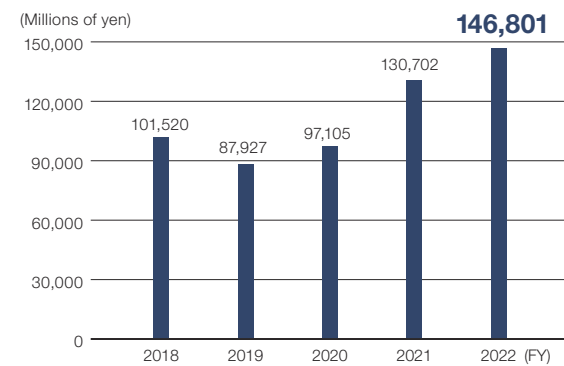
Example: Image of Step Cut process

Existing process: Second groove cannot be detected with kerf checks
New process: Results of Step1 and Step2 groove machining can be measured accurately

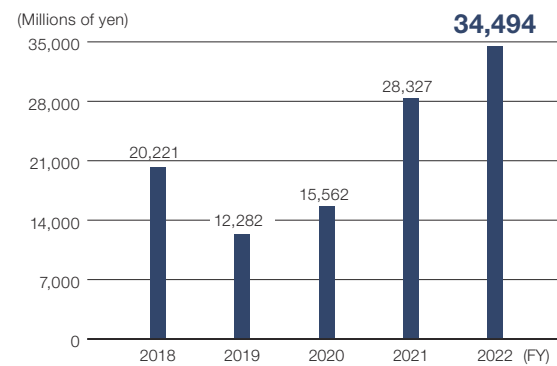
Financial and Non-Financial Highlights

Financial

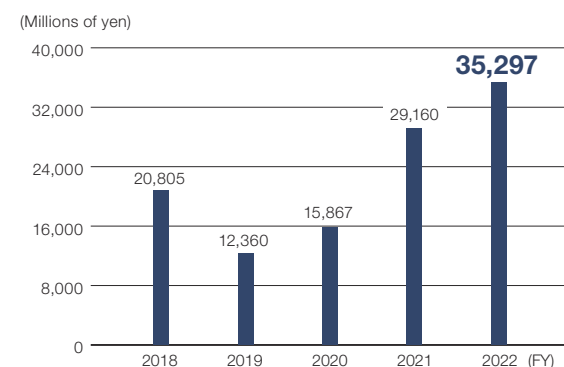
Net Sales



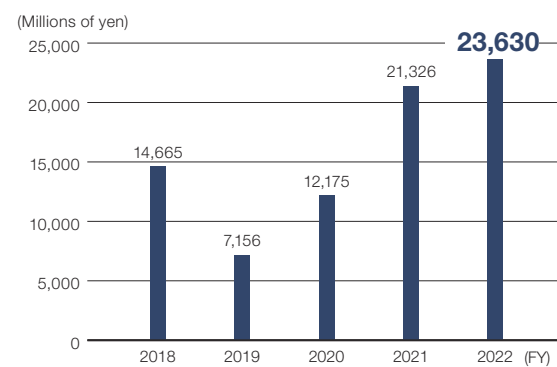
Operating Profit



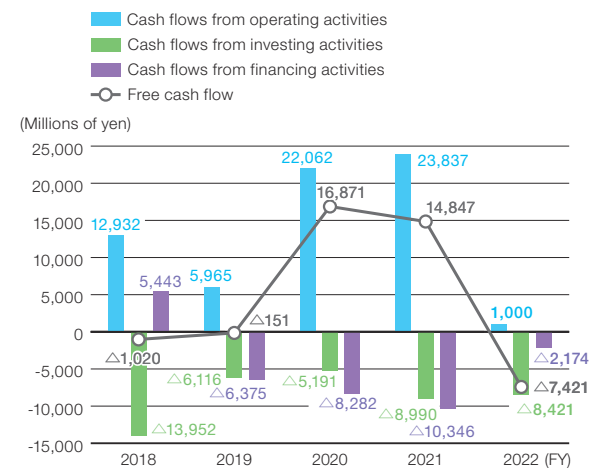
Recurring Profit



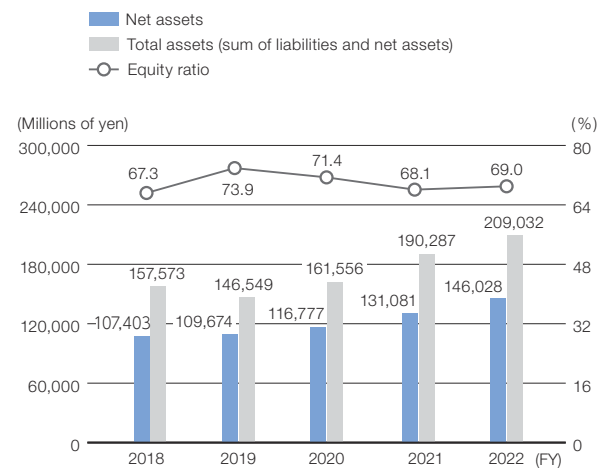
Net Profit (Net Profit Attributable to Owners of the Parent)



Cash Flows

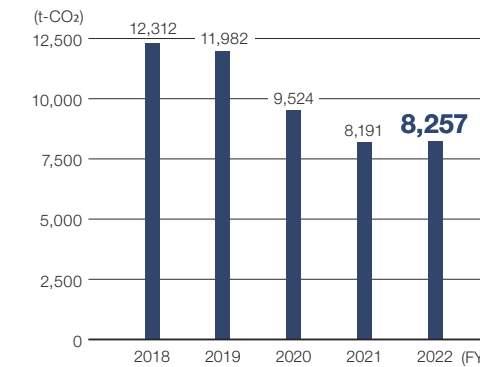


Balance Sheet

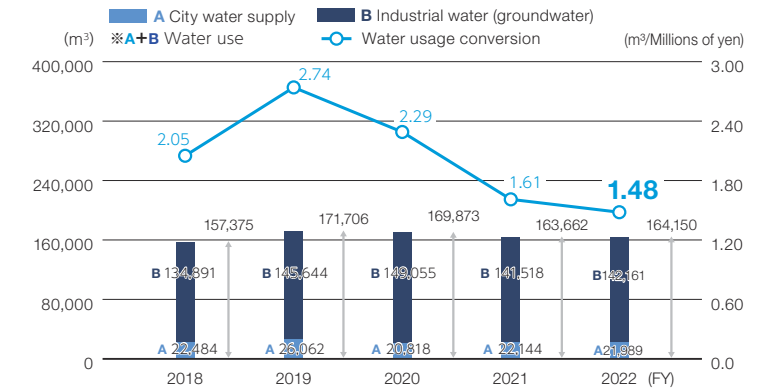


Non-Financial

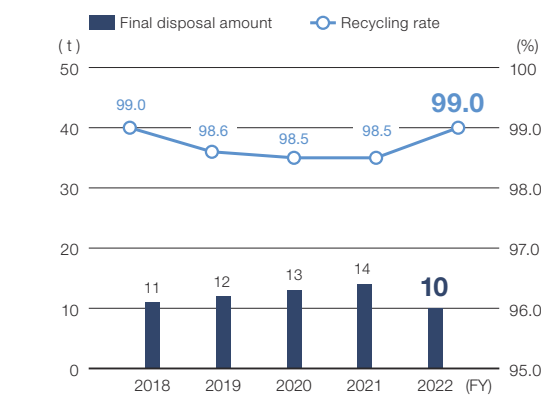
CO₂ Emissions



Water Use



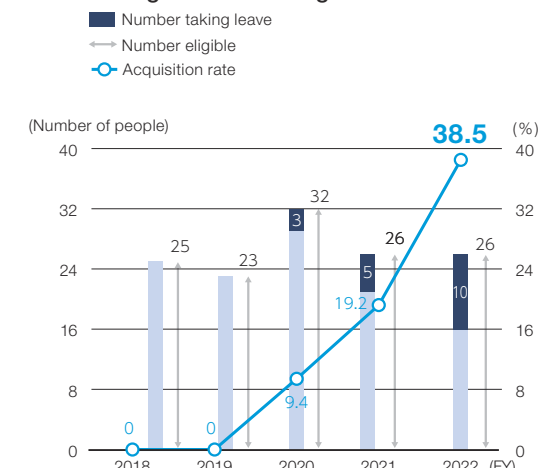
Recycling Rate and Final Disposal Amount



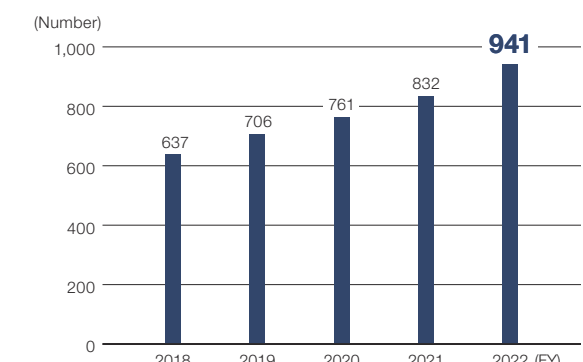
Percentages of Female Employees and Female Managers

	FY2018	FY2019	FY2020	FY2021	FY2022
Percentage of female managers	1.4%	1.4%	1.5%	1.9%	2.4%
Percentage of female officers	0.0%	7.7%	7.7%	7.7%	15.4%
Percentage of female regular employees	6.5%	6.4%	6.5%	7.4%	8.5%

Percentage of Men Taking Childcare Leave

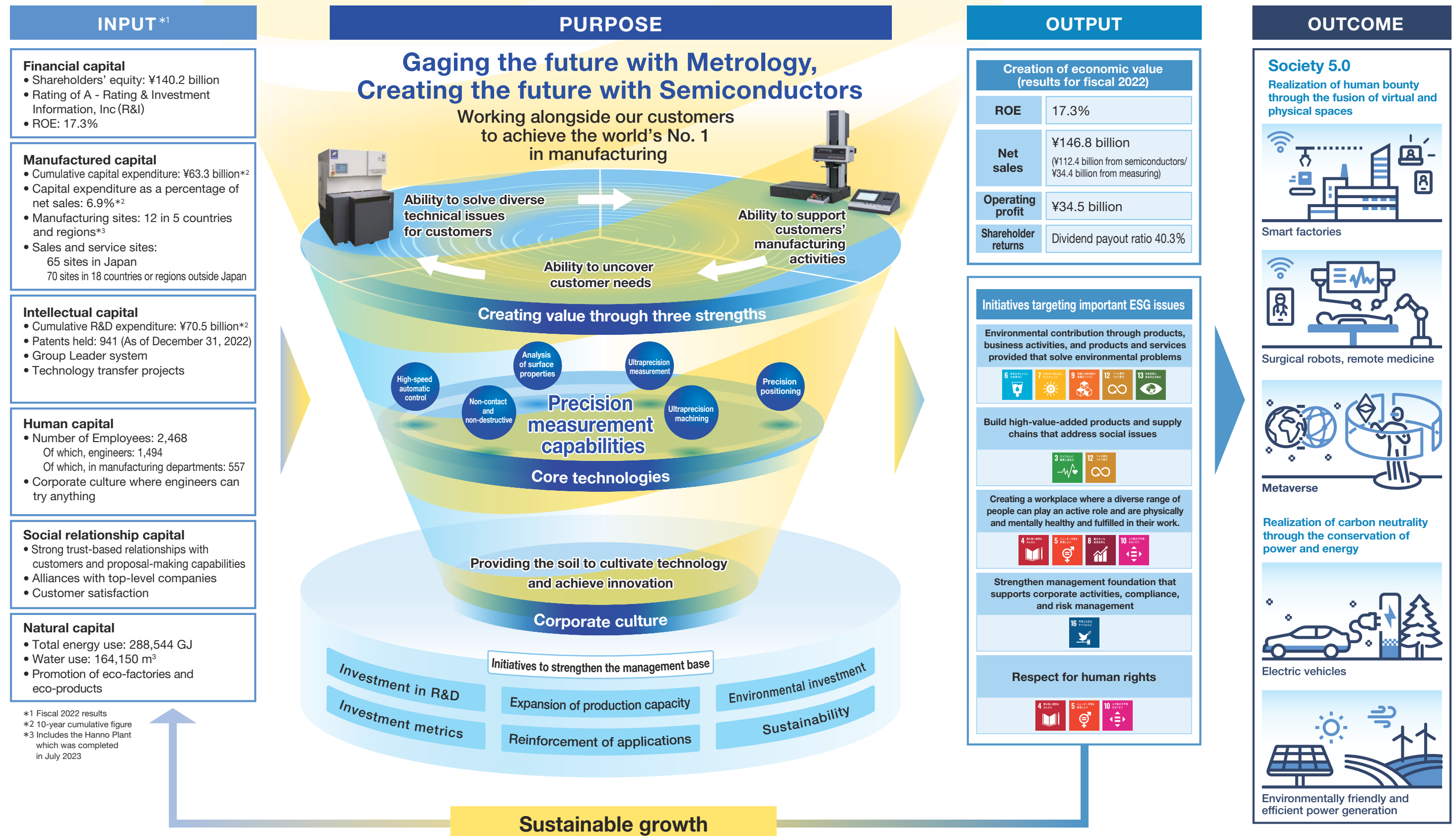


Patents Held



Value-Creation Process

The Tokyo Seimitsu Group has been continuously providing the soil to cultivate technology and achieve innovation within the Group throughout its history, something that is reflected in the six elemental technologies that serve as the sources of the Group's core technologies. We believe that promoting business growth through synergies between our core technologies and our three strengths as well as continuing to evolve the Tokyo Seimitsu Group's business model will lead to the realization of the creation of affluent society where everything in our daily lives advances conveniently and sustainable society where we can enjoy the richness of nature and happiness in various ways.



*1 Fiscal 2022 results
 *2 10-year cumulative figure
 *3 Includes the Hanno Plant which was completed in July 2023

The Source of Tokyo Seimitsu's Competitiveness

The Tokyo Seimitsu Group aims to create the world's No. 1 products through WIN-WIN relationships with many stakeholders, including customers, business partners, and employees. Based on our precision measurement capabilities, Tokyo Seimitsu's core technologies, we have built the three strengths of the Tokyo Seimitsu Group by making the five forms of capital that are deeply correlated with our Group the source of our competitive strength and collaborating technology, knowledge, and information.

WIN-WIN relationships create

the world's No. 1 products

Ability to uncover customer needs






Ability to solve diverse technical

issues for customers

Ability to support customers' manufacturing activities

“**ACCURETECH**”

Working alongside a host of like-minded people and combining our mutual technology, knowledge, and information

	 Manufactured capital A system that allows us to handle production in-house	 Intellectual capital Know-how to develop new products using sophisticated technology by combining knowledge of market needs and the seeds of innovation		 Human capital Human resources to support customers' manufacturing	 Social relationship capital Network with customers and business partners as a foundation for the co-creation of value	 Natural capital Technical capabilities that contribute to the conservation of energy and resources
Strengths and characteristics	In-house production that integrates processes from machining to manufacturing, inspection, and shipping	Rapid commercialization of products from development to manufacturing by concentrating human resources and state-of-the-art facilities in our own factories		Working together with a customer-oriented mindset in manufacturing, engineering, service, and sales to provide high-quality services	Collaborative value creation based on strong trust with customers and business partners	Reduce environmental impact throughout the value chain, including the lifecycle of the products we provide
Sources of competitiveness	<ul style="list-style-type: none"> Technology and facilities that enable consistent in-house production (production system that integrates sales, engineering, and factories) Flexible production system with a main location and assembly bases Nimble service system at domestic and overseas sites 	<ul style="list-style-type: none"> High-precision, high-speed precision machining technology Application capabilities to solve a wide range of issues Rapid development under the Group Leader system High patent prosecution rate and patent score Promotion of a technology transfer project 		<ul style="list-style-type: none"> Corporate culture where engineers can try anything Experienced engineers with expertise in manufacturing, development, and service Sales force with strong negotiating skills and high level of customer trust Customer engineers who can provide one-stop solutions to a wide range of customer needs 	<ul style="list-style-type: none"> Strong trust-based relationships with our customers (many achievements built into their technology and production standards) Alliances, brand licensing, and joint development with leading companies Strong relationships with suppliers and business partners (ACCURETECH and partner companies) 	<ul style="list-style-type: none"> Reduce environmental impact by building low-carbon, resource-saving eco-factories Promote eco-products by developing environmentally friendly products with low energy loss

Core technologies: Precision

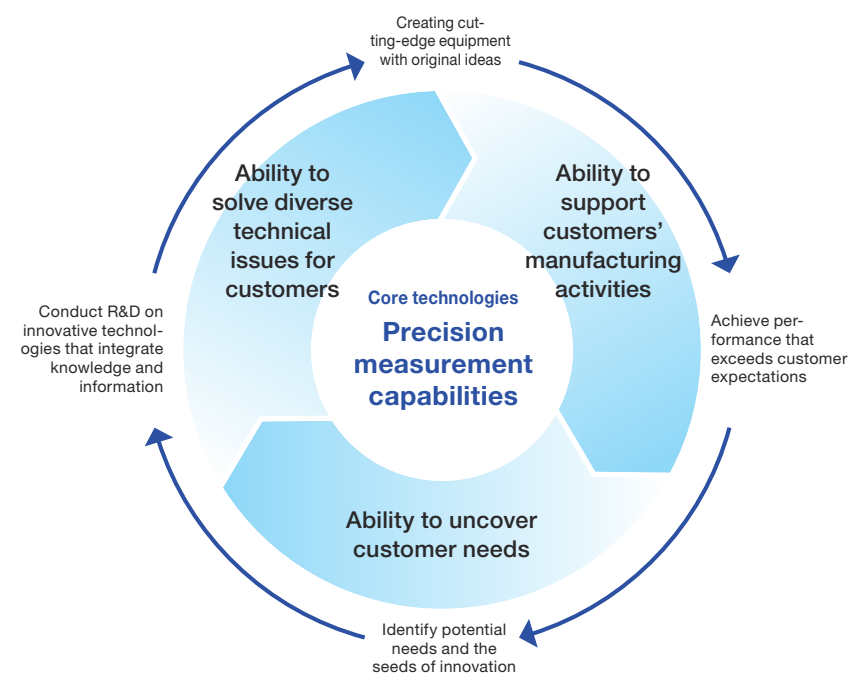
measurement capabilities

Tokyo Seimitsu's Business Model

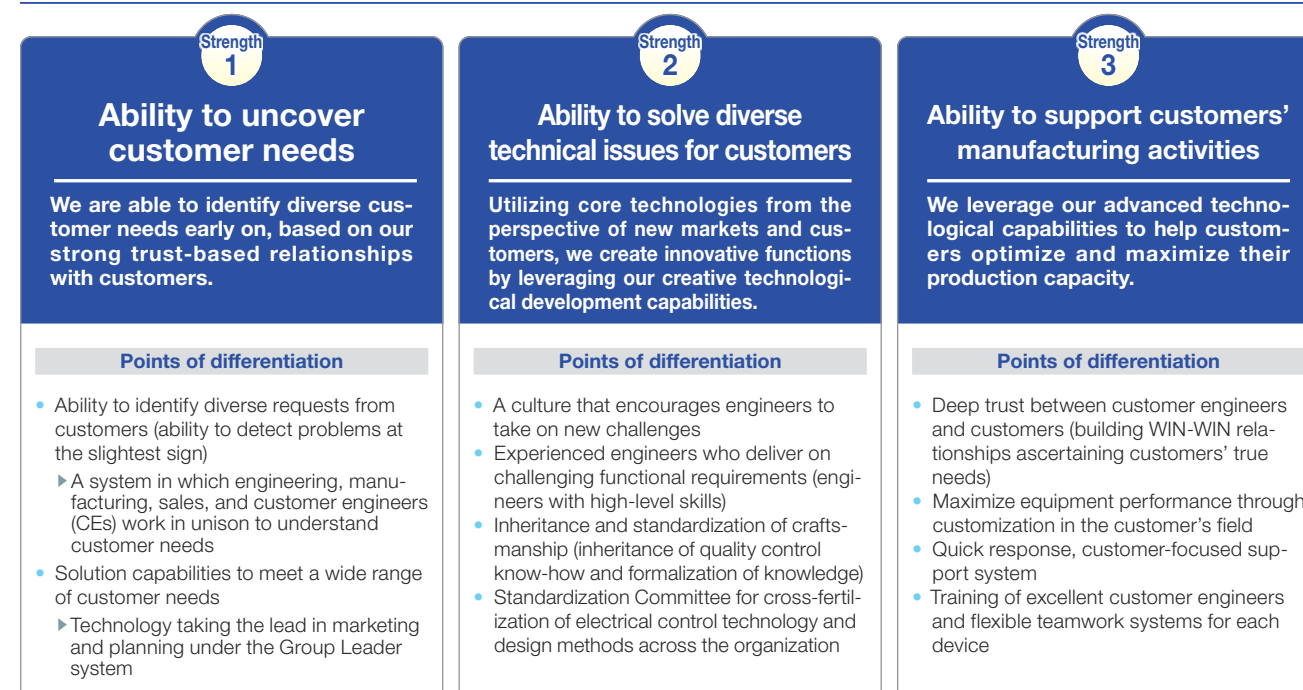
We address manufacturing issues with sincerity and thoroughness from the customer's point of view by applying the core technologies (precision measurement capabilities) we have refined and our three strengths

Tokyo Seimitsu supports customers' efforts to manufacture semiconductors and automobiles with its unique measurement technologies through both its precision measuring instrument business and semiconductor manufacturing equipment business. These technologies include precision positioning, ultraprecision measurement, and ultraprecision machining.

As we listen closely to our customers, we can delve deeply, exploring needs and the seeds of innovation that no one has yet addressed. We then combine the wisdom and experience of our experienced engineers to develop innovative equipment. Our strength lies in our relentless pursuit of technology and our thorough customer orientation.



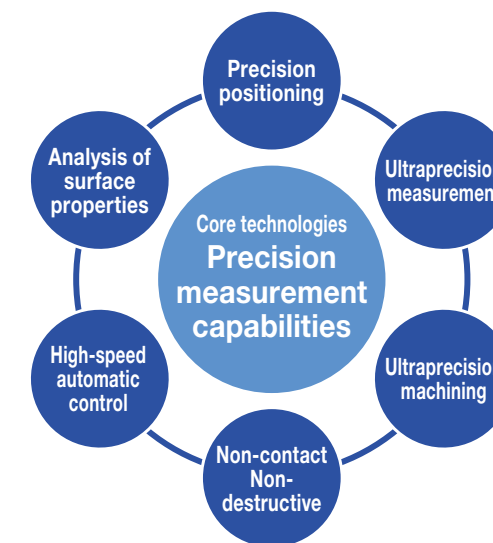
Tokyo Seimitsu's Three Strengths



Tokyo Seimitsu's Core Technologies

Our products are composed of several key elemental technologies based on our core technologies (precision measurement capabilities). Through precise measurement, we are able to provide feedback for positioning, ultraprecision machining, high-speed automatic control, and even more advanced ultraprecision mea-

surement. Depending on the application, we are expanding into elemental technologies that are non-contact and non-destructive. Through measurement, we are also developing elemental technology in software areas, such as with algorithms that use measurement data to discern the properties of an object.

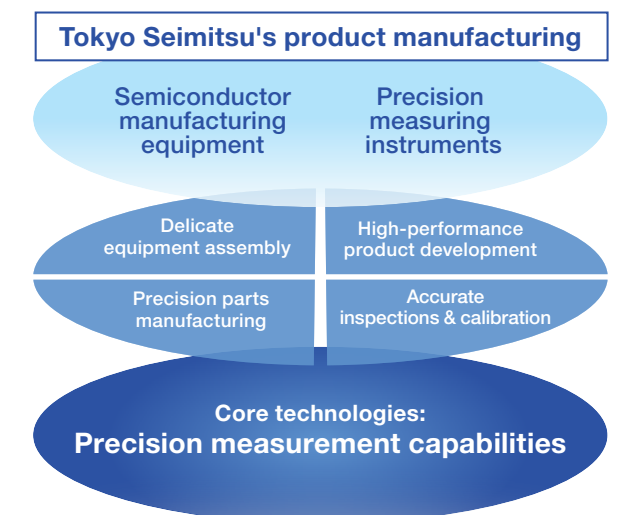


Tokyo Seimitsu's Product Manufacturing is Supported by Its Core Technologies

Our core technologies—the ability to measure precisely—not only increases the value of precision measuring instruments, but also contributes to precision manufacturing throughout society, as well as playing a key role as the foundation for developing Tokyo Seimitsu's products. Technologies that enable precision measurements enable manufacturing of precision parts at the Company and are also leveraged for the delicate assembly of products and precision inspections and calibrations.

It was this ability to measure precisely that enabled the development and manufacturing of high-precision semiconductor manufacturing equipment.

Going forward, Tokyo Seimitsu will continue enhancing the technical synergies between the semiconductor manufacturing equipment business and the precision measuring instrument business and contribute to manufacturing throughout society.



Aiming for the Sustainable Growth

Tokyo Seimitsu follows megatrends to ascertain risks and opportunities. We then formulate mid-term business plans and identify important issues (materiality) with an eye toward sustainable growth.

Changing the future with semiconductors and precision measuring instruments



Megatrends

Business Opportunities

Business Strategy

Aspirations

Society 5.0

(Fusion of the cyber and physical worlds)

Increasing functionality, complexity of semiconductor devices and shift to three-dimensional semiconductor devices

An era of large-scale production and consumption of semiconductors and electronic components

Expanding needs for measurement in non-automotive fields such as semiconductors, aircraft, and healthcare

Climate change

Commercialization of next-generation power semiconductors (SiC/GaN, etc.) offering ultrahigh efficiency

Expansion of the NEV and renewable energy markets with a view to carbon neutrality

Demographic change

Increased need for semiconductors due to proliferation of DX and AI in response to declining workforce

Shrinking workforce leading to greater automation in manufacturing

Increasing sophistication and importance of inspection and measurement

Rising demand for high-precision semiconductor processing systems

Increased demand for non-contact, high-precision measurement

Growing demand for processing systems for SiC and other innovative materials

Owing to growth in NEVs, increased demand for high-precision measurement and new needs such as battery measurement

Need for total measurement of high precision parts that combines robots and measuring machines

Mid-Term Business Plan for Fiscal 2022 to 2024

Semiconductor manufacturing equipment

- Department store strategy for inspection systems (probing machines)
- Expansion and reinforcement of processing system business
- Development and launch of products that match customer needs
- Development and launch of high-value-added products by integrating our measurement technology with our semiconductor manufacturing equipment

Precision measuring instruments

- Continual capturing of demand in existing fields
- Battery measurement for NEVs and acquisition of contract business
- Developing non-automotive sectors (such as semiconductors and medical) and factory automation

Important sustainability issues



An affluent society where everything in our daily lives advances conveniently

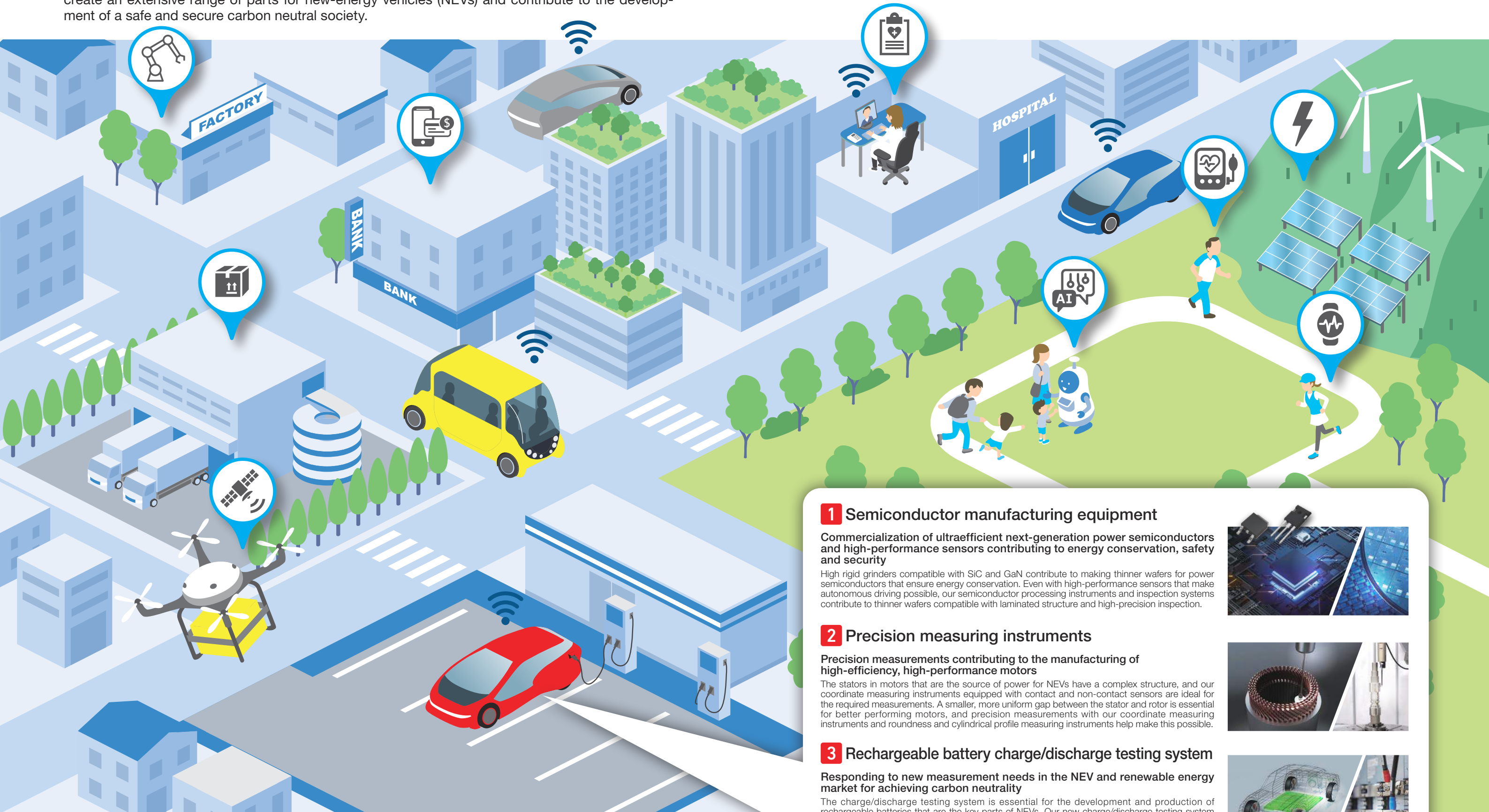
Gaging the future with Metrology, Creating the future with Semiconductors

A sustainable society where we can enjoy the richness of nature and happiness in various ways

Aiming for the Sustainable Growth

~Tokyo Seimitsu's Technology Making the NEV Realm a Reality~

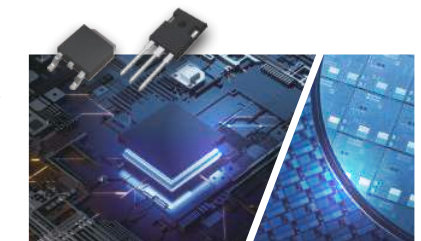
Tokyo Seimitsu's semiconductor manufacturing equipment and precision measuring instruments create an extensive range of parts for new-energy vehicles (NEVs) and contribute to the development of a safe and secure carbon neutral society.



1 Semiconductor manufacturing equipment

Commercialization of ultraefficient next-generation power semiconductors and high-performance sensors contributing to energy conservation, safety and security

High rigid grinders compatible with SiC and GaN contribute to making thinner wafers for power semiconductors that ensure energy conservation. Even with high-performance sensors that make autonomous driving possible, our semiconductor processing instruments and inspection systems contribute to thinner wafers compatible with laminated structure and high-precision inspection.



2 Precision measuring instruments

Precision measurements contributing to the manufacturing of high-efficiency, high-performance motors

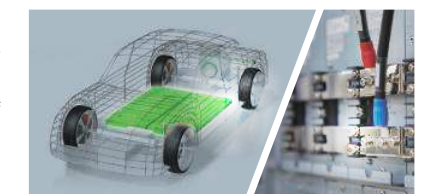
The stators in motors that are the source of power for NEVs have a complex structure, and our coordinate measuring instruments equipped with contact and non-contact sensors are ideal for the required measurements. A smaller, more uniform gap between the stator and rotor is essential for better performing motors, and precision measurements with our coordinate measuring instruments and roundness and cylindrical profile measuring instruments help make this possible.



3 Rechargeable battery charge/discharge testing system

Responding to new measurement needs in the NEV and renewable energy market for achieving carbon neutrality

The charge/discharge testing system is essential for the development and production of rechargeable batteries that are the key parts of NEVs. Our new charge/discharge testing system equipped with our proprietary "energy sharing system" achieves more energy savings and lower running costs compared to existing equipment. Our charge/discharge testing system and contract battery measurement business is capturing demand and contributing to carbon neutrality.



Materiality Issues

In line with the mid-term business plan (started in fiscal 2022) for fiscal 2024, after reviewing the status of the value chain surrounding the Group's activities, its impact on the environment and society, and other issues to be taken into account, the Tokyo Seimitsu Group has revised its materiality as follows.

By presenting specific initiatives and goals, we have clarified the issues that each employee needs to address and made it easier for them to understand the value of their work, thereby increasing their motivation. We will continue to revise our materiality as necessary and appropriate.



Sustainability Objectives and Priority Initiatives

The Tokyo Seimitsu Group has established sustainability objectives and priority initiatives in order to incorporate important issues (materiality) for the Group into concrete activities. The

Sustainability Committee as well as teams and task forces created to address important issues formulates and implements action plans based on their framework.

	Sustainability objectives	Priority initiatives
Environment	<ul style="list-style-type: none"> Prevention of global warming Resource-saving activities Formation of a recycling-oriented society 	<ul style="list-style-type: none"> Reduction of CO₂ emissions Reduction in consumption of electricity, water, and paper Reuse of waste as resources Environmentally friendly products Chemical substances control
Society	<ul style="list-style-type: none"> Respect for human rights Product liability Reduction of procurement risk Working environment Health and safety Diversity Human resource development 	<ul style="list-style-type: none"> Prevention of human rights violations Quality control Stable supply of parts Reinforcement of the supply chain Labor standards Health and safety Increased diversity Training program
Governance	<ul style="list-style-type: none"> Sustainable business growth Enhanced competitiveness Fair, transparent, and prompt corporate activities Anti-bribery and anti-corruption Crisis management against disasters 	<ul style="list-style-type: none"> Internal control Audit function Corporate ethics and legal compliance Information disclosure Whistleblower system Compliance education Business continuity plan

Process of Defining the Materiality Issues

STEP 1	STEP 2	STEP 3	STEP 4
Organize Tokyo Seimitsu's perspective on sustainability	Extract business risks and opportunities in the value chain by social value	Based on the results extracted in STEP 2 <ul style="list-style-type: none"> Evaluate and rank by impact on the global environment and stakeholders Evaluate and rank according to relevance to our value creation and management strategy 	Extract materiality issues from the results of STEP 2 and STEP 3 to realize our Purpose and Vision <ul style="list-style-type: none"> Deliberation and approval by the Board of Directors at the May 2022 meeting on important matters

Mid-Term Business Plan for Fiscal 2022 to 2024

Overview of Mid-term Business Plan

Expand Field of Business by Grasping Change Taking Place in the World, such as the Fusion of Virtual and Physical Spaces

The rapid progress of the 5G communication technology is expected to drive further advances in Society 5.0, which refers to the fusion of virtual and physical spaces. As semiconductors will be closely related to this technological convergence, we assume that the semiconductor market will grow substantially in terms of both value and volume, ushering in an era of mass production and mass consumption. We aim to expand our business by promoting efforts to capture the changes in the world through this fusion of virtual and physical spaces.

Respond to the Trend toward Carbon Neutrality, Capturing New Business Opportunities

We expect the move toward carbon neutrality and digitalization to prompt rapid growth in demand for NEVs, renewable energy, and automation. We also assume that demand for ultraefficient next-generation power semiconductors will stimulate new demand for measurement. We aim to increase our performance by taking advantage of new business opportunities presented by moves toward carbon neutrality.

Companywide Strategy

The Tokyo Seimitsu Group as a whole will continue to invest in R&D, expand production capacity, and enhance application capabilities.

We will also step up sustainability efforts with the aim of contributing toward a sustainable society. For example, we will push forward toward our goal of reducing CO₂ emissions by 50% by 2030, compared with fiscal 2018 levels.

Companywide Initiatives

Investment in R&D Step up development of leading-edge technologies and developments that respond to customer needs	Expansion of production capacity Operation of the Hanno Plant (fiscal 2023) SPE capacity of 140.0 billion yen or more Consider investing in the next factory
Environmental investment Consider investment needed to reduce CO ₂ emissions by 50% by 2030 (compared with fiscal 2018 levels)	Investment metrics Consider ROIC as an internal assessment standard
Reinforcement of applications Enhance demo facilities at individual countries' sites	Sustainability Highly transparent management based on eco-awareness

Progress and Outlook of Quantitative Targets

During fiscal 2022, the first year of the mid-term business plan, the semiconductor manufacturing equipment business experienced steady shipments of devices throughout the year, while the precision measuring instrument business saw a resumption of equipment upgrades throughout the manufacturing industry in Japan that had been put on hold due to the spread of COVID-19. These trends reached all-time highs for net sales and profits across both businesses, with both profits exceeding business forecasts made at the beginning of the year. Based on these results, progress for the first year generally advanced as planned.

R&D and plant construction for achieving the mid-term business plan have also progressed almost as planned, and efforts have been made to enhance sustainability, including issuing the Integrated Report, disclosing climate change response strategies in line with TCFD (Task Force on Climate-related Financial Disclosures), and formulation and disclosure of the Human Rights Policy.

Fiscal 2024 Quantitative Targets

ROE	15% or more
Net sales	170.0 billion yen (132.0 billion yen from semiconductors, 38.0 billion yen from measurement)
Operating profit	37.5 billion yen (operating margin: 22%)

(Unit: hundred million yen)

	FY2021	FY2022	FY2023 (Forecast)	FY2024 (Target)
Net sales	1,307	1,468	1,290	1,700
Operating profit	283	345	240	375
Operating margin	21.7%	23.5%	18.6%	22.0%

In fiscal 2023, while there were concerns in the semiconductor manufacturing equipment business regarding the slowdown in demand for our devices caused by lower demand for consumer electronics, the precision measuring instrument business is expected to achieve steady growth due to capital investments throughout the overall manufacturing industry in Japan. A recovery in orders related to technological innovation of semiconductor devices and an increase in EV-related investments are anticipated through the second half of the fiscal year.

Key Initiatives and Results in Fiscal 2022

Production and shipments were maintained at a high level throughout the first year, as a result of expanding manufacturing space and diversifying material procurement in order to turn existing orders into net sales. At the same time, construction of the Hanno Plant also progressed as scheduled in order to meet future business expansion.

The precision measuring instrument business worked on capturing demand in the wake of COVID-19, and focused on expanding sales into non-automotive fields. The contract business for evaluations using the charge/discharge testing system also began to take hold.

Semiconductor Manufacturing Equipment Business	<ul style="list-style-type: none"> Maintain high level of production and shipments Expand production capacity for the mid- to long-term Secure operating margin of 25% or more by increasing added value of products
Precision Measuring Instrument Business	<ul style="list-style-type: none"> Expand sales to post-COVID-19 demand, domestic demand, and non-automotive applications, and achieve existing peak orders and sales Charge/discharge testing business achieved steady growth in contracted measurements

Expansion of Production Capacity

Construction of the Hanno Plant in Hanno City, Saitama Prefecture progressed during fiscal 2022, with operations beginning as planned in July 2023. This plant increased production capacity of mainly probing machines by 50%, ensuring capacity that was deemed required to achieve the targets set out in the mid-term business plan.

Studies also began on the feasibility of constructing a new plant in the Nagoya region to be completed in fiscal 2025, with the view to meeting further increases in demand for semiconductor manufacturing equipment.



Hanno Plant

Sustainability

In addition to releasing the first Integrated Report, further initiatives were implemented to boost corporate value from a sustainability perspective, such as establishing and implementing climate change response strategies in line with the TCFD framework, promoting women's participation and advancement, holding an engagement survey for employees, and establishing and disclosing our Human Rights Policy.

- Established and implemented climate change response strategies in line with the TCFD framework
- Promoted women's participation and advancement
- Held employee engagement survey
- Established and disclosed Human Rights Policy, and began initiatives for human rights due diligence

Initiatives for Future Growth Opportunities

In addition to the world of Society 5.0 that is the basis for achieving the goals of the mid-term business plan in fiscal 2024, a range of growth opportunities are anticipated, with many growth opportunities also expected to be present from fiscal 2025 and beyond.

Significant growth opportunities for the semiconductor manufacturing equipment business in particular include the spread of hybrid bonding; expanding added value with high-precision temperature control of inspection systems (probing machines); demand changing from substrate processing to device processing for silicon carbide (SiC) semiconductors; synergistic effects through the fusion of semiconductors and metrology (expected to be around 13 billion yen by fiscal 2025); and demand for NEV battery measurements. Efforts will be made for strategies required for growth from fiscal 2024 and beyond.

Future Growth Opportunities

Growth in grinders with Hybrid bonding
High-precision temperature control of probing machines → expansion of added value
SiC processing to shift from substrates to devices
Synergies from the fusion of semiconductors and metrology Over 13.0 billion yen in 2025
Significant quantitative growth of NEV batteries

Message from CFO



Koichi Kawamura

Executive Vice President and CFO

The Tokyo Seimitsu Group conducts its semiconductor manufacturing equipment and precision measuring instrument businesses globally. As such, we are committed to developing leading-edge products and elemental technologies that cover advanced needs of our customers, despite the challenges of demand fluctuations, as well as macroeconomic and geopolitical risks. As CFO, I believe it is important to strike a balance between making decisions on investments in tangible and intangible assets required for our future growth and boosting corporate value, and returning profits to our shareholders, employees, and suppliers, all while maintaining the stability of our financial base.

We are facing what is called a new normal across so many areas these days, particularly with our post-COVID-19 lifestyles, our approach to work, and weather events. The business environment is also undergoing reform toward a new normal—increases in the prices of commodities and interest rates, sudden fluctuations in exchange rates, the rapid spread of

generative AI, the shift to New Energy Vehicles (NEVs) and fast development of autonomous driving, digitalization and proliferation of DX. I feel that these will call for a response covering a broader scope than ever before.

Financial Discipline for Product Businesses

The industry in which the Tokyo Seimitsu Group operates requires us to maintain our technological superiority through research and development and to anticipate the needs of our leading-edge customers. Accordingly, we regularly review R&D expenditures and the profit/loss of each product business, taking into account future demand forecasts and customer trends. From the results of reviews, we will make the decision to withdraw from product businesses that have no potential improvement in profitability within a certain period of time. As an indicator for research and development, we aim to keep R&D expenses around 10% of net sales.

In addition, beginning with the current mid-term business plan, we apply ROIC as an internal evaluation method, and use this metric to determine whether the return generated from investment into each business unit is commensurate with investment costs, and make use of it in management, including for making investment decisions. We developed the framework required for these calculations and management in fiscal 2022, and began reviewing the results of ROIC.

Growth Investments

We maintain capital investments at around 25% of EBITDA (operating profit before depreciation) normally, with 50% of EBITDA as our maximum level. We are making the expansion of production capacity an urgent priority, particularly in the semiconductor manufacturing equipment business, where long-term market growth is expected. The Hanno Plant (in Hanno City, Saitama Prefecture) began operations in July 2023, and we began studies for the construction of a plant in the Nagoya region to begin operating from 2025.

We also consider M&A to be an effective means of achieving growth by utilizing retained earnings and are considering making acquisitions within the scope of our free cash flow.

To strengthen our relationship with stakeholders like subcontracting vendors who have been vital for the growth of the Company, we are working on shortening the terms of payment for accounts payable.

Approach to Shareholder Returns and the Equity Ratio

Tokyo Seimitsu considers the consistent return of profits to shareholders to be one of its most important management tasks. From this perspective, we will use a system of paying dividends in accordance with profit distribution, with 40% as our target consolidated dividend payout ratio. The Company regards share buyback as a flexible profit return that complements the payment of dividends from retained earnings, while comprehensively taking into account cash flow, retained earnings, and other factors.

The Tokyo Seimitsu Group's industry is subject to significant market volatility. Accordingly, we believe it is important to maintain a certain level of cash, deposits, and equity to absorb the impact of market fluctuations. We manage cash and deposits based on cash flow trends, including investment projects, and take into overall consideration of the balance with investor returns.

Cash dividends per share for fiscal 2023 was 235 yen, with a dividend payout ratio of 40.3%. We are also purchasing 2.5 billion yen of treasury stock through to the next fiscal year.

Growth Opportunities and Risks

With the drastic changes occurring throughout society as a whole, semiconductors continue to play a greater role in so many areas, and measuring instruments remain essential throughout the manufacturing sector—significant growth is anticipated in both of these industries. The semiconductor industry in particular has become the focus of national policies in many countries around the world, which are boosting investment into the sector. This is a field in which significant growth is anticipated, but there are also concerns over risks potentially caused by unexpected situations.

Given these circumstances, as the CFO, it is my mission to ensure the Company survives in the face of global economic uncertainty and to maintain our financial condition to facilitate smooth investments that contribute to growth. As a result, we will continue to provide products that make full use of cutting-edge technologies, and thereby boost our corporate value.

October 2023
Executive Vice President and CFO

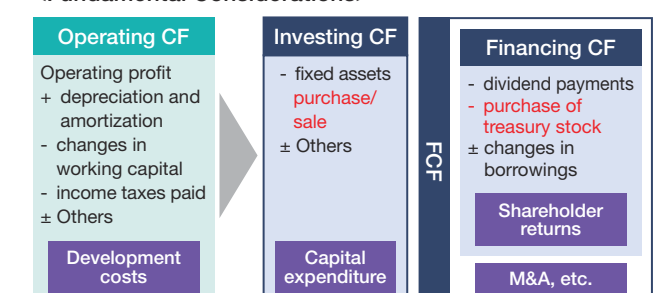
K. Kawamura

<Mid-Term Cash Allocation Targets>

Experimental research expenses	R&D spending within 10% of sales
Capital expenditure	Normally: 25% or less of EBITDA Max: 50% of EBITDA (EBITDA = operating profit + depreciation and amortization)
Shareholder returns	Dividends: Target a stable dividend payout ratio of 40% Buy treasury stock, taking investment trends and other factors into account
M&A, etc.	Consider, but to the extent that FCF does not go negative

● Financial and Shareholder Returns

<Fundamental Considerations>



Business-Specific Strategies

Semiconductor Manufacturing Equipment Business

Business Overview

In the semiconductor manufacturing equipment business, we offer probing machines to test the electrical characteristics of chips on wafers, dicing machines to separate individual chips from wafers, and polish grinders (grinders) to make wafers thinner and flatter.

As semiconductor devices and electronic components continue to become smaller and more complex, the importance is rising for probing machines that can identify electrical characteristics in greater detail and dicing machines and grinders for manufacturing higher quality semiconductor devices.



Market Trends and Business Opportunities

The pace of semiconductor development is growing at an even faster rate to meet the ever-evolving needs of global markets, and these trends represent significant business opportunities for the Company.

Instead of ordinary silicon, there are an increasing range of units that are made of silicon carbide (SiC) that is hard to cut, for power semiconductors used to control currents toward achieving a decarbonized society. Tokyo Seimitsu has a range of grinders capable of machining this material, for which demand is expected to increase in the future.

The rise of high-performance devices is also expected for achieving Society 5.0 (the fusion of virtual and physical spaces), together with the actual volume of semiconductors and electronic components. Semiconductor devices are likely to become increasingly difficult to inspect, leading to longer inspection times—our inspection systems (probing machines) will be able to cater to these needs with our strength in customization.

The increase in 3D stacking due to the limits of miniaturization will result in the need for high-precision processing, for which our processing systems can play a key role.

3D stacking requires high-precision bonding of wafers, chips, substrate materials, and more, and is anticipated to increase demand for such processing systems.

Technology Trends	Opportunities	Applicable Products
Innovation of power semiconductors (SiC/GaN) to contribute to decarbonization	<ul style="list-style-type: none"> Increased demand for machining difficult-to-cut materials like SiC. Achieve both high-efficiency output and high-precision machining 	High rigid grinders Edge grinders CMP
Emergence of sophisticated devices aimed at the realization of Society 5.0 Increase in the number of semiconductors and electronic components	<ul style="list-style-type: none"> Increase in measurement time and rise in inspection difficulty. Rise in added value related to inspections (temperature support, improved throughput) Increased demand for high-precision machining. Achieve both high-efficiency output and high-precision machining 	Probing machines Polish grinders Ablation laser dicing machines Built-in measurement instruments
Expansion of 3D mounting (advanced packaging) due to the limits of package miniaturization	<ul style="list-style-type: none"> Increased demand for high-precision polishing machining. Achieve both high-efficiency output and high-precision machining Increased demand for bonding process precision. Increase in number of test processes 	Polish grinders Edge grinder and blade dicing machines Probing machines

Mid-term Business Plan Progress and Future Measures

Throughout fiscal 2022, the first year of the mid-term business plan, shipments remained steady for logic devices with existing orders, like 5G systems, servers and onboard systems for automobiles. Strong demand for systems for increased production of SiC and silicon wafers resulting in all-time highs reached for net sales and operating profit.

Development of products that met customer needs also progressed, and efforts were made for plant construction and the enhancement of material procurement with the view of achieving the targets of the plan.

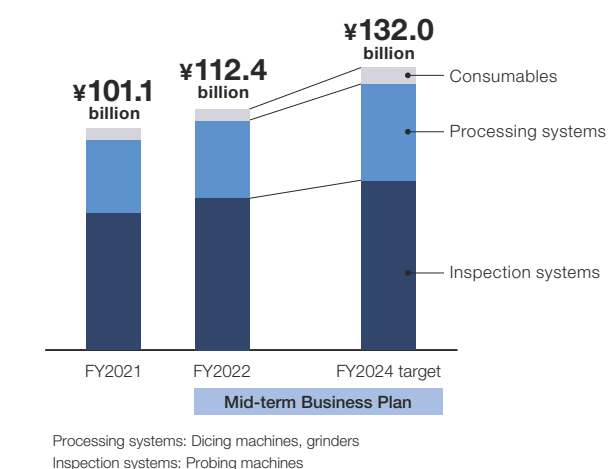
In contrast, demand for consumer electronics like smartphones, PCs and TVs dropped sharply in the latter half of fiscal 2022, resulting in a slowdown of demand for our systems and a reduction in orders compared to the previous year.

Looking forward, to increase production capacity with operation of the Hanno Plant, we will focus on shipments and sales of existing orders after inventory adjustments of consumer electronics products settle down, while aiming to achieve the targets of the plan by securing business opportunities arising from advances in semiconductors.

(Unit: hundred million yen)

	FY2021	FY2022	FY2023 (Forecast)	FY2024 (Target)
Net sales	1,011	1,124	940	1,320
Operating profit	247	299	—	—
Operating margin	24.4%	26.6%	—	—

Sales by Product



	FY2022 Overview	Future Strategy
Consumables	<ul style="list-style-type: none"> Overall softness, but maintained flat due to increased demand for grinding consumables 	<ul style="list-style-type: none"> Increase initiatives to capture demand for grinding wheels for SiC with high consumption volume
Processing Systems (Dicing machines, grinders)	<ul style="list-style-type: none"> High level of demand for SiC/wafers Started sales of ablation laser dicing machines 	<ul style="list-style-type: none"> Strengthen grinders for SiC/GaN and advanced packages and wafers Sales promotions of ablation laser dicing machines
Inspection Systems (Probing machines)	<ul style="list-style-type: none"> Focus on high value-added fields and promote application expansion based on "Respond to all needs" (HPC, packages, memory, power devices, etc.) 	<ul style="list-style-type: none"> Providing high value-added in the high-end sector
Semiconductors x Metrology Synergies based on long-term strategy	<ul style="list-style-type: none"> Started sales of built-in measurement models 	<ul style="list-style-type: none"> Strengthening synergies between semiconductor and metrology

Precision Measuring Instrument Business

Business Overview

In the precision measuring instrument business, we offer coordinate measuring machines that measure the dimensions of objects, surface texture and contour measuring instruments that accurately calculate disparities in surfaces and cylindrical shapes, machine control gauges that perform measurements inside machine tools, and systems used to test batteries and other secondary cells.

In manufacturing, precision measuring instruments are indispensable to confirm that products are manufactured correctly and according to design. Recently, demand for new precision measurement and automation is also increasing due to the spread of NEVs with the move toward carbon neutrality.



Market Trends and Business Opportunities

The market for EVs and electrification technology is anticipated to grow with moves to carbon neutrality. In addition to physical measurements of the length, roundness, roughness and other characteristics of objects, assessments like electrical measurements and internal defects are also required, with growth in charge/discharge testing systems anticipated.

Growth in processing system sensors for inline measurements and heavy-duty equipment is also expected with automated manufacturing processes, together with an increase in demand for high-precision inspection systems.

With expansion of the actual market for manufacturing, there is expected to be an increase in needs for new measurement technologies in fields other than automobiles, such as semiconductors, aircraft, and medical care.

Technology Trends	Opportunities	Applicable Products
Expanding the market for EVs and electrification technologies toward carbon neutrality	• Changing measurement demands High-precision length measurement, electrical measurement, internal defect/impurity evaluations	Various high-precision measuring instrument product groups Charge/discharge testing systems X-ray CT systems
Increased demand for product quality (In-process quality and reduction of defective products)	• Expanding demand for full inspection and on-site measurement Automation support, process control, network/operation monitoring	Inline coordinate measuring machines Sensors for processing machines like machine tools Data management software
New measurement technology needs in high-growth areas (semiconductors, aircraft, medical, etc.)	• Growing demand for non-contact measurement technology Non-contact sensor technology that achieves high resolution and high speed	White light interferometer microscope Non-contact distance sensors Various non-contact laser/image sensors for measuring instruments etc.

Mid-term Business Plan Progress and Future Measures

Fiscal 2022 saw a gradual recovery in demand with the resumption of equipment upgrades throughout the manufacturing industry in Japan that had been put on hold due to the spread of COVID-19. The recovery of capital investments in the automotive industry was relatively gentle, but we captured demand in semiconductor manufacturing equipment for machinery applications in new fields that we had focused on, as well as demand in fields like medical care and robotics.

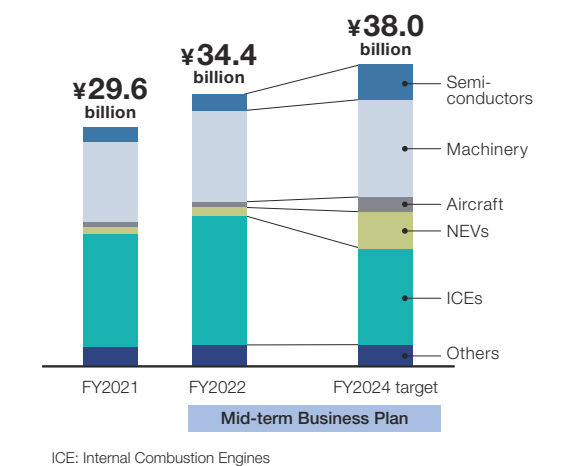
New products were developed aimed at capturing new demand like coordinate measuring machines for measuring aircraft components and charge/discharge testing systems for rechargeable batteries of NEVs, and we also focused on proposing solutions tailored to requirements for automation for manufacturing in general, and expanded into markets other than automobiles to reach all-time highs for both orders and net sales.

Capital investments are expected to remain steady for the overall manufacturing industry in Japan, while in the automotive industry, demand is expected to increase for measurements of parts and materials and measurement of batteries due to the increase in EVs, so we will continue working on strategies aimed at achieving the targets of the plan.

(Unit: hundred million yen)

	FY2021	FY2022	FY2023 (Forecast)	FY2024 (Target)
Net sales	296	344	350	380
Operating profit	36	46	—	—
Operating margin	12.3%	13.4%	—	—

• Sales by Product



	FY2022 Overview	Future Strategy
Semiconductors	· Develop non-contact and multipurpose measuring instruments for semiconductors	· Continue to cultivate demand and develop solutions for semiconductors
Machinery and Aircraft	· Release of specialized equipment for aircraft · Develop and enhance non-contact measuring instruments for medical applications · Expand sales of non-contact shaft measuring machines	· Develop total solutions including equipment, SW, and services to meet the demand for automation
NEVs	· Physical measurement of EV gears, motors and other components, development of demand for battery X-ray CT system · Maintain full operation of charge/discharge battery evaluation contract service	· Total solution development of measurement for NEVs
ICEs	· Slow recovery but steady demand · Capturing renewal demand	· Solutions for automation, enhanced maintenance inspection operations

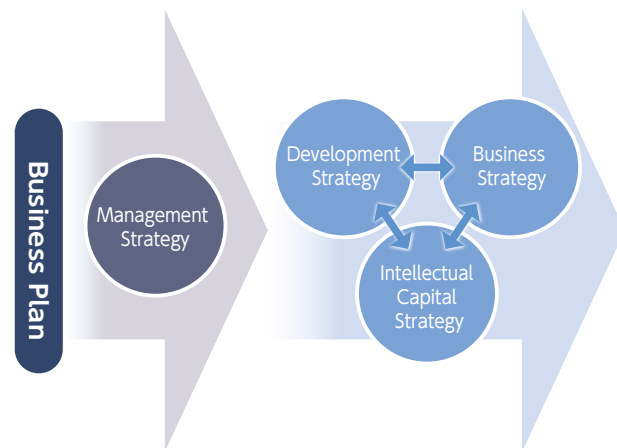
Intellectual Capital Strategy

Basic Policy on Intellectual Capital

• Positioning of the Intellectual Capital Strategy

We will place an emphasis on intellectual property, which is a major component of intangible assets, and will actively invest in enhancing this value.

The Intellectual Property Department works closely with our business units and technology departments when formulating and implementing effective intellectual capital strategies to promote management strategies from an intellectual property perspective.



Promoting development strategy based on management strategy and intellectual capital strategy based on business strategy

• Expansion of Intellectual Capital

The quantity of intellectual property rights held by the Company has been increasing. We will continue to actively acquire rights to enhance the value of our intellectual capital. We are able to confirm that our business performance is improving in correlation with the expansion of intellectual capital. In particular, with the recent move for countries to produce semiconductors within their borders, new production bases are expected to be established in addition to conventional production bases. Accordingly, we will focus on acquiring intellectual property rights in countries where we have not currently focused on acquiring intellectual property rights.

Intellectual Capital Initiatives

• Analysis of Current Conditions Surrounding Intellectual Capital

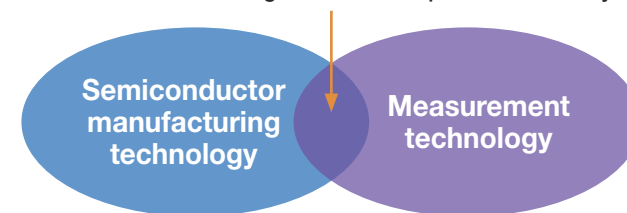
We are working on patent map analysis and inventorying of our intellectual capital holdings to analyze the status of our intellectual property. This will be used to determine the strength of our core technologies and to formulate policies for further strengthening (portfolio expansion).

It will also be used to grasp where other companies are at in terms of intellectual capital and explore the potential for expansion into new technological fields.

In addition, based on IP landscapes, which are integrated with information on market and technology trends, we will create technologies that better fit customer demand by comparing that demand with our ability to supply technologies.

We are the only manufacturer in the industry that can integrate measurement technology with semiconductor manufacturing technology. The ability to incorporate the advanced measurement technology that has been cultivated since our founding into semiconductor manufacturing equipment is a major strength of our Company. This strength enables us to provide support for developing new clients and new business areas, selecting M&A targets in connection with such development and contributing to execution of management strategies, such as intellectual property due diligence.

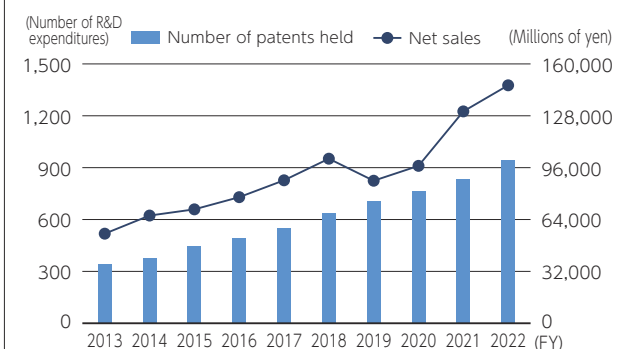
A Fusion of Technologies That is Unique to the Industry



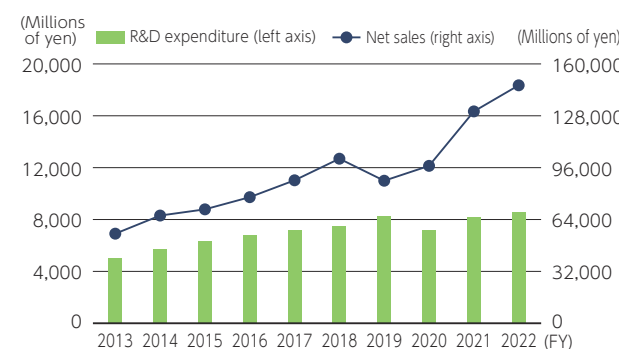
The measurement technology we have built up since our founding has been integrated with semiconductor manufacturing technology

Our strength lies in our unique technological characteristics

• Correlation between Number of Patents Held and Net Sales



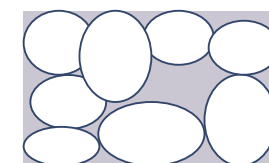
• R&D Expenditure and Net Sales



• Enhancement of Our Patent Network

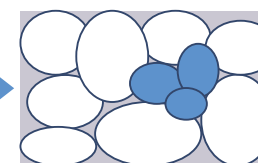
We ascertain the current status of our patent network by inventorying our intellectual property assets and acquire additional patents as necessary to build the ideal patent network. This creates a tight barrier to entry and serves as a source of competitive advantage. In particular, for inventions that are regarded as basic patents, we have acquired patents in a wide range of countries around the world. In particular, for important inventions that should be kept confidential, we strictly manage information as confidential information. At the same time, we avoid excessive investment by preventing unnecessary acquisition and retention of patents.

Before reinforcement



Creating an idea patent portfolio through inventorying and self-analysis (conceptual images)

After reinforcement



• Patent Application Strategy (Comprehensive and Stable Rights Acquisition)

We hold regular invention consultation meetings with the Technology Development Department to ensure that patent applications for inventions created through technical development activities are filed in a timely manner without omission and inventions that inventors do not even recognize as inventions are discovered.

We also strive to improve the quality of application specifications by enhancing embodiments and experimental data so that we can obtain highly stable and defect-free rights. In addition, we take the utmost care in our prosecution work to avoid unnecessary limitation amendments and opinion assertions, and to obtain a wide range of rights. The Company also files applications for similar inventions from multiple perspectives and strengthens the stability of rights so that even if a part of such inventions is invalidated, the protection of the inventions can be substantially maintained.

At the same time, we aim to create demand for licensing by acquiring rights in anticipation of technology transfer outside of our business domains.

• Protecting the Brand

We have obtained trademark rights for the names and logos of our main products and other products in countries around the world, and have established a system to protect our brand. We also periodically monitor the status of other companies' trademark registrations to ensure that we can respond in a timely and appropriate manner to any potential confusion about the origin of our products arising from other companies' activities. Furthermore, we register a wide range of domain names for individual countries in regions where we do business.

• Design Protection

Product features other than technical aspects, such as aesthetic product design and part design, are also protected as intellectual capital. Through the intellectual property mix, we protect our business from multiple angles and aim to synergize the value of our intellectual capital.

• Promoting the Creation of Intellectual Capital

We regularly set up a forum where the managers of each department gather to think about the future society and explore the possibilities of the Company's contribution to society. Next, we regularly hold meetings where managers from each department gather to discuss solutions to issues identified through this initiative, thereby promoting the creation of patent inventions. This opportunity is also a forum for young employees to come up with ideas, and by fostering a culture that encourages them to take on challenges from a young age, we are contributing to increased engagement and human resource development.

In addition, in order to stimulate intellectual creation activities and ensure the protection of intellectual property, we award departments and individuals who have filed numerous applications and provide incentive payments in compensation for employee inventions.

The Company also sets up opportunities for contributors to present successful development cases to all engineers and share the difficulties and setbacks leading up to success as well as the history of overcoming them, thereby raising the motivation for development. In this way, we are working to encourage the creation of new intellectual capital.

• Respecting Other Companies' Rights

At each product development stage, development council meetings are held to confirm that development does not infringe on the intellectual property rights possessed by other companies and to assess the risk of infringement. This allows our intellectual property specialists to participate from the initial development stage to the sales activity stage to provide support for a wide range of legitimate business activities, including support with patents, designs, trademarks, copyrights, and unfair competition prevention.

In addition, we constantly monitor patent publications related to our business activities. This enables us to assess the risk of conflict and respond legally if necessary.

Furthermore, we cooperate with relevant departments to properly include intellectual property descriptions in product instruction manuals, catalogs, and other materials that we distribute.

• Intellectual Property-Related Human Resource Development

In order to improve our intellectual property literacy, we conduct function-based intellectual property training. Each business unit of the Technology Development Department has a manager in charge of trademarks, designs, and copyrights, including patents, product names, catalogs, and exhibitions, who provide on-the-job training to employees of the department. Also, inventors deepen their knowledge of patents by filing patent applications and handling examinations together with the Intellectual Property Department and the IP manager.

Human Capital Strategy

Fundamental Considerations

To achieve the Tokyo Seimitsu Group's vision, "The Tokyo Seimitsu Group is always committed to building a 'future full of dreams,'" each and every employee, who are the Group's most important assets needs to be provided with a safe and health workplace environment, so that they can make the most of their capabilities and grow in pursuit of their dreams. Accordingly, our Group is promoting "Consideration for human rights and compliance with labor-related laws and regulations," "Workplaces that are safe and healthy for employees to work," and "An environment that promotes employee growth and allows diverse human resources to flourish" as we work to provide a better sense of fulfillment from work.

• Fundamental Considerations of Human Capital



Engagement

In order for the Group to achieve significant growth in a rapidly changing environment, it is important for employees to work with high motivation, improve productivity, and generate innovative ideas to deliver high added value to customers. To this end, we started an engagement survey in March 2023 to measure the state of employee engagement. The survey examined the following factors to improve engagement, and we developed policies aimed at enhancing engagement.

- Are employees able to demonstrate their strengths and feel a sense of job satisfaction?
- Do employees trust each other and are internal communications active?
- Do employees know the company well and are they attached to the company?

Human Resource Development

Based on the belief that the growth of each and every employee is essential for the Group to continue to grow sustainably, we have established a human resource development policy.

Human Resource Development Policy

The mission of the Group includes: "Growing together with partners and customers by collaborating technology, knowledge, and information to create the world's No. 1 products," and "WIN-WIN relationships create the world's No. 1 products."

To fulfill this mission, we need employees who can:

- Gain a high level of trust by facing customers' issues and solving them;
- Accept diverse values and see things from the other person's point of view to draw out mutual strengths and cooperate with each other; and
- Connect their own ideas to technical and business innovations, aim for high goals, and grow autonomously

The Group supports the growth of its employees, who are the most important asset, by creating a work environment and implementing measures as described below:

- Provide educational programs, including training and education, according to the growth stage of individual employees
- Provide employees with opportunities to take on challenges in the workplace and support through communication with their supervisors
- Promote various measures and create an environment in which diverse human resources can feel fulfilled in their work and can play an active role

Training Programs

The Company has established career paths for each job type—technology, sales, manufacturing, service, and management. In accordance with the Human Resource Development Policy, we have established various training programs for employee skill development, which are incorporated into our HR development system.

Enhancing Human Resource Development Capabilities

The Company implements "human resource development training" for superiors, in which they can acquire "dialogue skills to promote growth" with the aim of nurturing employees capable of developing independently. A 360-degree feedback system is conducted once a year, with review training also held to give superiors the opportunity to objectively review their own actions.

• Toward Enhancing Human Resource Development Capabilities



Diversity & Inclusion

The Company believes that diverse perspectives and ideas stimulate each other and create new value, resulting in synergies that extend beyond the sum of individual capabilities. To this end, the Company prohibits any form of discrimination, including those based on age, gender, race, religion, national origin, or disability, and is focusing on creating a workplace environment where diverse human resources can work in a safe and healthy manner.

The Company respects the personalities of each and every employee, and is creating an environment where employees can make the most of their capabilities in a rewarding way.

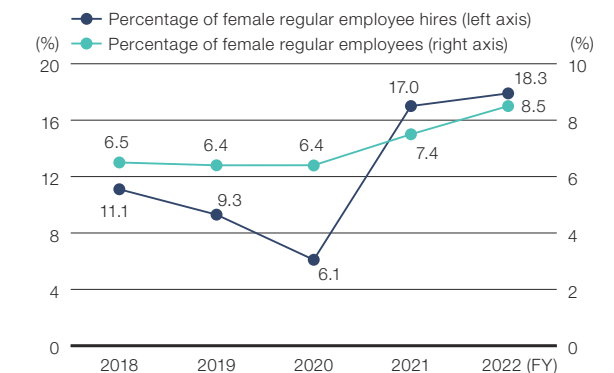
Promotion of Women's Participation and Advancement

To increase the number of women among our core human resources, we believe we must urgently increase our recruitment of full-time female employees and improve the environment for such employees. To drive this effort, we have formulated the "Action Plan for Promoting Employment and Careers of Women" (FY2021 to 2025) and set targets to be achieved by the end of fiscal 2025. In addition, we are working to create awareness within the Company toward the advancement of female employees and to support them.

• Fiscal 2025 targets

Percentage of female regular employee hires (full-time)	20%
Percentage of female regular employees (full-time)	10%

• Trends in Data for Promotion of Women's Participation and Advancement



■ Initiatives for the Promotion of Women's Participation and Advancement

Hiring of women

- Completely redesign the recruitment section of our website in order to increase the female recruitment rate and improve students' interests in the Company
- During new graduate recruitment, conduct interviews for women who are interested in the Company with female employees so that they can have a clearer idea of what it is like to work at the Company

Support for the career development of female employees

- Conduct career development training for women
- Raise awareness of the development of female subordinates through human resource development training for superiors
- Introduction of external counseling services in April 2022 (these services can be utilized by all employees, not only women)

Employment of Persons with Disabilities

We work to create environments in which persons with disabilities can be socially independent and play active roles. Through collaboration with Hello Work job placement centers, and cooperation with employment support centers, schools for special needs education, and other parties, we provide support so that hired employees will be assigned to work and workplaces that fit their individual aptitudes.

We have established an organization centered on people with disabilities who are working on certain indirect internal tasks, and we support the development of each and every person with disabilities to create a workplace environment that provides a sense of fulfillment from work.

Hiring of Foreign Nationals and Mid-career Workers

Mid-career workers are an indispensable part of our workforce. We also hire competent human resources, without regard for their nationalities. These mid-career workers and workers with foreign nationalities play major roles in bringing diverse perspectives and ideas and achieving close collaboration with overseas partners.

Among the managers of Tokyo Seimitsu, employees with foreign nationalities account for 1.4%, and mid-career employees 42.9%.

Our Approach to Sustainability

Aiming to Realize a Sustainable Society and the Sustainable Growth of the Tokyo Seimitsu Group

As the corporate operating environment is undergoing drastic changes, this has prompted us to reaffirm the importance of sustainability as a management issue and promote the activities of sustainability more than ever.

For this reason, in November 2021, we formulated the Basic Sustainability Policy and established the Sustainability Committee. We will strengthen our sustainability promotion structure to realize our purpose and aim to realize a sustainable society and the sustainable growth of the Tokyo Seimitsu Group through dialogue and collaboration with our stakeholders.

Basic Sustainability Policy

Under its corporate philosophy, the Tokyo Seimitsu Group has helped to make society more convenient and reduce environmental impacts by providing precision measuring instruments and semiconductor manufacturing equipment that are indispensable to the manufacturing processes and energy- and resource-saving products of the manufacturers that are its customers.

In contrast, as the corporate operating environment is undergoing drastic changes, the Group recognizes that sustainability is an important management issue and has established the Basic Sustainability Policy to guide its efforts to realize a sustainable society and enhance corporate value.

Basic Sustainability Policy

1. Efforts to address environmental issues
2. Earning the trust of society
3. Respect for human rights
4. Human resource development
5. Participation in and contribution to local communities
6. Building and running a fair, transparent, and efficient corporate governance system

▼ For details, please visit the website listed below.

Basic Sustainability Policy

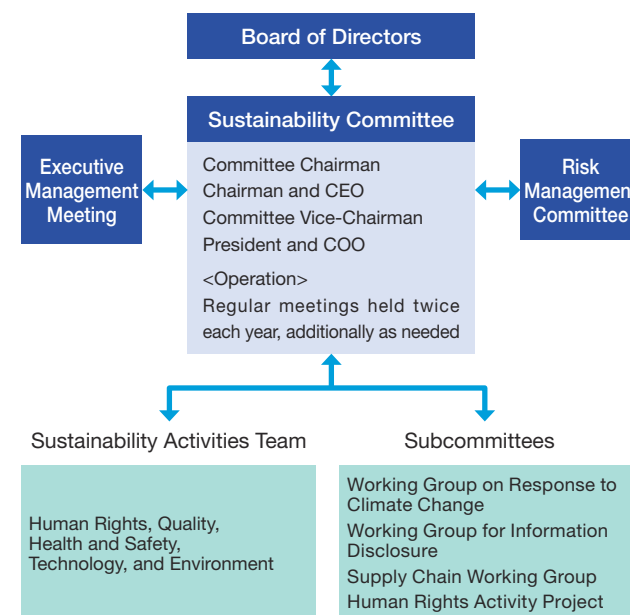
<https://www.accretech.com/en/sustainability/esg/guideline.html>

Sustainability Promotion Structure

We have established the Sustainability Committee to promote and manage sustainability activities appropriately. The new committee, which is chaired by the Chairman and CEO, oversees the drafting, formulation, planning, and implementation of sustainability activities.

In addition, the committee gives specific issues special focus through working groups (WGs) and projects. In July 2023, we established a new Supply Chain WG to strengthen our supply chain initiatives. From August 2023, we will assign projects for responding to TCFD to the permanent climate change response working group to address issues related to climate change.

● Sustainability Promotion Structure



[About the Sustainability Committee]

<Function>

The Sustainability Committee is responsible for designing, formulating, planning, and implementing sustainability activities, specifically promoting the following activities:

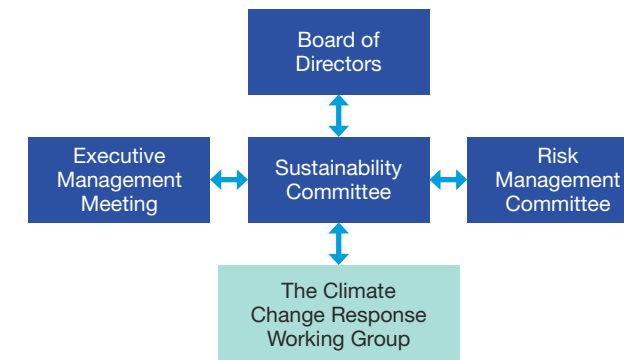
- Formulation of basic policy, operational framework, and goals as well as monitoring of information
- Establishing and managing plans and projects
- Organizing, reporting to the Board of Directors, etc.
- Matters related to various reports and information disclosure
- Convening and operating a sustainability promotion council

Environment

Disclosure Related to Climate Change (Disclosure Based on TCFD)

In August 2021, the Tokyo Seimitsu Group launched the TCFD (Task Force on Climate-related Financial Disclosures)-Response Project, which it promoted as a key activity for the Sustainability Committee. From August 2023, this project will be changed to the Climate Change Response Working Group, an ongoing entity, to analyze the risks and opportunities that climate change poses to the Group's business, share and develop issues, and promote the disclosure of climate-related financial information based on the TCFD framework.

● Working Group Structure to Respond to Climate Change



[The Climate Change Response Working Group]

Led mainly by the Sustainability Committee and comprising related personnel from the production, sales, technology, and management departments. Members of the project research and discuss issues related to climate change and regularly submit reports to the Sustainability Committee.

Governance

The Tokyo Seimitsu Group recognizes climate change as an important management issue. The Sustainability Committee deliberates on and manages the risks and opportunities related to climate change issues, and regularly submits proposals and reports to the Board of Directors.

The Sustainability Committee, which is chaired by the CEO, deliberates twice a year at regular Sustainability Committee meetings, and submits proposals and reports to the Board of Directors when deemed necessary by the chairperson. The Board of Directors shares risks and opportunities related to climate change among its members and discusses how to manage targets and resolve issues. Each director gathers information and gains knowledge, taking advantage of various opportunities and methods in order to keep abreast of the ever-changing landscape surrounding climate change.

Risk Management

The Climate Change Response Working Group identifies and assesses risks (transition/physical) related to climate change. In principle, this working group involves monthly meetings, with others held if urgently needed, and reports to the Sustainability Committee. Matters that may affect business management are promptly reported by the committee to the Board of Directors for deliberation.

Such information is also shared with the Risk Management Committee, which is responsible for business risk management, to ensure that appropriate measures are implemented on a Group-wide basis.

Strategy

In fiscal 2021, we conducted a Scope 1 and Scope 2 analysis of Tokyo Seimitsu's domestic business sites. Going forward, we will progressively monitor the GHG emissions of Group companies (domestic and overseas subsidiaries) and promote an understanding of Scope 3 emissions (Category 1 and Category 11) based on Life Cycle Assessment (LCA) of products. (We will promote an understanding of Scope 3 emissions, including those of suppliers.)

[Risks and Opportunities Associated with Climate Change]

Our scenario analysis considered the uncertainty of future projections and referred to multiple scenarios. International public opinion is moving toward the view that a 2°C scenario response is insufficient, so we conducted our analysis with a 1.5°C scenario in mind. However, as a 1.5°C scenario response would dilute our awareness of physical risks, we also assumed a business environment under the 4°C scenario, the level to which temperatures would rise if current economic activity were to continue.

* Reference scenarios

1.5°C scenario: [IEA] NZE, 1.5°C special report [IPCC] SSP1 - 1.9
4°C scenario : [IEA] STEPS [IPCC] SSP2-4.5, SSP3 - 7.0

[Strategy for Opportunities]

► Opportunities in the Semiconductor Manufacturing Equipment Business Related to Climate Change

In the process of achieving carbon neutrality across all industries, we predict demand for the following:

- Efficiency and energy conservation in production activities (mainly through digitalization)
- Transition to decarbonized energy (mainly through electrification)

As a result of the above two measures, the scope of application of digital and communication technology will expand, and the quantity of electronic devices and electronic components used throughout society will increase rapidly. Accordingly, demand for semiconductor devices, which are components found in these products, is expected to increase continuously, and the demand for the semiconductor manufacturing equipment we provide is expected to increase dramatically in the future.

In addition, the quantity of electronic devices and components

Scenarios	Risks and opportunities		Event	Description	Financial impact	Manifestation period
1.5°C	Risks	Regulations	Carbon pricing	<ul style="list-style-type: none"> Rises in costs of materials, equipment, energy, transportation, etc. due to the introduction of a carbon tax Restrictions on product exports due to the introduction of a carbon border tax 	▲▲▲	Medium term
		Markets	Shift to EVs	<ul style="list-style-type: none"> Decrease in demand for the conventional business and products (measuring instruments for internal-combustion engine parts) 	▲▲	Medium term
			Decarbonization premiums	<ul style="list-style-type: none"> Decarbonization resulting in surges in material costs, difficulty in procurement, and extra costs being incurred to procure alternative products Difficulty in procurement of non-fossil energy and rise in procurement costs 	▲▲	Medium term
		Reputation	Delayed response to decarbonization	<ul style="list-style-type: none"> Delays in climate change action and other ESG efforts affecting financing and business relationships 	▲	Medium term
	Opportunities	Markets	Shift to EVs Electrification/digitalization	<ul style="list-style-type: none"> Expanding measurement demand for new EV materials and components; increased use of semiconductors and expansion of production capacity 	▲▲▲	Medium term
			Expansion of renewable energy markets	<ul style="list-style-type: none"> Growing demand for measuring instruments due to expanding renewable energy markets 	▲	Long term
		Resource energy efficiency	Production facilities	<ul style="list-style-type: none"> Energy-saving measures in factories (equipment and processes) and recycling of resources leading to increase productivity and meet the customer need for decarbonization 	▲	Short term
4°C	Risks	Physical (acute)	Detection of intensifying disasters	<ul style="list-style-type: none"> Increase in risk management costs (BCP response) Property damage and restoration costs due to disasters Suspension of operations due to disasters (own and supplier factors) 	▲▲▲	Medium term
	Opportunities	Resilience	Disaster response	<ul style="list-style-type: none"> Stable supply of products and services during disasters to help customers maintain their production systems 	▲▲	Medium term

Legend Financial impact: ▲▲▲=Large, ▲▲=Moderate, ▲=Small Manifestation periods: Short-term: 2022–2024, Medium-term: 2025–2029, Long-term: 2030–

will increase with designs becoming more complex as the functionality becomes more sophisticated. As a result, there is a growing need to solve new issues in manufacturing processes. Tokyo Seimitsu develops and provides products that meet these needs. For example, we support manufacturing processes by providing high-precision processing equipment for the enhancement of SAW filters and sensor functionality. On the other hand, the progress of digitization and electrification will lead to:

- Increase in power consumption due to the expansion of data and computation (the spread of IoT devices and AI)
- Increase in power loss due to the expansion of the use of electric motors

Therefore, it is necessary to promote energy conservation by semiconductors themselves in a two-fold manner. As a result, there are expectations for the spread of next-generation power semiconductors (GaN, SiC, etc.) that achieve high energy efficiency, and we are also promoting the development of related technologies and products.

Emerging Needs and the Value We Offer

As mentioned above, in order to achieve carbon neutrality, we believe that new challenges will emerge, and customer needs will also constantly change. In response to these needs, we will continue to provide new value by comprehensively responding to a wide range of products covering inspection and processing equipment.

	Expected changes in society	New challenges	Value we provide (examples)
1	Increased production of semiconductor devices	Extended inspection times Further installation of semiconductor manufacturing equipment	Increased throughput of probing machines Stable supply of semiconductor manufacturing equipment
2	Increasing complexity of semiconductor device designs	Increased heat dissipation during measurement Higher machining accuracy	Probing machines that support high-precision temperature control High-precision high rigid grinders, ablation laser dicing machines
3	Spread of next-generation power semiconductors	Increased demand for difficult-to-cut material processing	High-precision high rigid grinders, edge grinders, and CMPs (chemical mechanical planarizers)

Semiconductor Manufacturing Equipment Business Strategies and Goals

We will accurately seize business opportunities related to climate change and achieve sustainable growth in the semiconductor manufacturing equipment business. In other words, 1. We will make appropriate capital investments in line with the increase in demand, 2. Conduct sales activities with a thorough customer-oriented mindset, and 3. Participate in industry associations and joint research.

1. Appropriate capital investment to meet growing demand

In order to meet the rapidly increasing demand for semiconductor devices, we will steadily strengthen our production system for semiconductor manufacturing equipment. The Hanno Plant began operations in July 2023, and the Company is considering the construction of a new plant in the Nagoya area.

2. Sales activities that are thoroughly customer-oriented

Since our strength lies in our thorough customer-oriented approach, our manufacturing, engineering, service, and sales teams work in unison to listen to our customers on a daily basis. Through these initiatives, we will not only quickly grasp the quantitative and qualitative needs of semiconductor manufacturing equipment but also pursue products and services that satisfy our customers, aiming to create relationships that enable us to grow together with our customers.

3. Participation in industry associations and joint research

Tokyo Seimitsu is a Regular Member of the Semiconductor Equipment Association of Japan (SEAJ) and leads discussions on energy and CO₂ in SEAJ's Environment Subcommittee. We also participate in the Semiconductor Equipment and Materials International (SEMI) as a Semiconductor Climate Consortium Founding Member.

In addition, we will actively work on the development of next-generation technologies. As a member of Tsukuba Power Electronics Constellation (TPEC), a joint research consortium for power electronics that contributes to energy conservation in a wide range of industries and households, we are participating in R&D and human resource development. We are also participating in R&D with the Center for Innovative Integrated Electronic Systems (CIES), Tohoku University.

Through these initiatives, we will also strive to develop products from a medium- to long-term and seeds perspective, and capture the technological breakthroughs and industry changes that accompany them.

Based on the policies (1, 2, and 3) above, we aim to increase sales in the semiconductor manufacturing equipment business to 132 billion yen by fiscal 2024 (fiscal 2021 results: 101.1 billion yen).

In addition, the Tokyo Seimitsu Group is the industry's only manufacturer of semiconductor manufacturing equipment that also has measurement technologies. By incorporating measuring equipment into semiconductor manufacturing equipment, it is possible to carry out more accurate inspection and processing, providing unique value. We expect synergies between the two businesses through this initiative to amount to sales of around 13 billion yen by 2025.

► Opportunities in the Precision Measuring Instrument Business Related to Climate Change

In order to achieve carbon neutrality by 2050, it is necessary not only to decarbonize electric power sectors, which emit large amounts of greenhouse gas, but also to electrify non-electric power sectors (consumer, industrial, and transportation).

Our measurement technology plays a fundamental role in carbon neutrality measures in a wide range of fields, both in the electric power and non-electric power sectors.

1. Electric power sector

1-1. Adoption of renewable energy

- ➔ Bearing measurement technology for offshore wind power generation

1-2. Expansion of the storage battery industry

- ➔ Charge/discharge testing system (Accretch Powertro System Co., Ltd. (APS))

2. Non-electric power sectors (consumer, industrial, and transportation)

2-1. (Overall) Progress of electrification and digitalization

- ➔ Measurement technology for semiconductor manufacturing equipment and electric vehicles

2-2. (Industrial) Compatibility of temperature adaptation and energy conservation

- ➔ Measurement products that are resistant to temperature changes

2-3. (Transportation) Contribution to weight reduction and efficiency

- ➔ Measurement technology for complex engine parts

1. Electric power sector

1-1. Adoption of renewable energy

It has been noted that a combination of multiple sources of power, including renewable energy, is needed to achieve electricity decarbonization and still provide sufficient electricity demand.

Among them, offshore wind power generation plays an important role. Offshore wind power generation is expected to be introduced in large quantities around the world, and by 2040, the amount of power generated is expected to increase by about 20 times, with an investment of about 1 trillion USD. In Japan, its growth potential and economic ripple effects are emphasized, and in the Offshore Wind Industry Vision (Phase 1), it is positioned as a trump card for making renewable energy a mainstream power source.

Bearings are components that affect the power generation efficiency of wind power generators. Those used in large wind power generators are several meters in size. With our highly accurate roundness and cylindrical shape measurement technology, we measure the shape of the bearing and whether there is any internal distortion or inclination, maximizing the effect of introducing wind power.

1-2. Expansion of the storage battery industry

Production of lithium-ion and other rechargeable batteries* is expected to grow dramatically due to the global spread of EVs and the stabilization of the electric power system accompanying the expansion of the introduction of renewable energy.

* The global market for rechargeable batteries (for stationary and automotive use) is expected to grow significantly from approximately 5 trillion yen in 2019 to approximately 40 trillion yen (8 times higher) by 2030, and approximately 100 trillion yen (20 times higher) by 2050

(Source: Strategy for the Storage Battery Industry, Ministry of Economy, Trade and Industry)

https://www.meti.go.jp/policy/mono_info_service/joho/conference/battery_strategy/battery_saisyu_torimatome.pdf

A charge/discharge testing system that measures the performance and reliability of rechargeable batteries is developed and sold by Accretch Powertro System Co., Ltd., a Group company.

Charge/discharge tests involve repeated charging and dis-

charging of batteries, and thus consume a large amount of electricity. However, our unique "energy sharing method," in which electricity is shared among multiple batteries under test, has realized energy conservation of up to 30% (in-house comparison). In addition to battery research and development, this product is used for a wide range of applications, such as quality inspections during mass production, and contributes to the reduction of CO₂ emissions and power costs for customers. Accretech Powertro System Co., Ltd. not only manufactures and sells test equipment but also provides battery evaluation services for contract testing using the equipment. These WIN-WIN products and services contribute to climate change countermeasures by reducing customers' CO₂ emissions during testing and by accelerating R&D and dissemination of rechargeable batteries while at the same time contributing to our growth.

2. Non-electric power sectors (consumer, industrial, and transportation)

2-1. Progress of electrification and digitalization

In the decarbonization of non-electricity sectors, measures for dealing with combustion equipment and facilities using fossil fuels are the main focus, with conversion to decarbonized energy through electrification (direct heating with electricity, heat pumps, electrification of vehicles, etc.) and efficiency improvements through digitalization, playing a major role toward decarbonization. These measures will result in a rapid increase in the number of electronic devices and sensors used in society as a whole, with demand for semiconductor devices expected to grow continuously. We provide precision measuring instruments that are indispensable for the development and production activities of semiconductor device manufacturers, electronic component manufacturers, semiconductor and electronic component manufacturing equipment manufacturers, and inspection system manufacturers. With the increase in demand for semiconductor devices mentioned above, the need for our products that support semiconductor manufacturing processes is expected to increase in the future. In addition, since reducing CO₂ emissions from automobiles is an important theme toward achieving carbon neutrality, related policies are being launched one after another in countries around the world. The Japanese government is also aiming for only electric passenger cars to be sold by 2035. In line with this, it is tasked with restructuring the automobile industry, including the development and popularization of storage batteries. The unit configuration, development, and production methods for HEVs and EVs are very different from those for conventional automobiles. In particular, the market for drive motor units, inverters, batteries, and other components unique to electric vehicles is expected to expand rapidly. We support high-precision measurement of drive system motor units and batteries by utilizing measurement technology with Coordinate measuring machines and X-ray CT systems. In the future, we will grow together with customers in the automotive industry, which is undergoing major changes, and contribute to the spread of new energy vehicles from the aspect of measurement technology.

2-2. Contribution to energy conservation and productivity improvement by adapting the temperatures of precision measurement

While countries around the world are working to achieve carbon neutrality by 2050, the average global temperature is expected to rise between 0.5 and 1°C even if the goals set by each country are met. Furthermore, if the world does not move forward with climate change countermeasures, it is expected that the average temperature will rise by more than 4°C and the probability of extreme weather events will increase. In response to these risks, we provide measurement products that are resistant to temperature changes in the measurement environment and contribute to the sustainable production activities of the manufacturing industry. Specifically, we provide value in the following ways.

Measurement environments in which it is difficult to control the temperature:

Our products can handle constant temperature rises above the conventional accuracy-guaranteed ambient temperature to a certain degree. In addition, the ease of constraints on environmental temperature at the time of measurement enables flexible design of measurement and inspection processes in the factory. As a result, measurement and inspection can be performed earlier in the production process, contributing to higher productivity.

Measurement environments in which it is possible to control the temperature:

By expanding the range of the accuracy-guaranteed ambient temperature and being less strict with air conditioning temperature settings, our systems contribute to energy and cost savings while maintaining measurement accuracy.

The following products enable measurement over a wide temperature range. Also, it is assumed that the automation of production processes will accelerate in the future for the purpose of avoiding work in hot environments, and demand for these products is expected to increase because they are also compatible with automation.

- Coordinate measuring machines — DuraMax, XYZAX AXCEL
- Surface texture and contour measuring instruments — SURFCOM NEX

In the future, we will continue to support the production bases for more industries and products by responding to customers' needs for temperature adaptation and automation with a wide range of products.

Column: Control Function that Contributes to Energy Conservation

- Our measurement products are equipped with a function (Air Saver function) that automatically stops the supply of compressed air when the main unit is in standby mode, contributing to energy conservation without extra labor for operators.
- In addition, customers who are already using our products can also add this function to their existing equipment to save energy at their existing facilities.

2-3. Fuel conversion and contribution to weight reduction and efficiency in the transportation sector

In order to decarbonize the transportation sector, further weight reduction and efficiency of transportation equipment are required. Especially in the aircraft sector, while electrification and fuel conversion are progressing, reviewing the structure and engines of airframes continues to be an important development issue. For example, BLISK, a component that integrates the blade and rotor disc of an engine, plays an important role in reducing the weight of aircraft engines and the air resistance inside the engine. The development and production of blisks requires high-precision metal processing and it has been a challenge to accurately measure their shapes (especially the edges of the blades). We offer XYZAX Opt-BLISK, a product that enables accurate measurement in a short amount of time by utilizing a non-contact sensor. Our highly accurate measurement technology will contribute to the efficiency and decarbonization of the transportation sector.

[Strategy for Risks]

▶ Strengthening BCP and BCMS

- In addition to the increasing risk of natural disasters due to climate change, there is a growing need for business continuity in emergencies from the perspective of economic security. Against this backdrop, we are working to strengthen our Business Continuity Plan (BCP) and Business Continuity Management System (BCMS). (See P73, "Risk Management.")
- In preparation for the intensification of disasters caused by climate change, we are implementing the following planning and management in anticipation of the suspension of operations at our plants and the damage to suppliers and subcontractors.
- Assumption of damage to our own plants: We have assessed the risk of flooding at our plants (Hachioji, Tsuchiura, Hanno) based on hazard maps and other information from local governments and confirmed that the risk of flooding is sufficiently small.
- Suppliers and subcontractors: We evaluate the risk of flooding using local government hazard maps and assessment tools such as the World Resources Institute's Aqueduct Floods taking into account the magnitude of the impact on our business, including transaction value and the inability for other companies to supply the same products and services.

[Strategy for Scope 3 emissions (Category 11)]

As a result of calculating Scope 3 emissions (Category 1 and 11) based on Life Cycle Assessment (LCA), it was found that Category 11 emissions related to semiconductor manufacturing equipment had the greatest impact and that emission reduction efforts are highly important.

In the semiconductor manufacturing process, in addition to the power consumption of our products, energy is also consumed in the production of ultrapure water, which is necessary for clean room maintenance, temperature control, and semiconductor cleaning. In addition, based on our LCA results, CO₂ emissions associated with indirect emissions from dicing machines can be as high as or several times higher than CO₂ emissions associated with electricity consumption during product use. Therefore, it is also important to reduce these emissions. We are also working to reduce the footprint of our products to reduce the energy required for air conditioning, and to develop products that enable semiconductor cutting and processing using smaller amounts of water (ultrapure water). Our design principles for new product development include compactness, design that achieves energy conservation throughout the product life cycle, and resource-saving design, and we evaluate LCA and set targets for indirect emissions, including CO₂ emissions, during product development.

Targets and Indicators

By 2030, we aim to reduce our Scope 1 and 2 CO₂ emissions by 50% compared with fiscal 2018 levels. We expect demand for semiconductors to continue growing in tandem with advances in electrification and digitization. We recognize that semiconductors will play a major role in the realization of a decarbonized society and that it is important for our Group to meet those needs. In light of the current situation, we plan to expand production capacity. Although energy consumption is thus expected to increase, we will promote decarbonization efforts by utilizing low-carbon energy sources, including renewable energy, in addition to mounting energy conservation efforts.

Environmental Management

The Tokyo Seimitsu Group contributes to the realization of a sustainable society based on the Group's Basic Environmental Philosophy, which is "Recognizing environmental conservation as an important theme common to all humankind, Tokyo Seimitsu makes environmental conservation an integral element of all product development, design, manufacturing, and service activities."

Basic Environmental Philosophy, Basic Environmental Policy, Environmental Policy

<https://www.accrettech.com/en/sustainability/esg/management.html>

Environmental Management System

The Company has created an Environmental Management System (EMS) which conforms to ISO 14001. Each Environmental Subcommittee, established as part of the Semiconductor Company and Metrology Company, conducts an annual survey of environmental aspects of the organization, products, services, and facilities in accordance with the Environmental Monitoring and Measurement Management Regulations. We evaluate their environmental impacts and prepare, approve, implement, evaluate, and report on our Environmental Objectives Implementation Plan and Environmental Management System Programs based on legal requirements, our Environmental Policy, and stakeholder requirements. Internal audits are conducted twice a year to confirm the status of management and compliance with laws and regulations.

Environmental Objectives Implementation Plan/ Environmental Management System Programs

The divisions affiliated with each Environmental Subcommittee prepare an Environmental Objectives Implementation Plan that specifies the details of efforts, deadlines, and evaluation methods to achieve the environmental targets of the Semiconductor Company and Metrology Company. Based on this plan, they prepare Environmental Management System Programs that provide annual implementation plan and progress information. In fiscal 2022, we planned 69 programs, achieving our objectives in 65 of them (94.2% achievement rate).

● Environmental management system programs in fiscal 2022 that achieved objectives

Main initiative	Cases
Power reduced due to equipment efficiencies	29
Reduction in power consumed during processing and production	3
Power reduction due to improvement proposals and small-group activities	7
Reduction in water and air consumption during production	4
Reduction in the use of organic solvents	2
Reduction of hazardous chemical substances	3
Reduction of CO ₂ through gas substitution	1
Reduction in waste	2
Reduction of CO ₂ emissions through use of Company vehicles	1
Others	13

Eco-Factory

Tokyo Seimitsu is a machinery manufacturer that performs tooling of precision parts in-house. Over 99% of the energy that we consume consists of power for our production plants, and the amount of water that we use for cutting and processing is considerable as well. Production volume is increasing for products that process semiconductors using water, as is the volume of water used for inspection, adjustment, test processing, and other work. We are striving to reduce the consumption of electricity and water. Moreover, as the equipment has large numbers of mechanical parts and many paper drawings are used for parts processing and assembly, we are working to use electronic data in processing and assembly to reduce the use of paper. We are also striving to recycle metal processing scrap and waste liquid from processing as much as possible.

Promotion of Global Warming Prevention (Toward a Carbon-Free Society)

Almost all the greenhouse gases emitted by the Company are from the CO₂ equivalent of electricity purchased and used in the operation of the Hachioji Plant and Tsuchiura Plant. As a global warming prevention measure, we are focusing on conserving electricity.

■ CO₂ Emission Reduction Targets

35% reduction compared to FY2018 by FY2025

50% reduction compared to FY2018 by FY2030

● Fiscal 2022 Targets and Results

Reduction of CO ₂ emissions	
Plan	35% reduction compared to FY2018 by FY2025 Benchmark emissions: 12,312 t-CO ₂ Reduction target: 8,003 t-CO ₂
Result	8,257 t-CO ₂ (33% reduction compared to FY2018)
Promotion of energy conservation (reduction of electricity during use)	
Plan	140 MWh reduction through Environmental Management System Programs
Result	238 MWh reduction (achievement rate: 170%)

● Tokyo Seimitsu's CO₂ emissions and electric power used

	Previous five-year plan		New five-year plan*			
	2018 (FY)	2019 (FY)	2020 (FY)	2021 (FY)	2022 (FY)	FY2023 (Target)
Emissions (t-CO ₂)	12,312	11,982	9,524	8,191	8,257	10,900
Electricity consumption (MWh)	25,765	25,448	28,843	29,835	29,546	35,580
CO ₂ emissions Production volume intensity (t-CO ₂ /million yen)	0.160	0.191	0.129	0.080	0.074	—

Organizations covered: Tokyo Seimitsu Co., Ltd. (non-consolidated basis)

* In 2021, we revised our reduction target and extended the period by one year.

Resource Recycling and Waste Reduction

Various resources are used for the products and business activities of the Tokyo Seimitsu Group. In order to contribute to the formation of a sustainable recycling-oriented society, we have declared in our Environmental Policy that we will make effective use of all resources and work on resource saving, waste reduction, and recycling.

Reduction of waste emissions, reuse as resources	
Plan	Recycling rate of 95% or higher by FY2024
Result	Recycling rate 99.0% Total emissions 1,071 t Amount reused as resources 1,061 t Final disposal amount 10 t Cardboard : Reduced by 88,549 kg Bubble wrap : Reduced by 13,542 kg Wood scraps : Reduced by 9,920 kg
Paper procurement volume production volume intensity reduction	
Plan	5% reduction compared to FY2019 by FY2024 Benchmark usage: 0.443 kg/million yen Reduction target : 0.421 kg/million yen
Result	0.310 kg/million yen (30% reduction compared to FY2019)

■ Waste Reduction and Reuse of Waste as Resources

In order to reduce waste, we are implementing various initiatives, such as replacing cardboard boxes for packaging delivered parts with reusable plastic boxes, and having pick up wooden pallets picked up by shipping companies. All waste from the Hachioji Plant is recycled, by means including thermal recycling. We are also working to increase the recycling rate at the Tsuchiura Plant by switching to a vendor that treats liquid waste for recycling.

■ Reduction of Resource (Paper) Use

In order to reduce our use of paper, we are creating an environment in which work can be performed during every process within the company using electronic data.

- Spreading Information about Our Public Relations Activities and IR Initiatives in Digital Formats Without Using Paper
- Comprehensive Management System for Multifunction Machines and Printers
- Initiatives for Creating a Paperless Supply Chain

Water Resources

Water is a valuable resource that is directly linked to people's lives and livelihoods. Since the Hachioji Plant, which manufactures semiconductor manufacturing equipment, uses a large amount of water (pure water), we are working to conserve water resources by reducing water consumption and promoting water recycling.

Water consumption production volume intensity reduction	
Plan	5% reduction compared to FY2019 by FY2024 Benchmark usage: 2.74 m ³ /million yen Reduction target : 2.60 m ³ /million yen
Result	1.48 m ³ /million yen (46% reduction compared to FY2019)

■ Reduction of Water Consumption and Water Recycling

All of the water we use is provided using city water (surface water) and groundwater. In fiscal 2022, we used 164,150 m³ of water. At the Hachioji Plant in particular, wastewater volumes are increasing as the production volume of semiconductor manufacturing equipment that use a large amount of water (pure water) increases. As a result, a portion of the wastewater is collected and filtered to promote water recycling as raw water to serve as pure water.

● Water usage

	FY2018 performance	FY2019	FY2020	FY2021	FY2022
Water usage (m ³)	157,375	171,706	169,873	163,662	164,150
Water usage production volume intensity (m ³ /million yen)	2.05	2.74	2.29	1.61	1.48

Locations covered: Hachioji Plant and Tsuchiura Plant

● Water recycling rate from pure water production facilities*

FY2019	FY2020	FY2021	FY2022
16.3%	17.2%	17.2%	17.6%

Locations covered: Hachioji Plant

* **Wastewater recycling rate:** Amount recycled/amount used (= raw water input + amount recycled)

Chemical Substances Control

With regard to the chemical substances, the Tokyo Seimitsu Group uses and that are contained in component materials, the Group complies with the laws and regulations of Japan and of the regions to which it exports. For chemical substances that are not regulated, we perform management based on voluntary standards to minimize impacts on people and the environment.

■ Chemical Substances Control Based on Voluntary Standards

In our internal regulations, we stipulate substances with the potential to pollute the environment, and mandate notification to the person responsible for environmental management when handling such substances. In addition to keeping track of the amount of each substance handled, storage location, maximum storage volume, etc., we have SDSs* and emergency response tools, conduct periodic drills to prepare for emergency situations, and are promoting the use of non-toxic or low-toxic alternatives to organic solvents and other hazardous chemical substances. In fiscal 2022, we reduced the number of chemical substances by 45 compared to the reduction target of 10 substances.

* **Safety data sheets (SDSs):** provide information on the hazards, toxicity, storage, disposal methods, and other information on the handling of chemical substances.

Eco-products (products that reduce environmental impact)

We believe that it is important for the products of the Tokyo Seimitsu Group, which are indispensable to our customers' production processes, to contribute to energy conservation in our customers' manufacturing. Through our eco-products (products that reduce environmental impact), we will contribute to the resolution of customers' environmental issues and the realization of carbon neutrality.

Life Cycle Assessment (LCA)

In the development of new products, we set LCA (Life Cycle Assessment: a calculation standard that converts the environmental impact of each stage of a product's life cycle, from manufacturing to disposal, into CO₂ emissions) targets and aim to reduce CO₂ emissions from conventional machines. We are also working to reduce total CO₂ emissions by calculating the LCA of existing products.

System that Reduces Environmental Impact HRG3000RMX high rigid grinder

In the manufacture of semiconductors, wafers are becoming thinner as semiconductor packages become thinner and chips become multilayered.

The HRG3000RMX high rigid grinder achieves mirror surface processing comparable to a polish grinder by increasing rigidity with original technology and has improved machining speed and productivity three times that of a polish grinder.

As a result, compared to conventional polish grinders, power consumption per wafer processing is reduced by 61%, water and air consumption are reduced by 57%, and the installation area of the equipment in the clean room is reduced by 65%.

In addition, polish-less (chemical-less) processing contributes to cost reduction and reducing environmental impact.



Opt-Blisk

A blisk, which consists of a rotor disk and multiple blades, is a component of the aircraft engine. The integrated structure has reduced the number of parts and reduced the weight of the parts while the measurement technology required by the complex structure has also become more sophisticated.

Opt-Blisk's unique measurement path generation technology and 4-axis synchronous control of the XYZ and rotational probes enable high-speed scanning measurements with optimal measurement paths that maintain sensitivity even in blisks with narrow areas where blades overlap.

By combining AXCEL, a Coordinate measuring machine that achieves high acceleration, and a non-contact, high-precision

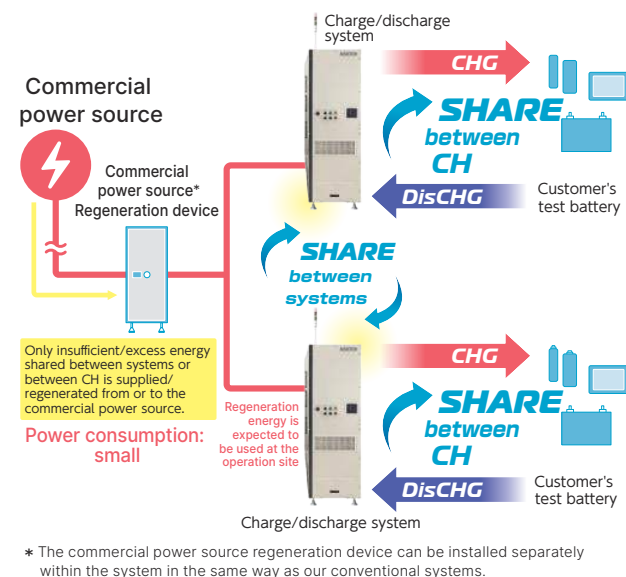
rotational probes, measurement time has been reduced by approximately 60% compared to conventional contact-type sensor measurements, and power consumption during measurement has been reduced.

It also contributes to improving aircraft fuel efficiency by accurately measuring blisk edge shapes.



Energy Sharing Method-Based Charge/Discharge Testing System

Charge/discharge Testing System are used for charge/discharge tests in a wide range of applications such as the R&D of rechargeable batteries and capacitors and quality inspections during mass production. Although our charge/discharge testing system have traditionally also regenerated energy back to the commercial power source, our unique energy sharing method that accommodates surplus power among multiple batteries in the device being tested and between devices has realized energy savings of up to 30% (in-house comparison). This contributes to the reduction of CO₂ emissions and power costs for customers.



Quality

As Tokyo Seimitsu Group products are incorporated into production equipment, we consider outstanding quality as meaning the provision of stable and reliable product quality and prompt and meticulous support quality. In order to fulfill our responsibility to protect the social status and interests of our Group customers, we are promoting initiatives to improve and upgrade quality and services.

Quality Policy

At both of our plants, we set quality targets and conduct quality control in line with the Quality Policy, and work to improve the quality of products and support.

Quality Policy (full text)

https://www.accretech.com/en/sustainability/esg/product_quality.html

Target and FY2022 Result

Customer Satisfaction Survey

Target	Result
Achieve a satisfaction rating of 94.8% or more by FY2025	Percentage of satisfactory ratings in FY2022: 93.3%

Quality Control Structure (Quality Management Committee)

The Quality Management Committee consists of eight members: One Quality Officer, two officers in charge of business, two quality control managers, and three Sustainability Department members. The Quality Management Committee meets twice a year to review the performance, effectiveness, and appropriateness of the Quality Management System. The Quality Officer reports to the Board of Directors and receives instructions and supervision. In fiscal 2022, there were no quality man-

agement issues that required corrective actions to be taken. Since obtaining ISO 9001 certification at the Hachioji and Tsuchiura plants in 1994, we have established the Tokyo Seimitsu Quality Management System (QMS) and have been promoting quality improvement activities through the PDCA cycle based on quality policy and quality targets.

Internal Quality Audits

The internal audit team conducts Internal Quality Audits twice a year. Certified auditors conduct audits in accordance with the quality manual under the direction of the Quality Control Managers of the Hachioji and Tsuchiura Plants, who report the audit results and the effectiveness of the Quality Management System to the Quality Management Committee. During the Internal Quality Audits performed in fiscal 2022, the auditors did not indicate that corrective actions needed to be taken.

Supplier Quality Audits

Suppliers who supply many of the parts and components required for our products cooperate in the quality audits that we conduct using our ISO 9001-compliant checklists. In fiscal 2022, supplier quality audits were conducted at 11 companies (cumulative total of 208 companies), and follow-up audits were conducted for suppliers that did not comply with our quality control standards and/or quality requirements.

Customer Satisfaction Surveys

To incorporate customer feedback into the improvement and enhancement of our products and services, we conduct customer satisfaction surveys to ascertain customer satisfaction and strive to strengthen it. The percentage of satisfactory ratings in the FY2022 customer satisfaction survey was 93.3%, and we are analyzing factors and implementing countermeasures for items that we believe need improvement.

Provision of Stable and Reliable Product Quality and Prompt and Meticulous Support Quality

Quality policy and quality targets

- Initiatives aimed at risk and opportunity
- Planning of quality management system (quality target implementation plan/quality management system program)

Improvement

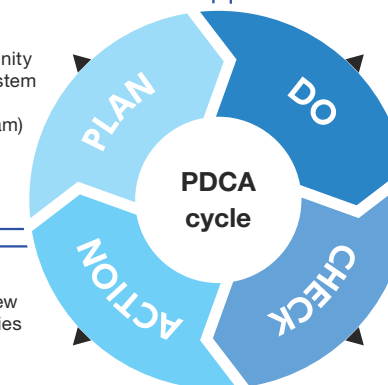
- Instructions from management review
- Corrective action for non-conformities
- Continuous improvements

Support and operation

- Tokyo Seimitsu Engineering Standards (TES), resources, competencies, education and training, legal information
- Creation of products and services
- Determination of requirements, design and development, management of manufacturing and service provision (change control) and release, defective product management
- Quality improvement activities
- Quality management system program execution
- Communication with suppliers

Monitoring, measurement, analysis, evaluation

- Customer satisfaction surveys
- Management reviews
- Internal audits
- Quality Subcommittee and QC meetings
- Supplier performance surveys



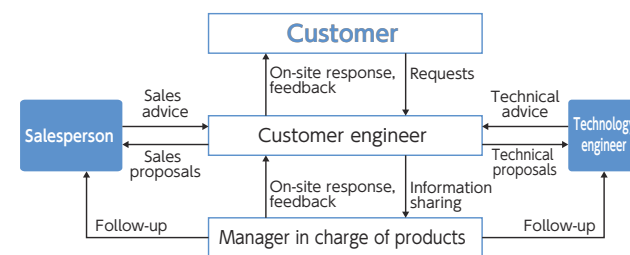
Support Services

Semiconductor Manufacturing Equipment Business

The Semiconductor Company's CE (Customer Engineer) Department is responsible for maintaining and improving the quality and productivity of the Company's semiconductor manufacturing equipment used in semiconductor manufacturing and processing operations around the world, from installation setup to maintenance and training support, as well as supplying maintenance parts. In addition, based on a deep relationship of trust with our customers, we strive to understand their needs and support their manufacturing activities. In order to contribute to our customers' profits and increase customer satisfaction by providing high-performance products and high-quality support, we have established a global support structure based on the teamwork of the entire CE Department.

Support Structure

The Semiconductor Company's Customer Engineering (CE) Department provides a high level of customer responsiveness and value-added services through the Service Division and parts supply without delay through parts centers that enable customers to realize their targeted production.



Education and Training

The CE Department is required to have a high level of expertise so that it can respond to various customer issues. In order to continue to provide high-quality support, the CE Department is also helping to standardize work levels (accuracy, operation assurance, knowledge, etc.) by conducting training for young engineers and leadership training. In addition, skill sheets are used to clarify the status of employees' acquisition of knowledge and skills, which is useful for human resource development.

The GSM (Global Service Meeting), which is held annually by the GSE (Global Service Engineer) Team, was conducted online in fiscal 2022. 67 service engineer representatives from 12 countries and overseas subsidiaries participated in the event, which included a video streaming of start-up operations, demonstrations of AI big data functions using webcams and smart glasses, and equipment and product-specific training.

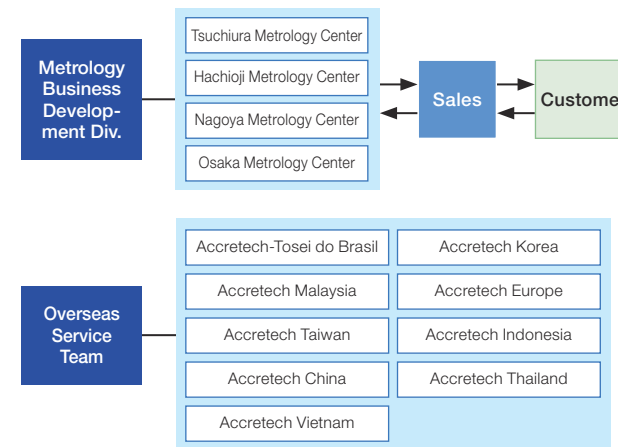
Precision Measuring Instrument Business

Adopting the slogan "No Measurement, no Manufacturing," the precision measuring instrument business provides support for creating our customers' futures through our precision measuring technology based on the idea that providing precision and reliability is the origin of manufacturing.

Support Structure

The Metrology Company has established Metrology Centers at four locations in Japan and nine showrooms overseas, building a system capable of providing technical support to customers while becoming closer to them.

● Support Structure



Metrology Centers

Our Metrology Centers are staffed by engineers who have ample expertise in measurement technology and instrument operation, and provide "technology" (place for learning), "sincerity" (proposal of solutions), and "reliability" (customer-friendly support) to meet the various needs of customers.

Training of Engineers Overseas

In order to strengthen the global support structure, the overseas service team invites service engineers from various countries to the Metrology Center located in the Tsuchiura Plant for intensive training and drills. In fiscal 2022, 11 people from 4 countries participated in the basic training for new engineers, and 9 people from 6 countries participated in the advanced training for skilled and experienced engineers.

Supply Chain Management

The Tokyo Seimitsu Group considers all of our suppliers to be our valued partners. Through collaboration with our suppliers, we aim to develop a strong supply chain that contributes to a sustainable society by autonomously responding to the needs of the international community as a responsible company.

Procurement Policy

In providing high-performance, high-quality products and services to customers, the Tokyo Seimitsu Group deepens partnerships with all suppliers through procurement, builds mutual cooperation and trust, and forges relationships that allow us to grow and develop together. In addition to quality, we comply with laws and social norms, and engage in procurement activities that fulfill social responsibilities such as human rights, labor, safety and health, global environmental protection, and information security throughout the supply chain. Through fair and impartial evaluation processes and communication, we will respond to market changes and promote high-value-added manufacturing together with reliable suppliers.

Promotion Structure

In order to strengthen our supply chain, we established a Supply Chain Working Group under the Sustainability Committee in July 2023. Formed by members of Production Control Dept., Quality Assurance Dept., Sustainability Dept., Environmental Product Promotion Department, Technology Development Department, Sales Department, Legal Department, and Information Systems Department, the Supply Chain Working Group grasps supply chain requirements internally and externally and promotes sustainable procurement.

Supplier CSR Guidelines

We have declared our compliance with the Responsible Business Alliance (RBA) to meet the demands of the international community, including corporate responsibility for the safety of the working environment, worker dignity and environmental impact throughout our supply chain. Based on the RBA Code of Conduct, we have formulated the "Tokyo Seimitsu Supplier CSR Guidelines" that set out our requirements with regard to procurement policy, human rights and labor, occupational safety and health, the environment, ethics, safety and quality, and information security. We ask that our suppliers understand the purpose of these guidelines and cooperate with us in promoting sustainable procurement activities.

Supplier CSR Survey

We have reviewed the SCM (Supply Chain Management) check sheets that have been utilized since fiscal 2016 and have been conducting sustainability assessments with new content based on the RBA Code of Conduct since fiscal 2022. In fiscal 2022, a survey was conducted for the top 56 companies (26%) in terms of percentage of procurement value with responses received from 53 companies (response rate: 94.6%). The results of the assessment analysis are provided to suppliers as feedback. For items with low scores, suppliers are requested to take corrective actions and measures for improvement.

● Sustainability assessment items

Type	Number of questions	Assessment items
Labor	19	Items related to human rights, such as foreign workers, child workers, overtime labor, forced labor, abuse, and discrimination
Health and Safety	11	Items related to occupational safety, work that uses chemicals, or work that is physically demanding
Environment	8	Items related to understanding the company's greenhouse gas emissions and reduction targets
Ethics	9	Items related to bribery and corruption, privacy and information security
Management System	12	Items related to the establishment of processes for continuous improvement in labor, health and safety, the environment, and ethics

● Target and result

Target	FY2022 result
Suppliers connected with 80% of procurement amount in FY2023 (126 companies)	Suppliers connected with 26% of procurement amount (56 companies)

Curtailing and Managing Environmental Impact (Risk)

We ask our suppliers to use the "Environmental Management Structure Survey Sheet" or "Environmental Management Checklist" for survey and evaluation purposes, and to develop and manage systems to avoid environmental risks in the supply chain. Suppliers that outsource product manufacturing or services are required to participate in a survey conducted by our Company every two years regarding human health and living environments, including air pollution, water pollution, the Offensive Odor Control Act, vibration and noise facilities, and specially controlled wastes.

Training for Employees

We conduct training for employees in Procurement Section and Procurement Team to develop human resources who promote responsible procurement. In fiscal 2022, we provided training on the Subcontract Act, Business Partnership Building Declaration, and the invoice system.

We also provide all employees with e-learning training on the ACCRETECH Group Code of Conduct.

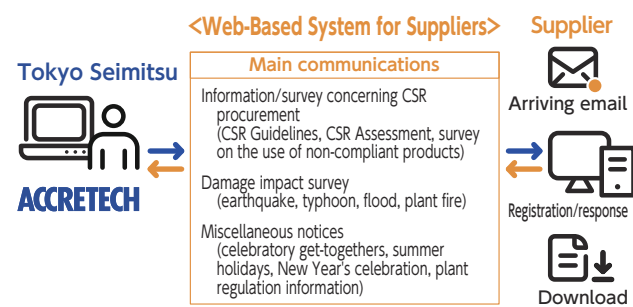
CSR Seminars

Every year, Tokyo Seimitsu offers CSR seminars at workshops hosted by suppliers. In order to promote understanding of the importance of fulfilling social responsibilities throughout the supply chain, we explained about the new Sustainability Assessment for FY2022 with reference to the RBA Code of Conduct provided by the Responsible Business Alliance (RBA) and asked for cooperation in surveys in response to the demands of the international community.

FY2015	Policy on CSR
FY2016	Overview of the "SCM Check Sheet" and Survey Request
FY2017	Trends in CSR/Results of the Previous Year's "SCM Check Sheet"/ Tokyo Seimitsu's CSR Activity Report
FY2018	Tokyo Seimitsu's CSR Activity Report/Trends in CSR/ Initiatives for the Supply Chain/ Supplier CSR Guidelines (First Edition) Overview and request for submission of "Check Report"
FY2019	Trends in Prohibited Substances in Products in 2020/ Sharing of Information on Typhoon Damage in 2019/ Review of BCP/ Introduction to Disaster Countermeasures
FY2020	Overview of Web-based System for Suppliers/ Trends in Environmental Laws and Regulations for Products/ CSR Questionnaire
FY2021	Seminars canceled due to prevention of new coronavirus infection
FY2022	Transition from CSR to Sustainability Activities/ Self-Assessment Referencing the RBA's Code of Conduct

Web-Based System for Suppliers

We are developing a "web-based system for suppliers" to share information with suppliers, broadly and without redundancy. This system will address the ever-growing need for information sharing, including supplier CSR questionnaires, notifications of disasters such as earthquakes and heavy rains, surveys of damage conditions, and communication of various notifications. We will use this system to build a structure for more sustained and active communication with suppliers.



Supplier Evaluation System

Once a year, the Company conducts commendations for suppliers. We commend outstanding suppliers based on evaluations of five items: quality, cost, delivery time, rate of cooperation, and management. In fiscal 2022, we commended two business partners and presented them with certificates of recognition.

Business Partnership Building Declaration

On February 1, 2023, Tokyo Seimitsu announced its Business Partnership Building Declaration in support of the aims of the "Council for Promoting Partnership Building for the Future*." We aim to build new partnerships by promoting collaboration, coexistence, and co-prosperity with business partners in the supply chain and businesses seeking to create value.



<https://www.biz-partnership.jp/declaration/22838-05-18-tokyo.pdf>

*** Council for Promoting Partnership Building for the Future:** This council conducts activities to promote co-existence and co-prosperity for companies throughout the entire supply chain and new cooperative relationships where size, affiliation, and other factors are irrelevant. Members include relevant cabinet ministers (from the Cabinet Office, METI, MHLW, MAFF, and MLIT as well as the Deputy Chief Cabinet Secretary), Keidanren Chairman, NCCI Chairman, and Rengo Chairman.

Work Styles

Health Management

In order for people to make the most of their capabilities and work with a sense of purpose, the Tokyo Seimitsu Group believes it is important for those people and their families to be physically and mentally healthy. Tokyo Seimitsu has taken initiatives in line with the Health Company Declaration and received a silver certificate as an "Excellent Health Company" in August 2020. We work to create comfortable workplaces by means including strict working hour management to avoid long working hours.

Fiscal 2022 Results

Health Declaration	Actual Details and Results
100% of medical checkups will be taken	Achieved periodical medical examination rate of 93.7%
We will utilize the results of health checkups	A total of 105 people were encouraged to receive specified health guidance
We will create a healthy environment	Video dissemination addressing healthy company declaration themes: 12 times (monthly)
We will promote better diet	Provided Healthy Company Declaration Collaborative Menu in cafeterias (once a week)
We will encourage exercise	Introduced the web walk rally sponsored by the Health Insurance Association
We will promote nonsmoking	Dissemination of health information on the harmfulness of tobacco
We will promote mental health	Introduced counseling services Achieved 99.1% examination rate for stress level checks

Measures to address long working hours

As measures to address long working hours, we manage working hours through entry/exit systems, encourage our employees to take annual paid leave, and promote industrial physician consultations and the taking of annual paid leave for employees who have a high level of total working hours within a month or three months. We introduced the entry/exit system, which uses IC card-based employee ID cards in fiscal 2020, strengthening company-wide management of working hours. In fiscal 2022, average monthly overtime hours per person decreased by 3.0 hours from the previous year.

Work-Life Balance

The Tokyo Seimitsu Group has developed a system that enables all employees to be active while balancing work and life. By promoting diverse and flexible work styles, we aim to improve productivity, achieve work-life balance, and create a work environment that is comfortable for everyone.

Target

Annual Paid Leave	100% acquisition rate (five days of annual leave)
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Eligible employees who are granted at least 10 days of paid leave per year. This does not include special paid leave or other leave other than annual paid leave.

Result

	FY2020	FY2021	FY2022
Annual paid leave acquisition rate	65.9	69.8	76.7
Rate of taking five days of annual paid leave	100	100	100
Number of employees taking refreshment leave	6	14	34
Percentage of employees taking childcare leave (number of people taking leave/number of people eligible)	Women: 100 (2/2) Men: 9.4 (3/32) Return to work rate: 100	None eligible 19.2 (5/26)	100 (2/2) 38.5 (10/26) 100
Number of employees taking child-nursing leave	4	7	11
Number of employees who utilized the nursing care leave system	1	0	0
Number of employees who took nursing care leave	1	4	9

Scope: Full-time employees of Tokyo Seimitsu Co., Ltd. (non-consolidated basis)

Occupational Health and Safety

Many devices, parts, tools, and processing machines from the Tokyo Seimitsu Group, a manufacturer of machinery, can be found at manufacturing and distribution sites. As our products consist of equipment used in production, many tasks such as delivery, installation, maintenance, and inspection occur in the unfamiliar environments of customers' production sites. By carefully investigating risks associated with these, observing and predicting the movement and flowline of workers, and implementing measures to minimize safety risks, we promote occupational health and safety initiatives so that everyday work actions can be carried out safely and rationally.

Promotion Structure

At the Hachioji and Tsuchiura plants, we have established Safety and Health Committees, with each plant manager serving as the general safety and health manager. The committee plans and deliberates on major health- and safety-related matters in a bid to maintain and improve a safe and comfortable work environment. To raise employees' awareness of health and safety in the workplace and in the interest of maintaining and promoting their health, the committee meets once a month, in principle, and on an ad hoc basis when the general safety and health manager deems necessary.

We also conduct internal audits twice a year, with results submitted to the Audit Department and reported to the Board of Directors. The Health and Safety Committee is subject to audits by the Audit Department.

In addition, we conduct internal education and training for various types of work as needed. We actively participate in occupational safety courses offered by outside educational institutions to avoid hazards.

● Target and result

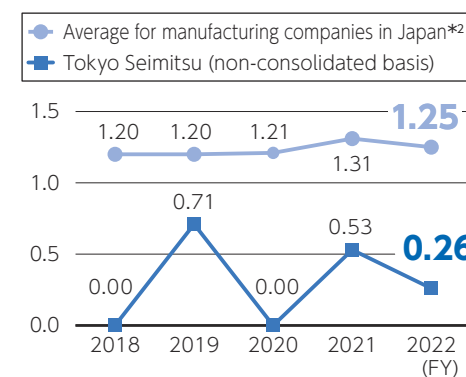
	Target	FY2020	FY2021	FY2022
Accidents resulting in leave	0	0	2	1
Accidents not resulting in leave	0	6	10	12

Locations covered: Hachioji Plant and Tsuchiura Plant

Occupational Accidents

By accident type, "flying or falling objects" and "cuts or abrasions" accounted for the majority of accidents. In response, we are continuing our efforts to prevent recurrence and raise safety awareness through education and guidance on equipment handling, thorough implementation of protective equipment wear, and thorough implementation of the 5S.

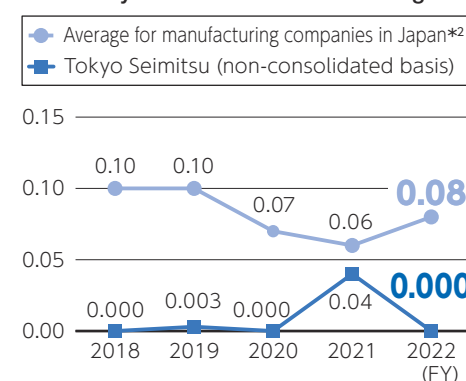
● Frequency of Accidents Resulting in Leave*1



*1 **Frequency rate for accidents resulting in leave:**
Indicates the frequency of injury or death due to occupational accidents.
Formula: (Casualties / total hours worked) × 1,000,000

*2 Ministry of Health, Labour and Welfare
"Survey on Industrial Accidents"

● Severity rate for accidents resulting in leave*1



*1 **Severity rate for accidents resulting in leave:**
Indicates the percentage of the degree of loss caused by occupational accidents.
Formula: (Total lost workdays / total hours worked) × 1,000

*2 Ministry of Health, Labour and Welfare
"Survey on Industrial Accidents"

Human Rights

The Tokyo Seimitsu Group established the Tokyo Seimitsu Group Human Rights Policy on October 3, 2022 with the aim of realizing sustainable growth of our business and organization and a sustainable society by striving to correctly understand and recognize the laws, regulations, cultures, religions, and values of the countries and regions in which we operate.

Human Rights Policy

1. Basic views on human rights
2. Support and respect for international human rights norms; compliance with local labor laws and regulations
3. Scope
4. Prohibition of child labor and forced labor
5. Prohibition of discrimination and acceptance of diversity
6. Respect for freedom of association and right to collective bargaining
7. Prohibition of harassment
8. Human rights due diligence and relief efforts
9. Education on human rights
10. Information disclosure and dialog

▼ See the following site for details.

Human Rights Policy

<https://www.accretech.com/en/company/humanrightspolicy.html>

Occupational Health and Safety Promotion Structure

The Company has established the Human Rights Activity Project, which consists of members from the Human Resources Department, Management Support Department, Production Control Department, and General Affairs Department, to address human rights across the board involving all of our Group companies, suppliers, and local communities.

Human Rights Due Diligence

Based on the Tokyo Seimitsu Group Human Rights Policy, the Company started human rights due diligence initiatives in fiscal 2022 to identify, prevent, and correct risks to human rights posed by the Group's business activities. In fiscal 2022, we conducted a status survey of Tokyo Seimitsu Co., Ltd., five domestic Group companies, and 23 overseas Group companies in accordance with the Responsible Business Alliance (RBA) Code of Conduct and the Self-Assessment Questionnaire (SAQ). In the future, we will analyze the results of the survey and work toward taking corrective actions, and plan to conduct a similar survey of major suppliers from fiscal 2023.

Human Rights Education and Training

We provide education and training on respecting human rights so that each and every employee can understand and practice the Tokyo Seimitsu Group Human Rights Policy. In fiscal 2022, we conducted e-learning for employees of five domestic Group companies and held the Tokyo Seimitsu Group Human Rights Policy workshops at 23 overseas group companies.

Consideration of Human Rights and Compliance with Labor-related Laws and Regulations

The ACCRETECH Group Code of Conduct addresses matters including compliance with laws and social norms related to labor standards, occupational safety and health, and the prohibition of acts that infringe on human rights. e-learning related to the ACCRETECH Group Code of Conduct is conducted on a regular basis.

The Company has a labor union whose collective bargaining rights are guaranteed by a collective bargaining agreement, and elected employee representatives are working directly with management to improve the workplace environment through discussions and consultations. We have confirmed that legal working hours and legal minimum wages are being observed.

Roundtable Discussion with External Directors



External director
**Kiyoshi
Takamasu**

External director
Kazuya Mori

External director
(Audit and Supervisory
Committee member)
Yuriko Sagara

External director
(Audit and Supervisory
Committee member)
Masaki Sunaga

External director
(Audit and Supervisory
Committee member)
Tsuneko Murata

Five external directors held a roundtable discussion covering topics such as the improvements to the Group's governance, mid-term business plan, long-term strategies, and challenges faced toward achieving sustainability.

Appointment as External Director

Mori : I have been involved in development and management of manufacturing processes at semiconductor device manufacturers for around 35 years. During that time, I have played a role in the development of various process equipment together with semiconductor device manufacturers, and have a good understanding of what types of devices customers are actually seeking. I hope to apply as much of that knowledge to contribute to the Company.

I attended my first Board of Directors' Meeting on July 5, and noticed that it differed from other meetings I have taken part in thus far, in that the external directors were very active in asking questions regarding the discussed matters. I found that it was a very lively Board of Directors' Meeting owing to the effort made by participants to properly identify and understand matters before coming to resolutions. This meeting resolved matters including compensation for part-time hiring of senior management after they retire, and it was excellent to see a corporate culture aiming to make active use of competent human resources.

Improvements to Governance

Takamasu : In the time since I was appointed, I feel that the Company has enhanced its governance structure, with improvements seen in the effectiveness of Board of Directors' Meetings. In the sense of transparency in particular, an extensive range of data is disclosed at Board of Directors' Meetings, and the Company discloses sufficient infor-

mation externally by publishing its Integrated Report and Sustainability Report. On the other hand, I feel that there is a lack of support for human capital at indirect departments, and making further improvements to intellectual property and audits at group companies and overseas subsidiaries will be a challenge.

Sunaga : The way the Company is steadily implementing a broad range of policies is certainly worthy of a high level of praise. With growing pressures for policies aimed at boosting shareholder value, like enhancing business-specific portfolio strategies and capital efficiency based on opinions received from shareholders and institutional investors, I feel there is growing importance on accountability pertaining to strategies harnessing the Company's characteristics and business deployment. I would like to point out how crucial the Group's governance is, given that there may be various areas suffering from a lack of communication during the COVID-19 pandemic that ravaged for three-and-a-half years. I want to draw particular attention to instilling the Group's management policy and strategies, maintenance and operation of the Internal Control System, and strengthening its management system for overseas subsidiaries. In the past, the Company recognized the independence and uniqueness of subsidiaries and provided them with capital required for operations, but I would like to see greater effort improving the Group's governance, including designing standardized uniforms.

Sagara : This is my third year since being appointed as an external director, and I feel that there has been progress with the Company's governance. There is a greater ratio of

external directors, and it feels like the Company is listening more to our opinions. I feel that Board of Directors' Meetings that are as vibrant as this are effective for achieving a good balance throughout the company. Meanwhile, enhancing indirect departments and boosting awareness of management strategies from a shareholders' perspective will likely continue to remain a challenge going forward. I think it will be great if the Company's purpose and concepts become more entrenched, and there is greater awareness of overall governance.

Murata : It has only been a year since I was appointed as an external director so I am unable to make any comparisons with previous performance, but in that time, I have attended various meetings, observed operations at plants, and conducted interviews during site visits as part of audits. From these experiences, I can see that the management team takes our opinions as external directors seriously, and is applying them to make a difference. Group governance will definitely prove essential for further enhancing governance and ensuring transparency. The ratio of investments between the Semiconductor Company, Metrology Company, and overseas subsidiaries in particular should be made simpler, with a better system put in place for reporting key information back to the Tokyo Seimitsu head office. To help achieve this, the personnel structure of indirect departments of the Tokyo Seimitsu head office will likely need to be enhanced.

Overview of First Year of Mid-term Business Plan and Long-term Strategy

Sunaga : Fiscal 2022 marks the first year of the mid-term business plan, in which an ROE of 17.3%, net sales of 146.8 billion yen, and operating profit of 34.5 billion yen (operating margin of 23%) were achieved, making it the second consecutive year of record profit. This is a very positive start. Increasing business performance over the past two years—despite being unable to travel overseas due to the COVID-19 pandemic—and completing construction of the Hanno Plant almost as scheduled can certainly be commended. A drop in revenue and profit is expected in fiscal 2023 due to a slowdown in the market, but I think this would be a good opportunity to make the necessary preparations to develop the framework in the lead-up to fiscal 2024.

At the Long-term Strategy Review Committee, I felt the renewed sense of importance for discussing strategies to put in place for 2030, 2040 and beyond. Creating various policies and a development environment that leverages the Company's precision measuring technology and precision machining technology will be crucial in order to adapt to changes in the business environment anticipated with the significant increase in demand for semiconductors owing to the shift to EVs and growing spread of quantum computers. Over the long term, building a supply chain structure that can be rolled out on a global scale will be something that needs to be considered. There are many small and medium companies in Japan with no viable successors in place, so one issue to address will be developing a stable produc-

tion structure through technology support and M&As.

Murata : One of the financial strategies in the mid-term business plan is adopting ROIC (return on invested capital) as an internal assessment standard for investment metrics. The next step required after calculating ROIC and WACC (weighted average cost of capital) will be to utilize them as evaluation indicators for performance compensation for directors. Leading companies already use the level of contribution to sustainability and ESGs, or the improvement ratio of employee engagement scores as a performance compensation for directors.

Takamasu : The Long-term Strategy Review Committee was held twice in fiscal 2022, where there was a general agreement of plans. I hope to see those plans being implemented in detail from this fiscal year. While the mid-term business plan is proceeding in the right direction, I feel that the underpinning structure is insufficient to become a 200- or 300-billion-yen company in the future. Rather than simply continuing to press ahead with the precision measuring instrument business and semiconductor manufacturing equipment business, it will be crucial to come up with synergies like businesses that can become new mainstays. To achieve this, the Company should consider seeking M&As. At its core, Tokyo Seimitsu is primarily a technology-based company, which means it can easily adapt to trends arising from DX, GX, digitalization, and AI, so I think the Company will need to explore new businesses to expand into going forward.

Sagara : The first year of the mid-term business plan is proceeding smoothly. While I do have concerns like operations and securing skilled personnel to meet growing future demand for semiconductors, the good thing is that the Hanno Plant was completed successfully to create a reliable production system.

For long-term strategies, there are positive signs like the increased awareness of intellectual property, with the management team taking a sense of urgency and leveraging intellectual property in a strategic manner. The Company's proprietary technology will definitely play a key role in order to remain in business, despite the presence of many other competitors. As demand for semiconductors grows, a strategic approach should be taken to establish its intellectual capital, rather than staying in the tight market for manufacturing equipment. There is a greater sense of awareness amongst employees, and I have heard that the Company is working to ensure time is set aside for building up intellectual property.

Mori : The first year of the mid-term business plan has started out in a very positive direction. In its move toward achieving carbon neutrality, the Company applies its grinding technology to supply high-productivity equipment for SiC power semiconductors that use wafers which are very difficult to cut. Yet other companies in the same sector possess similar technology, so the key challenge will be to identify how to create a sense of differentiation and the types of improvements and modifications that need to be made. A crucial factor for developing long-term strategies in the future will be how to secure capable human resources. In the past, operations used to be impossible without



External Director
Kiyoshi Takamasu

Has professional expertise and abundant experience at universities and research institutes, having served as President and other positions of academic organizations related to precision measurement.



External Director
Kazuya Mori

Has excellent knowledge in relation to semiconductor and process technologies and experience in corporate management.

sufficient capital, but these days operations cannot continue without the required personnel. To this end, the Company should partner with universities and other institutions to ensure it can find the skilled personnel it needs.

To Achieve Sustainability

Sagara : Naturally, human resource development is crucial, and I am aware of the need to urgently nurture the next generation of human resources who have a sense of management. I would also like to see greater advances made for the employment of women. Actively hiring more women naturally changes the atmosphere, culture and other aspects of the entire Company. I feel there needs to be a more active approach to ensuring women's participation and advancement, whether through mid-career recruitment or drastic selection processes.

Murata : Health management is a vital aspect of human capital management, and I would like to see enhancements in this area implemented over the short term. Flexible working styles are also important, including reducing the amount of overtime or the introduction of a work-interval system. Ensuring that employees get enough time for a proper sleep, and working while maintaining a work-life balance has positive effects from a mental health perspective, and is also said to be able to prevent power harassment from superiors. I think applying for the Ministry of Economy, Trade and Industry's Nadeshiko Brand, DX brand and SX brand or obtaining certification from third party institutions like "Kurumin" certification, and promoting these public relations activities by including them on business cards or in advertisements will help boost the Company's image

amongst students and society, and be an effective way of securing skilled human resources. In addition to the percentage of female employees, a vital aspect of promoting women's participation and advancement is focusing on how to increase the number of female managers. As an External Director, I hope to make a positive contribution to ensure women at the Company continue working here with a higher sense of motivation.

Takamasu : I think the most significant risks the Company faces are that of determining successors and human resource development. The challenge of women's participation and advancement is of course closely related, but securing highly skilled personnel is of the utmost importance. From its inception, Tokyo Seimitsu has operated with the fusion of precision measuring instruments and semiconductor manufacturing equipment, and one of the people who pioneered those efforts, Kengo Ikai, was actually my senior at the faculty I graduated from. The Company history even has a note highlighting the fact that Mr. Ikai, a leader in the field of measurement, attracted people from around the country because they wanted to work with him at Tokyo Seimitsu. I also plan to play a role in assisting with the development of engineers who will lead the Company in the future, by helping to boost the motivation of young researchers at societies, international conferences and through joint research with universities, to ensure training of highly skilled human resources.

As an External Director, I will also be assisting efforts to identify ways of nurturing new successors and promoting women's participation and advancement.

Sunaga : As a certified public accountant, I have always been involved with financial information, but disclosure of non-financial information is also vital these days, and I have been taking training related to fields like carbon neutrality and TCFD. Developments around the world, and in Europe in particular, are progressing so quickly in this regard, and I feel that a sense of urgency is always needed. The Company is already disclosing its results with Scope 1 and 2 greenhouse gas (GHG) reductions, and is also considering the disclosure of Scope 3 figures. With the construction of new plants and other moves for expanding its businesses, it will be essential for the Company to keep an eye on the most recent trends and focus on the specifics, like actively making investments into energy conservation and rolling out energy-saving policies based on the advice of experts, in addition to reducing greenhouse gas emissions.

Mori : There are a range of legal revisions slated to come into effect by 2025. This year, small and medium companies will be required to increase wage rates for overtime work exceeding 60 hours in a month, and they will need to disclose the acquisition rate of male employees taking childcare leave as well as information on human capital—shareholders and investors also demand that such information is disclosed properly. In February 2023, the Government Pension Investment Fund selected six companies with outstanding integrated reports. Companies that provided a wealth of details on human capital investments as well as how they are promoting women's participation and advancement were regarded highly, so I think it will be im-

portant for the Company to ensure such systems are well developed.

Expectations of the Group

Takamasu : Production capacity will increase following completion of the Hanno Plant and plans for a new plant in the Nagoya region, and the Company is well poised to achieve its mid-term business plan. Business expansion has also led to an increase in employee salaries, and younger workers in particular seem to be proud to say they are working at Tokyo Seimitsu.

Sagara : The semiconductor industry is especially important for Japan, so I hope Tokyo Seimitsu becomes better known as one of the companies playing a role in this sector. I view the Company as one with exceptional technological capabilities that is making a sincere effort to support the manufacturing industry, and I hope it achieves greater recognition by steadily strengthening its governance and developing its management strategies, to boost the sense of pride its employees have and increase the level of engagement.

Sunaga : A key characteristic of the Company is that the majority of its sales are in Southeast Asia, with a high ratio of customers in China and Taiwan. With the Russia's invasion of Ukraine, economic friction between America and China, and the rise of economic blocks in each region, international affairs are bound to become more unstable. This will not only make sourcing materials more complex and introduce exchange rate risks, but I feel that there are a lot more risks in doing trade itself.

There will be a growing need for the semiconductor business to be prepared well in advance to respond to risks like the fast pace of technological innovations and sudden market changes, as well as disasters caused by climate change and other natural catastrophes. In light of these risks, the Hanno Plant equipped to produce semiconductor manufacturing equipment was completed in July this year, boosting production capacity by 50%. Steady and continual progress needs to be made to introduce new production facilities, secure skilled personnel, and implement education that addresses issues like harassment, for which I hope we can play a useful role.

Murata : The Company is backed by excellent policies and concepts like "WIN-WIN Relationships Create the World's No. 1 Products" and its purpose, vision, and "AC-CRETECH" corporate brand, and its vision is well known by both customers and employees alike. I want to see the Company become better recognized throughout society, and expect business to grow accordingly.

The first step is to focus on the employees' workplace. While diversity is becoming more important, a workplace environment that is comfortable for women to work at refers to a workplace culture that is also comfortable for men to work at. There is an increasing number of Generation Z who consider it normal to take childcare leave and assist in raising their children. If Tokyo Seimitsu is a company that properly focuses on improving the wellbeing of its employ-

ees, it will help boost engagement with and be selected by younger generations who will be the leaders of tomorrow. Fostering an internal culture that provides psychological safety where employees can easily raise concerns about any issues or simple questions they have is the key to growing into an even better company.

Mori : I actually attended one of the in-house Success Story Meetings. Employees had an immense sense of pride when explaining how they achieved success, and there is no doubt that it will help boost motivation amongst others. Passing down and nurturing knowledge is essential as a technology-based company, and from what I experienced at the Success Story Meeting, I can see that Tokyo Seimitsu definitely has the bright future ahead.



External Director
(Audit and Supervisory Committee member)
Yuriko Sagara

Has sophisticated skills and knowledge in a global perspective regarding the law as an attorney, in addition to deep insight into intellectual property.



External Director
(Audit and Supervisory Committee Member)
Masaki Sunaga

Has engaged in audit and tax operations for a variety of companies as a certified public accountant and a tax accountant, and in addition to his sophisticated skills and knowledge in the fields of accounting, audit and tax operations, he has abundant experience of management consulting.



External Director
(Audit and Supervisory Committee Member)
Tsuneko Murata

Has deep insight mainly into governance which she gained through serving as an Auditor, etc. at business companies and governmental corporations, in addition to her experience of engagement in legal affairs and CSR, compliance and risk management in corporate management.

Directors and Executive Officers (as of June 26, 2023)



Hitoshi Yoshida
Chairman and CEO

Company shares held 9,900

- April 1983 Joined the Company
- April 2002 Executive Officer, Metrology Company
- June 2005 Director
- October 2007 President, Metrology Company
- June 2011 Representative Director
- April 2015 President and CEO
- April 2022 Chairman and CEO (to present)



Ryuichi Kimura
President and COO
Head of Semiconductor Company

Company shares held 4,812

- April 1986 Joined the Company
- April 2005 Executive Officer, Semiconductor Company
- June 2005 Director
- August 2007 President, Semiconductor Company
- June 2011 Representative Director
- April 2015 Executive Vice President and COO
- April 2019 Head of Semiconductor Company (to present)
- April 2022 Chairman and COO (to present)



Koichi Kawamura
Executive Vice President and CFO
Head of Administration Company

Company shares held 10,900

- April 1980 Joined The Fuji Bank, Limited (now Mizuho Bank, Ltd.)
- April 2008 Joined the Company, Executive Officer, Administration Company
- June 2009 Director
- April 2011 President, Administration Company
- June 2015 Representative Director and CFO, in charge of Administration Company (to present)
- April 2019 Head of Administration Company (to present)
- April 2022 Executive Vice President and CFO (to present)



Takahiro Hokida
Director
Managing Executive Officer of Semiconductor Company

Company shares held 3,200

- July 1986 Joined YDK Co., LTD
- October 1995 Joined the Company
- April 2010 Executive Officer, Semiconductor Company
- April 2012 General Manager, Test Technology Department, Technology Division, Semiconductor Company (to present)
- April 2014 Managing Executive Officer, Semiconductor Company (to present)
- June 2015 Director (to present)



Kazuya Mori
External director

Company shares held —

- April 2014 Plant Manager, Oita Operations, Toshiba Corp.
- April 2016 President, Japan Semiconductor Corporation
- June 2021 Full-time Audit & Supervisory Member, NuFlare Technology, Inc
- June 2023 Director (part-time) of the Company (to present)



Yuriko Sagara
External director

Company shares held —

- October 2001 Admitted to the bar, Joined Nakamura & Partners
- August 2005 Registered as a patent attorney
- January 2013 Partner, Nakamura & Partners (to present)
- April 2015 Advisory Councilor for Unfair Competition Prevention Law, Ministry of Economy, Trade and Industry (to present)
- June 2017 Intellectual Property Committee, The Japan Federation of Bar Associations (to present)
- June 2019 Director (Serving as Audit and Supervisory Committee Member) of the Company (to present)



Masaki Sunaga
External director

Company shares held —

- October 1985 Joined Aoyama Audit Corporation (now PricewaterhouseCoopers Aarata LLC)
- April 1989 Registered as a certified public accountant
- August 1995 Partner, Sunaga Certified Public Accountant Office
- September 1997 Registered as a tax accountant
- August 1999 Representative Partner, YUSEI Audit & Co.
- January 2012 Representative Partner, Tax Accountant Corporation Marunouchi Business Consulting (to present)
- June 2016 Auditor, General Incorporated Association The Tokyo New Business Conference (to present)
- July 2018 Partner, Grant Thornton Taiyo LLC
- June 2021 Director (Serving as Audit and Supervisory Committee Member) of the Company (to present)
- January 2022 Director (Serving as Audit and Supervisory Committee Member) of the Company (to present)



Tsuneko Murata
External director

Company shares held —

- April 1982 Joined Matsushita Electric Industrial Co., Ltd. (now Panasonic Corporation)
- April 2007 Senior Councilor & General Manager, Legal Affairs & CSR Department of Home Appliances Company
- October 2009 Senior Councilor, Corporate Legal Affairs Division of Panasonic Corporation
- January 2016 Auditor, Japan Pension Service
- June 2018 External Audit & Supervisory Board Member, Japan Finance Corporation
- March 2021 Outside Director, Milbon Co., Ltd. (to present)
- June 2021 External Director, Kakuyasu Group Co., Ltd. (to present)
- June 2022 Outside Director, Audit & Supervisory Committee Member, Sun Frontier Fudousan Co., Ltd. (to present)
- June 2022 Director (Serving as Audit and Supervisory Committee Member) of the Company (to present)



Shuichi Tsukada
Director
Head of Metrology Company

Company shares held 2,300

- April 1983 Joined the Company
- April 2015 Executive Officer, Metrology Company
- April 2021 Head of Metrology Company (to present)
- June 2021 Director (to present)



Shinji Akimoto
Director

Company shares held 2,612

- April 1987 Joined the Company
- April 2000 General Manager, Human Resources Planning Dept., Planning Div.
- April 2002 General Manager, Human Resources Dept., Administration Company
- April 2007 Executive Officer, General Manager, Human Resources Dept., Administration Company
- June 2018 Auditor
- June 2019 Director (Audit and Supervisory Committee member) (to present)



Romi Pradhan
Directors

Company shares held 540

- January 1991 Joined California Energy Commission (US)
- October 1992 Joined Bridgestone Corporation
- August 2000 Joined Teradyne Inc. (US)
- August 2001 Joined ACCRETECH AMERICA INC. (US subsidiary of Tokyo Seimitsu)
- April 2012 Executive Vice President, ACCRETECH AMERICA INC.
- April 2013 Executive Officer of Semiconductor Company, Tokyo Seimitsu and Supervisor for World Wide Accounts (to present)
- June 2016 Director and President, ACCRETECH AMERICA INC. (to present)
- June 2023 Director (part-time) of the Company (to present)



Kiyoshi Takamasu
External director

Company shares held —

- April 1982 Assistant, The Department of Precision Machinery Engineering, School of Engineering, The University of Tokyo
- October 1987 Associate Professor, Department of Precision Mechanical Engineering, School of Engineering, Tokyo Denki University
- March 1990 Visiting Researcher, The University of Warwick, U.K.
- November 2001 Professor, The Department of Precision Machinery Engineering (currently The Department of Precision Engineering), Graduate School of Engineering Research, The University of Tokyo
- March 2020 President, The Japan Society for Precision Engineering
- June 2020 President, The Japan Society for Precision Engineering
- June 2020 Professor Emeritus, The University of Tokyo
- June 2021 Director (part-time) of the Company (to present)

● Company System and Executive Officer System

Semiconductor Company				Metrology Company		Administration Company	
Head of Semiconductor Company	Ryuichi Kimura	Executive Officer	Keng Hooi Tee	Head of Metrology Company	Shuichi Tsukada	Head of Administration Company	Koichi Kawamura
Managing Executive Officer	Takahiro Hokida	Executive Officer	Hiroyuki Sakai	Managing Executive Officer	Taichi Fujita	Managing Executive Officer	Kenichi Tamura
Managing Executive Officer	Akio Mitsuhashi	Executive Officer	Masayuki Azuma	Executive Officer	Hao Chen	Managing Executive Officer	Asashi Kato
Managing Executive Officer	Nobukazu Aoshima	Executive Officer	Toshihiko Eto	Executive Officer	Masato Mineo	Managing Executive Officer	Kimito Koizumi
Managing Executive Officer	Yuichi Kubo	Executive Officer	Ryoichi Ide	Executive Officer	Takashi Masuda	Executive Officer	Shinichi Usuda
Managing Executive Officer	Masaki Kanazawa	Executive Officer	Kazumasa Ishikawa	Executive Officer	Mutsumi Ono		
Executive Officer	Romi Pradhan						

Corporate Governance

As a corporate citizen trusted by the international community, the Tokyo Seimitsu Group recognizes that enhancing corporate governance to develop fair and highly transparent management activities is vital, and, following corporate governance basic policy, is working to build effective corporate governance structures and systems.

Basic Policy on Corporate Governance

- (1) The Board of Directors strives to properly perform its roles and responsibilities to make transparent, fair, timely, and committed decisions.
- (2) The Group respects the rights of shareholders and ensures the equality of shareholders.
- (3) The Group strives to have constructive dialogue with shareholders on investment policy that considers mid-to long-term returns for shareholders.
- (4) The Group strives to maintain appropriate collaboration with stakeholders (customers, suppliers, employees, creditors, local communities, etc.) other than shareholders.
- (5) The Group strives to ensure proper information disclosure and transparency.

Basic Policy on Corporate Governance (in full):

<https://www.accrettech.com/en/company/basicpolicy.html>

Corporate Governance Structure

Tokyo Seimitsu has adopted a company structure with an audit and supervisory committee.

For dealing with matters that do not fall under the criteria for submission to the Board of Directors, the Company has adopted an Executive Officer System to speed up the deci-

sion-making process by delegating a large amount of authority to Head of each company after defining their scope of duties and authority in accordance with the relevant regulations of the Company. In addition, the Executive Management Committee strives to share information and enhance deliberations across company divisions. In addition, various cross-company committees such as the Risk Management Committee and the Compliance Committee have been established to examine and monitor material issues from various perspectives to make appropriate decisions.

Board of Directors

The Board of Directors is composed of eight directors who are not Audit and Supervisory Committee members (two of whom are external directors) and four directors who are Audit and Supervisory Committee members (of whom three are external directors). The Board of Directors holds regular monthly meetings, and extraordinary meetings are also held as necessary. The Board of Directors deliberates on important matters related to management as stipulated by laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations, as well as monthly, periodic, and annual business results and supervises the execution of business by each director.

Audit and Supervisory Committee

As an independent body, the Audit and Supervisory Committee audits and supervises the execution of business by Directors other than Audit and Supervisory Committee Members. The Audit Department and the accounting auditor exchange opinions on the audit system to determine whether there are problems in auditing, issues, and other matters as needed, and strive to enhance the effectiveness of audits. At the same time, the Audit and Supervisory Committee receives regular

reports on findings and related information from internal audits conducted in accordance with the annual audit plan.

Executive Management Meeting and Executive Officers' Committee

The Company has in place an executive officer system to make speedy decisions on product development planning to respond quickly and flexibly to market trends. In addition to supervising the progress of business plans at regular monthly meetings of the Executive Management Meeting and Executive Officers' Meeting, the Executive Officers' Meeting aims to share information across the Company and enhance Executive Officers' Meeting deliberations.

Nomination and Compensation Council

The Company has established a Nomination and Compensation Council as a voluntary committee for the purpose of clarifying the independence, objectivity, and accountability of the Board of Directors functions, especially in nomination of and compensation to the directors. Independent external corporate directors are in the majority (now all five members are external corporate directors) on the council, helping to realize deliberations fully independent from management.

Regarding the nomination of directors, the council deliberates

and reports to the Board of Directors on matters related to nomination of directors, including appointments and dismissals. With regard to director compensation, the council deliberates on and resolves classification of compensation per post, and deliberates and reports to the Board of Directors on matters related to compensation policies.

Director Compensation

With the aim of functioning appropriately to realize our Corporate Philosophy, the compensation system is designed to motivate each Director and Executive Officer to improve performance and medium- to long-term corporate and shareholder value in accordance with the roles, responsibilities, and achievements they assume.

The decision-making process is highly objective and transparent by conducting timely and appropriate reviews based on economic conditions, business performance, external surveys, and other factors.

Compensation Structure

Compensation for directors who are not Audit and Supervisory Committee members and are not outside directors (directors responsible for business execution) consists of base compen-

Board of Directors and Committee Composition and Activities

	Composition			Meetings convened (FY2022)
	Chair	Internal directors	External director	
Board of Directors	CEO	7*	5**	17 times
Audit and Supervisory Committee	Internal directors	1	3	12 times
Nomination and Compensation Council	External directors	0	5	11 times

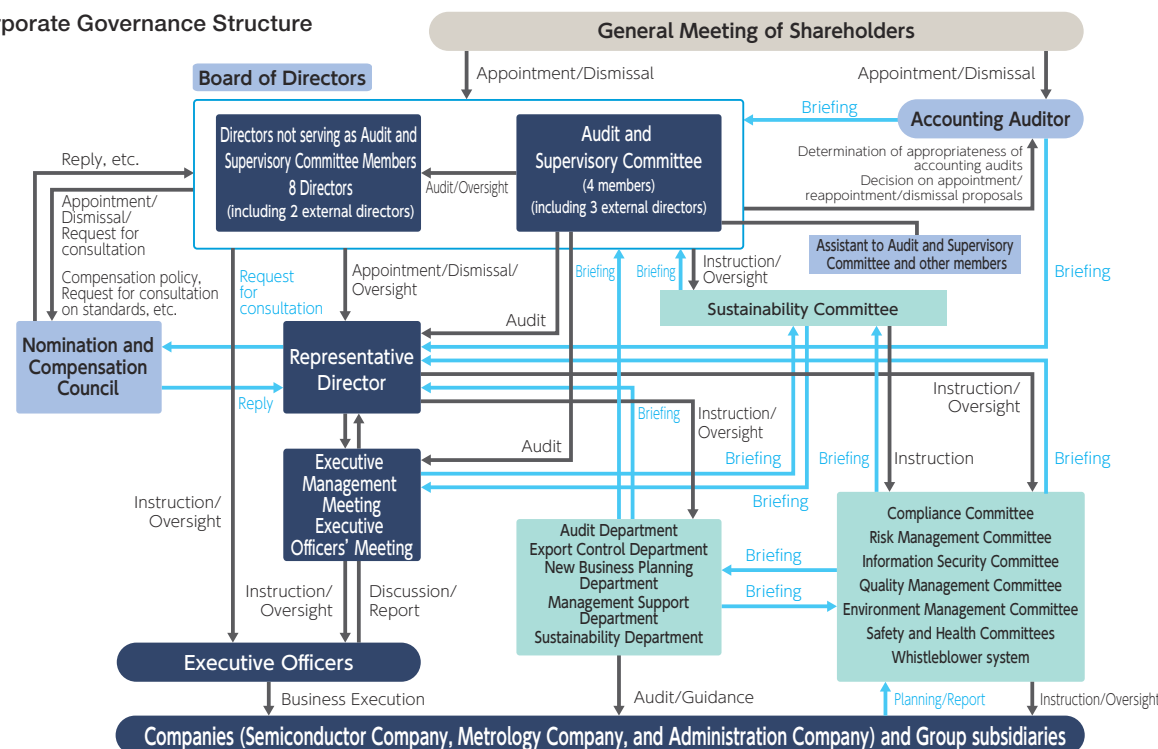
* Of whom, one standing Audit and Supervisory Committee member

** Of whom, three Audit and Supervisory Committee members

Diversity of the Board of Directors

External directors	Foreigners (percentage of directors holding foreign nationality)	Female directors
5	1 (8.3%)	2 (16.7%)

Corporate Governance Structure



Compliance Committee Chairman : Executive Vice President and CFO Frequency : Six times a year (seven times in fiscal 2022, including one extraordinary meeting) Functions : Revises the ACCRETECH Group Code of Conduct and other rules and regulations Deliberates on compliance-related education/training plans and the status of related initiatives Establishes relevant sections and related organizations that deal with major laws, regulations, and social norms related to business operations, and ensures thorough compliance with laws and regulations	Risk Management Committee Chairman : President and COO Frequency : 6 times a year plus extraordinary meetings as necessary Functions : Receives reports on the prevention of the occurrence of potential risks from sections related to risk, etc. Reports to the Board of Directors on the agenda of regular committee meetings as necessary Reports the details of the risk and countermeasures to the Board of Directors the Audit and Supervisory Committee when a report on the materialization of a risk is received and immediately establishes a Risk Response Team as necessary
Information Security Committee Chairman : Executive Vice President and CFO Frequency : Twice a year Functions : Establishes information security management systems Establishes information security regulations Promotes and maintains a system for implementing information security measures, related education and training, regular evaluation, and continuous improvement	Quality Management Committee Chairman : Director in charge of Quality (Executive Vice President and CFO) Frequency : Twice a year Functions : Deliberates on the adequacy and effectiveness of the of quality management system Continuously improves the performance and effectiveness of the quality management system Promotes the continuous maintenance and improvement of the quality of our products, services, and operations
Environment Management Committee Chairman : Executive Vice President and CFO Frequency : Twice a year Functions : Deliberates on and promotes environmental management activities performed at the Tsuchiura Plant and the Hachioji Plant Checks status of compliance with environmental laws and regulations and the progress of environmental impact reduction activities Creates and implements Environmental Management System and continuously improves it	Safety and Health Committee Chairman : General Safety and Health Manager (Plant Manager, Tsuchiura Plant and Plant Manager, Hachioji Plant) Frequency : Once a month Functions : Maintains and improves safe and comfortable work environments Establishes a system for ensuring safety and managing the health of our employees by appointing legal managers and specialized committees to raise awareness of safety and health in the workplace and to maintain and promote health

sation, which is fixed compensation, performance-linked compensation, which are variable remuneration, and stock compensation. In contrast, compensation for Audit and Supervisory Committee members and outside directors shall be limited to base compensation in view of their duties of supervising business execution and auditing. The basic compensation paid to directors shall be fixed monetary compensation paid monthly during their term of office, and the total annual payment of base compensation and performance-linked compensation shall be within the upper limit range approved by the General Meeting of Shareholders. Base compensation is paid to individual directors based on the standard amount per post*. Performance-linked compensation paid to directors responsible for business execution shall be short-term performance-linked monetary compensation paid at a certain time every year during their term of office, and the total annual payment of base compensation and performance-linked compensation shall be within the upper limit range approved by the General Meeting of Shareholders. Stock compensation shall be a medium- to long-term incentive that can be shared with shareholders at a certain time each year during the term of office, and the total annual payment shall be within the upper limit range (the upper limit range of the amount of compensation, the number of shares, and the number of stock options) approved by the General Meeting of Shareholders. The following formula is used to calculate performance-linked compensation paid to directors responsible for individual business execution, restricted stock and stock compensation-type stock options, respectively.

*** Standard of compensation amount per post:**
The amount of compensation based on the compensation ratio determined

● Constitution of the Board of Directors (Skills Matrix and Attendance)

Name	Age	Board of Directors' Meeting Attendance	External Director Diversity	Major past experience	Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Council	Skills and experiences									IT/ Information systems
								Corporate management/ Management strategy	Industry knowledge	Technology/Intellectual property/Manufacturing	Sales/Marketing	International Business/ Global Experience	Accounting/Finance	Legal/ Risk Management	Personnel/Labor/Human resource development		
Hitoshi Yoshida	63	17/17		Measurement technology	○			○	○	○	○	○				○	
Ryuichi Kimura	60	17/17		Semiconductor Sales	○			○	○		○	○					
Koichi Kawamura	65	17/17		Financial institutions	○			○				○	○	○	○		
Takahiro Hokida	61	17/17		Semiconductor technology	○				○	○	○	○				○	
Shuichi Tsukada	64	17/17		Metrology equipment production	○				○	○							
Romi Pradhan	54	—/—	●	Overseas subsidiary management	○			○	○		○	○					
Kiyoshi Takamasu	68	17/17	◎	Academic	○		○		○	○		○					
Kazuya Mori	63	—/—	◎	Corporate management	○		○	○	○	○		○					
Shinji Akimoto	59	17/17		Human resources	○	○	○							○	○		
Yuriko Sagara	48	17/17	◎○	Attorney	○	○	○			○		○		○			
Masaki Sunaga	61	17/17	◎	Certified public accountant/Tax accountant	○	○	○	○					○	○			
Tsuneo Murata	64	13/13*	◎○	Corporate management	○	○	○	○				○		○			

Ages current as of the end of June 2022/Independent External Corporate Director: ◎ Female: ○ Foreigner: ●
(Note1) This matrix represents the areas in which we expect each Director to have more expertise and play a more active role, based on their experience and other factors. This matrix does not represent all the knowledge and experience of each person.
(Note2) Board of Directors meeting attendance data is for fiscal 2022.
* Since Ms. Murata was newly appointed as External Director at the 99th Annual General Meeting of Shareholders held on June 20, 2022, her attendance at Board of Directors meetings held after taking assuming her position is shown.

according to the position based on the position of President was formulated by the Compensation Planning Committee and determined by the Nomination and Remuneration Committee

Performance-linked compensation

Base bonus amount × Group business performance coefficient × individual intercompany performance coefficient

Basic bonus amount: Consolidated net profit x 1% x basic compensation coefficient*

*** Basic compensation coefficient:** Ratio of base compensation per each director, divided by total amount base compensation of Directors in charge of business execution

Group Business performance coefficient: Calculated from their Operating profit results against FY target

Within +/- 10% of target: 1,
more than +10% and up to +30%: 1.1,
more than +30% and up to 50%: 1.2,
more than +50%: 1.3,
-30% or more and less than -10%: 0.9,
-50% or more and less than -30%: 0.8,
less than -50%: 0.7
(When OP falls YoY, this coefficient is 1 or less.)

Company-specific performance coefficient:

Comprehensively evaluate from 0.9 to 1.1 based on the Inter-company business results and other significant achievements.

Calculation formula for restricted stock

Base stock amount × Capital efficiency coefficient × RS performance coefficient

Base stock amount per post:

The Compensation Planning Committee formulates the base stock amount per post with reference to the standard of compensation amount per post, and the Nomination and Compensation Council determines the amount of remuneration.

Capital efficiency coefficient :

Most recent three Fiscal years' average consolidated ROE - Above 15%: 1.2, 10-15%: 1, and below 10%: 0.8

RS performance coefficient:

Corresponding to achievement of medium-term operating profit target

Core coefficient: 1

when Mid-term Operating Profit Target is achieved: 2

Stock compensation-type stock options

Basic stock unit × performance coefficient and others

Basic stock unit:

The Compensation Planning Committee formulates the base stock amount per post with reference to the standard of compensation amount per post, and the Nomination and Compensation Council determines the amount of remuneration.

Performance coefficient and others:

Compensation is determined by the Nomination and Compensation Council based on a comprehensive evaluation of business performance, stock price, and other factors.

■ Process for Determining Compensation

- i The Board of Directors delegates the task of determining the compensation structure and compensation standards for each position to the Compensation Planning Committee, consisting of the representative directors and some other directors.
- ii To ensure transparency and objectivity, the proposal of Directors' compensation amounts and related matters (such as compensation amount per post), and the amount for each directors' base compensation, performance-based compensation and stock compensation shall be deliberated on by the Nomination and Compensation Council, consisting of directors serving as an Audit and Supervisory Committee members and external corporate directors.
- iii Compensation amounts for directors serving as an Audit and Supervisory Committee members will be mutually discussed and resolved among directors served as an Audit and Supervisory Committee members.

Among the remuneration paid to directors responsible for business execution, the formula for restricted stock, which is a medium to long-term incentive to share profits with shareholders, was revised to incorporate capital efficiency (ROE).

● Total amount of compensation

(Millions of yen)

	Number of people	Total compensation	Monthly fixed compensation	Performance-linked compensation	Non-monetary compensation
Directors (excluding directors who are Audit and Supervisory Committee members)	9	579	229	250	99
(figures for included external directors)	2	18	18	—	—
Directors (Audit and Supervisory Committee members)	5	41	41	—	—
(figures for included external directors)	4	20	20	—	—

Notes

- 1. The number of directors (Audit and Supervisory Committee members) includes one person who retired at the conclusion of the 99th Regular Shareholders' Meeting held on June 20, 2022.
- 2. The maximum amount of compensation for directors (excluding directors who are Audit and Supervisory Committee members) was resolved at the 98th Regular Shareholders' Meeting (held on June 21, 2021) to be no more than 480 million yen per year (including 70 million yen for outside directors) and a separate limit of 300 million yen per year for non-monetary compensation (restricted stock and stock options). At the conclusion of the general meeting of shareholders, there were nine directors (excluding directors who are audit and supervisory committee members) (including two outside directors).
- 3. The maximum amount of remuneration for directors who are members of the Audit and Supervisory Committee was resolved at the 96th Regular Shareholders' Meeting (held on June 24, 2019) to be within 60 million yen per year. At the conclusion of the general meeting of shareholders, there were four directors that are Audit and Supervisory Committee members.
- 4. Individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) is determined by the Board of Directors after consultation with the Advisory Council in accordance with the basic compensation policies, compensation structure, and decision-making process for compensation. The Company has determined that this is done in accordance with the basic policy.
- 5. The indicator for performance-linked compensation is net profit attributable to owners of the parent that is directly linked to the return of profits to shareholders.

Related Party Transactions, Etc.

The Company shall not be engaged in any transactions with Directors and/or major shareholders that may damage the interests of the Company or the common interests of the shareholders, as indicated in " (7) Related Party Transactions " in the Directors and Boards section of the Basic Policy on Corporate Governance. When a Director is intending to enter into a transaction with the Company for him/herself or for any third parties, the Director shall obtain prior approval of the Board of Directors according to the rules of the Board of Directors, and report important facts in that transaction at the board meeting. Terms and conditions for the transaction may be determined in the same manner as a transaction with third parties. To identify any transactions involving a conflict of interest by Directors, the Company checks annually and regularly existence of such transactions (excluding compensation) between the Company Group and Directors or their family members within the second degree of kinship. When the Company is intending to enter transactions between the Company and major shareholders or other related parties, then it shall be approved in advance by personnel with authority commensurate with the importance and scale of the transaction in accordance with internal regulations determined by the Board of Directors.

Cross-Shareholdings

The Board of Directors comprehensively examines whether shares held as cross-holdings are worthwhile based on risk and return from perspective of medium- to long-term economic rationality, and qualitative considerations such as the purpose of holding and credit status. If this examination results in the judgment that it is not worthwhile to retain cross-holdings, in principle such holdings are reduced. However, if it is determined that holding of such shares will contribute toward the improvement of medium- to long-term corporate value, they are retained. As a result of such deliberation, the Company sold 16 cross-share-

holdings (including shares subject to deemed holding) for 7.55 billion yen between April 2015 and March 2023.

Assessing the Effectiveness of the Board of Directors

The Company conducts questionnaire surveys of all directors (including Audit and Supervisory Committee members) regarding the roles, functions, and operations of the Board of Directors. The Board of Directors discusses among the internal and external directors the results of the responses being summarized and analyzed, and then the Board of Directors evaluates its effectiveness and discusses future actions.

1. Method of evaluation

The Company conducted a questionnaire survey of all directors (including those who are members of the Audit and Supervisory Committee) on the items shown below. The Board of Directors discussed among the internal and external directors the results of the responses being summarized and analyzed, and then the Board of Directors evaluated its effectiveness and discussed future actions.

In preparing the questionnaire as well as compiling and analyzing the results of the questionnaire, the Company utilizes external organizations to ensure transparency and effectiveness.

[Questionnaire items] 7 items, 27 questions in total

Roles and functions of the Board of Directors/Constitution and scale of the Board of Directors/Management of the Board of Directors/Cooperation with auditing organizations/Relationship with External Directors/Relationship with shareholders and investors/Progress in the governance system relative to the previous year

The questionnaire includes the evaluation on each item with open questions on the strength of the Board of Directors and the areas for its improvement, reflection by individual Directors on their respective contribution to the Board of Directors and other comments and suggestions.

2. Results of analysis and evaluation of the effectiveness of the Board of Directors

The results concluded that the effectiveness of the Board of Directors was largely ensured, as shown in, for example, active discussions under mutual collaboration of members with diverse experience and expertise, and active discussions in the Nomination and Compensation Council.

Regarding the issues of last year, specific measures for succession planning and training were formulated based on discussions at the Nomination and Compensation Council, and a long-term strategy review committee was established as a forum for discussions on long-term issues.

At the same time, some issues have been identified from this year's questionnaire as follows.

- Need for further strengthening of internal control systems such as group-wide governance
- Need for further clarification of development and training plans for Directors and Officers
- Need for further enhancement of medium- to long-term discussions at Board of Directors meetings (on topics including our business portfolio, human capital, and IP strategies)

- Need for discussions to address feedback from shareholders and investors

3. Future actions

In order to strengthen governance throughout the Group, the Board of Directors of the Company will continue to work to strengthen and improve the internal control and conduct effective supervision through collaboration. With regard to succession planning and executive training, discussions will be held by the Nomination and Compensation Council for further clarification.

In addition, the Company will consider devising management methods from the viewpoint of enhancing discussions at the Board of Directors' meetings. Furthermore, from the viewpoint of deepening our shareholders' and investors' understanding of our company, we will use the Integrated Report and other documents prepared in the previous fiscal to enhance dialogue and share feedback with the Board of Directors for use in our efforts to achieve sustainable growth in the future.

Through these initiatives, the Company is committed to ensure further improvement for the effectiveness of the Board of Directors.

Internal Control

Based on the basic policy for internal control systems resolved by the Board of Directors, we are working to strengthen corporate governance and compliance. We are also reinforcing the internal control structure and system to ensure management soundness and transparency.

Basic Policy on Internal Control Systems

https://www.accretech.com/en/company/internal_control.html

Audit Function (Internal Audits)

The Audit Department systematically conducts audits of the Company and its subsidiaries to verify compliance with laws, the Articles of Incorporation, and corporate regulations, as well as of administrative adequacy.

If the Audit Department finds any violation of laws, regulations, the Articles of Incorporation or internal rules, or any performance of duties that may cause a loss due to some other reasons at the Company or its subsidiaries, the general manager of the Audit Department immediately notifies the president and COO and tells employees to implement corrective or improvement actions. The Audit Department periodically reviews and revises, as necessary, the items to be audited and the method of conducting the audits.

In fiscal 2022, internal audits were conducted within a total of six internal departments and subsidiaries with the primary objective of confirming the status of the development and operation of internal controls and rules, and the results of each audit were reported to the President, the Board of Directors, and the Audit and Supervisory Committee. Due to the COVID-19 pandemic, audit work for some subsidiaries (at three overseas subsidiaries) was outsourced as in the previous year. All audits were reported to the Executive Management Meeting, and the status of each department and subsidiary and areas requiring improvement were shared within the Company and the improvement status was followed up.

Compliance

The Tokyo Seimitsu Group complies with laws and social norms and acts with integrity and ethics to meet the expectations of all its stakeholders. To this end, we have established the "ACCRETECH Group Code of Conduct," which sets forth principles of conduct based on our corporate philosophy and the code of conduct that all executives and employees should adhere to. Through this code, we are working to instill and establish an awareness of corporate ethics among the Group's executives and employees.

Compliance Management Structure

The Company has established the Compliance Committee, which is chaired by the Company's vice president. This committee assigns compliance officers and compliance managers at the Company and each subsidiary.

Compliance Committee

The Compliance Committee engages in reporting and deliberation concerning compliance measures and their implementation status, including revision of the "ACCRETECH Group Code of Conduct," enactment and revision of regulations, and planning for education and training related to compliance. In the event of violation of or potential conflict with laws and regulations, the committee promptly issues a report to the Board of Directors and the Audit and Supervisory Committee and discusses response measures and recurrence prevention measures.

In fiscal 2022, the Compliance Committee convened seven times.

Compliance Awareness Survey

The Group conducts a "Compliance Awareness Survey" to confirm employee awareness and the status of compliance and to reflect survey results in future initiatives.

● FY2021 Questionnaire-based Survey

In fiscal 2021, the Company conducted an online, anonymous survey of all employees in Japan and overseas, and is working to resolve issues that came to light.

● Issues Brought to Light by the Compliance Awareness Survey

- Need to reinforce efforts related to the compliance system
- Need to strengthen efforts to eliminate harassment and discrimination
- Need to enhance efforts to increase awareness of the whistleblower contact point
- Need to improve the organizational climate, including communication
- Need to reduce workloads related to goal setting and amount of operations

Anti-bribery and Anti-corruption

In January 2020, the Tokyo Seimitsu Group announced its Anti-Bribery and Anti-Corruption Policy that follows the provisions of the ACCRETECH Group Code of Conduct. In fiscal 2022, no violations were found.

Anti-Bribery and Anti-Corruption Policy

https://www.accretech.com/en/company/anti-bribery_anti-corruption_policy.html

Compliance Education

The Tokyo Seimitsu Group provides varied educational opportunities to enhance knowledge of compliance and to maintain and improve the level of compliance awareness. Along with "new employee training," "training for managers," and other opportunities for level-specific training, the Company has introduced an e-learning-based compliance training mechanism in Japan.

● FY2022 Compliance Training

- Number of attendees: 2,974
- Number of attendees at Group companies including overseas subsidiaries: 1,795
- Participation rate: 100%

Whistleblower System

The Group has introduced a whistleblower system to facilitate reporting and consultation on infractions of laws and regulations, human rights violations, harassment, corrupt practices such as bribery and other illegal transactions, and other inappropriate behavior. In addition to an employee's superior, the organization provides various internal and external contacts, including Compliance Committee members, the secretariat, the Personnel Counseling Department, external lawyers, external directors, and directors serving as Audit and Supervisory Committee members.

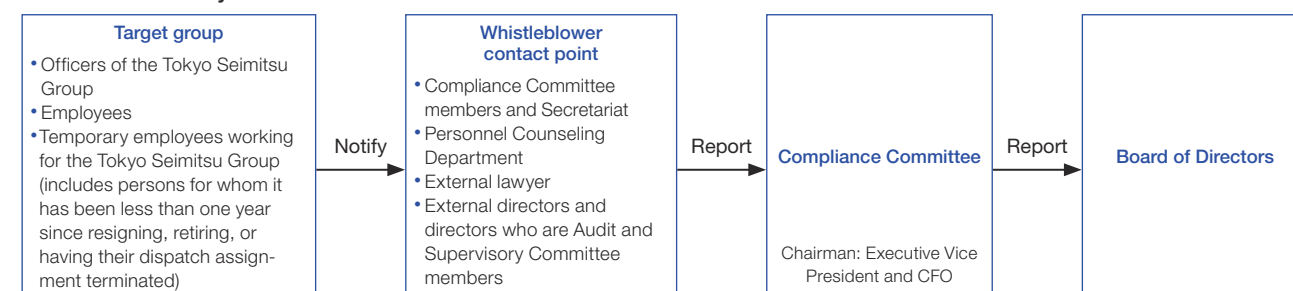
We ensure the anonymity and protection of privacy of whistleblowers and take care to prevent them from disadvantageous treatment. The content and handling of whistleblower reports are reported and deliberated in Compliance Committee meetings.

In August 2022, Whistleblower System Regulations were revised as follows.

- Expanded the scope of whistleblowers (line with the Whistleblower Protection Act)
- Clarified that anonymous reports will not be accepted or rejected based on the fact that they are anonymous
- Revision made which requires the whistleblower contact as well as all parties involved in the investigation to keep matters confidential
- Clarified the prohibition of the provision of false information, slander, or other improper actions by persons requested to cooperate in the investigation

In fiscal 2022, although there were eight whistleblowing cases, there were no compliance issues affecting our business activities.

Whistleblower System



Actions That Can be Reported or Consulted on

- Any action that endangers the safety or health of employees, business partners, or other stakeholders
- Actions that cause deterioration or destruction of the local environment
- Serious violations of the Company's Code of Conduct, compliance regulations, employment regulations, or other Company rules
- Various types of harassment
- Other violations of laws and regulations, inappropriate acts, or acts contrary to social justice
- Concealment, destruction of evidence, or leakage of information, related to any of the acts listed in the preceding items

Compliance Status

In fiscal 2022, evaluations conducted through internal and external audits found no illegal behavior, legal violations, compliance violations, or other problems that could affect business activities, with regard to adequacy of financial reporting, product quality and environmental initiatives, handling of stakeholders inside and outside the Company, and other matters of the Tokyo Seimitsu Group.

Group Company Management System

In order to maintain and strengthen group governance and maximize the corporate value of the entire Group on a sustainable basis, we have established a basic approach to group governance, which covers Group companies in Japan and overseas, and have established and developed the Group Company Management System.

Fundamental Considerations

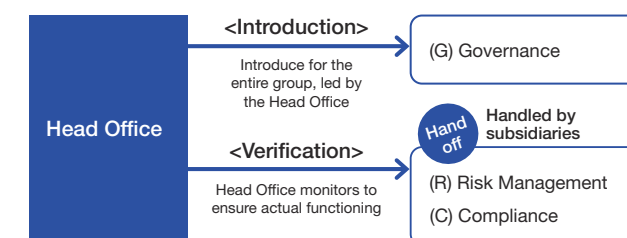
In accordance with the Basic Policy on Internal Control Systems, the Group Company Management System is introduced throughout the Group under the leadership of the Head Office in establishing governance frameworks and concepts necessary for sound corporate management. With regard to risk

management and compliance, the subsidiaries take the lead in their implementing, taking into account the laws, regulations, characteristics, and business activities specific to the regions in which the subsidiaries operate. In addition, matters that can be implemented only by the judgment and approval of subsidiaries and matters that require application, approval, and reporting to the head office are clearly defined in the regulations, and the head office monitors, confirms and verifies whether the functions and operations are actually sound.

By clarifying the roles and responsibilities of each of the head office and subsidiaries, we will promote effective operational management and aim to enhance corporate value as a unified Group.

Group Company Management System

<Fundamental Considerations>



Led by the Head Office, the Head Office and subsidiaries share roles and responsibilities, and **work together to improve the corporate value of the entire Group in accordance** with the Basic Policy on Internal Control Systems

Clarification of roles and responsibilities of Head Office and subsidiaries

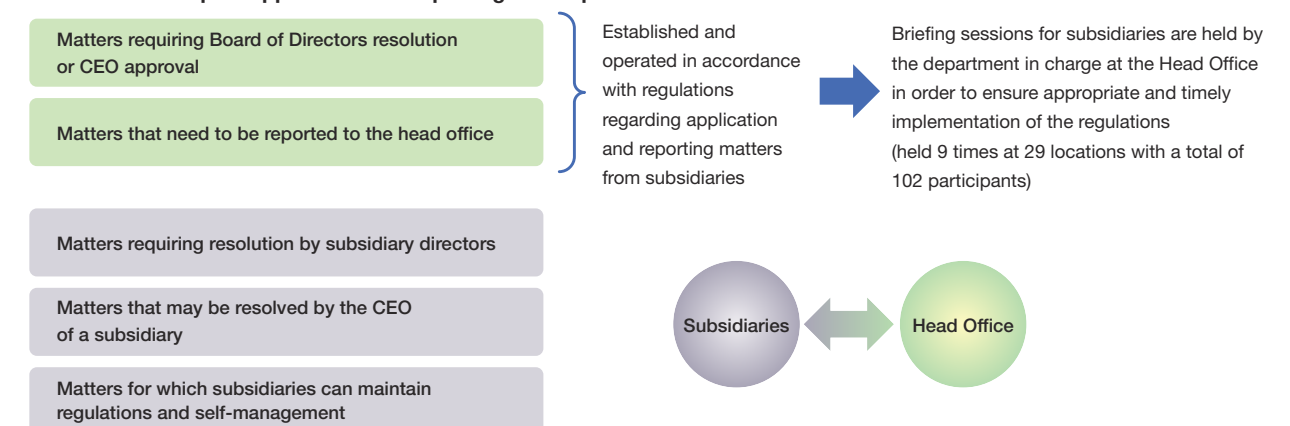
■ Head Office's roles and responsibilities

1. Present the Group's overall strategy and values, and communicate them as a mission to subsidiaries
2. Monitor and verify that subsidiaries are adequately controlling critical risks that could hinder mission accomplishment and business continuity
3. Take firm action if a subsidiary is found to be deviating from the Group's values

■ Subsidiaries' roles and responsibilities

1. Avoid the risk of bankruptcy
2. Establish a compliance system
3. Implement management practices that enhance corporate value

<Matters that require application and reporting on the part of subsidiaries>



● Matters to be Monitored

Matter for monitoring	Monitoring frequency
Business management self-inspection and reporting	Quarterly
Report on the status of accounts receivable management	Monthly
Report on the management of long-term uncollected accounts receivable	Monthly
Consideration of profit allocation (dividends)	Annually
Business plans (orders, profit/loss, facilities/development, personnel)	Semi-annually/quarterly
Monthly business plans	Monthly
Monitoring of local accounting audits of overseas subsidiaries	Annually
Subsidiary management briefings	Annually
Companywide internal control/business process control related to financial results and financial reporting	Annually
Response to individual cases	Each time
Global monitoring of transfer pricing	Quarterly
Review of accounting, tax, and legal compliance systems of overseas subsidiaries	Annually
Monitoring of status of local laws and regulations, and their revisions and repeals	As needed
Application before implementation of salary revision and bonus payment	Once or twice a year
Spot investigation and report requests	As needed
Business trips to support establishment and maintenance of business management system	As needed
Gathering information through participation in external seminars and providing this information to subsidiaries	As needed

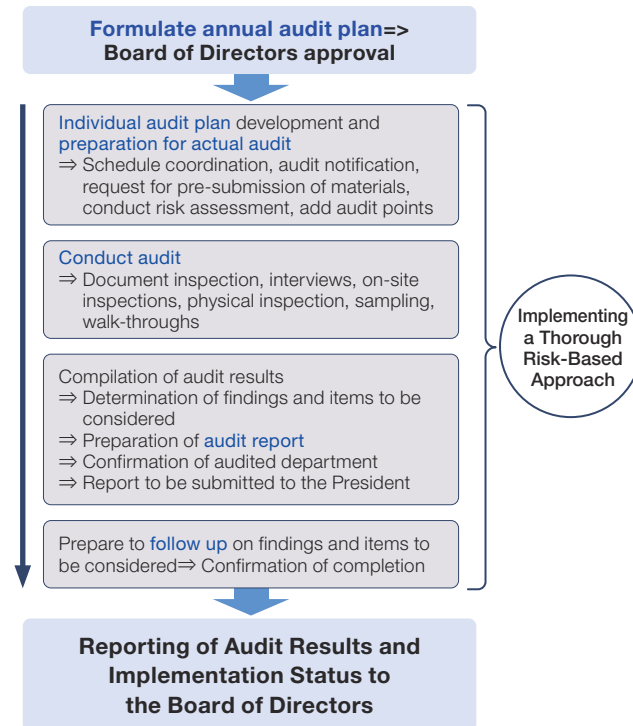
Internal Audits

Internal audits are conducted for the purpose of verifying and evaluating the effectiveness of internal controls from an objective and independent standpoint (assurance), and advising and recommending the establishment of a system to control risks more appropriately through improvements and the establishment of rules.

The Group Company Management System provides guidance and follow-ups on the development and operation of the risk management cycle through internal audits of Group companies.

[Objectives of internal audits]

1. Verify and evaluate the effectiveness of internal controls from an objective and independent standpoint (assurance function)
 - Ensure that risks are being controlled effectively
2. Advise and recommend improvements and rules and regulations
 - Advise and follow up on more appropriate control of risks ⇒ part of risk management



Enhancement of Future Actions

We will promote the following measures in the future.

- Continue to thoroughly implement group governance in accordance with the regulations concerning application items from subsidiaries and reporting items
- Support for timely and appropriate responses to business operation risks at overseas subsidiaries by enhancing and establishing GRC reviews
- Promote the development of overseas laws and regulations related to business management and procedures
- Continuous sharing of information for risk assessment by strengthening cooperation among the Management Support Department, Legal & Intellectual Property Department, and Audit Department

Risk Management

The Tokyo Seimitsu Group has established “Risk Management Regulations” and the Risk Management Committee, which is headed by the president and COO, to identify and manage risks associated with business execution. Systems are in place to prevent potential risks from manifesting themselves and to prepare for crises. If a risk manifests itself, a “Risk Task Force” headed by the president and COO is immediately established to respond to that risk and take action to quickly settle the situation.

Risk Management Policy

1. The Tokyo Seimitsu Group strives to prevent the occurrence of potential risks. If any risk has become apparent, President & CEO and all employees work in unison to take prompt and prudent action.
2. If any risk has become apparent, priority is given to protection and saving of human life.

Risk Management Policy and Risk Topics

https://www.accretech.com/en/sustainability/esg/risk_management.html

Risk Management System

Risk Management Committee

Committee Chairman : President and COO

Members :

Committee Chairman, Audit and Supervisory Committee members, managing directors, managing executive officers, senior management, group leaders, directors of subsidiaries, department heads, section chiefs, and advisers

Risk Items and Content

The following risks are assumed to be the risks revolving around the business.

1. Risks of occurrence of natural disasters and sudden events (earthquake, fire, storm and flood damage, terrorism, etc.)
2. Risks caused by economic and financial market trends (business trends, fluctuation of currency rates, etc.)
3. Risks caused by changes in customer investment trends (changes in semiconductor industry, automotive industry, etc.)
4. Risks caused by competitor and industry trends (price competition, development competition, intellectual property rights, etc.)
5. Risks concerning public regulations, policies and taxation (country risk, etc.)
6. Risks concerning human resources (industrial accident, unexpected incident and accident, etc.)
7. Risks concerning capital providers (changes in share ownership, etc.)
8. Risks concerning IT system (IT system failure, etc.)
9. Risks concerning the quality of products and services
10. Other risks associated with business execution

Business Continuity Plan

The Group has formulated a “business continuity policy” that places the highest priority on confirming and ensuring the safety of employees and their families, maintaining the supply of parts and materials necessary for customers to continue operations, and protecting human life and conducting rescue and recovery activities in the region. We review and adjust the Company’s business continuity plan (BCP) and plant BCPs on this basis. In fiscal 2022, as in the previous year, we continued to analyze assumptions of damage and vulnerabilities of current countermeasures in the event of a threat to each company and plant. Taking changes in the external environment into account, we reviewed and detailed BCPs and manuals from a practical standpoint, as well as measures to ensure the continuity of product supply and service provision, in addition to seismic reinforcement measures at the level of each department, including general affairs, production management, manufacturing, and IT.

● FY2022 BCP Performance

- Reinforced buildings and equipment > Seismic reinforcement work in FY2022: ACCT Tower
- Diversified suppliers of maintenance parts and consumables for semiconductor manufacturing equipment
- Established a customer allocation plan for in-house inventory in the event of a disaster for measuring equipment maintenance parts
- Conducted annual DR (Disaster Recovery)* test of the ERP system
- Performed management of stockpiles and storage at each plant in accordance with rules for managing stockpiles in the event of a major disaster
- The Hachioji Plant has stockpiles sufficient for 1,583 people for three days. The Tsuchiura Plant had quantities sufficient for 30 people for two days.

* DR (Disaster Recovery): Refers to the ability to mitigate damage, maintain functions, or recover and restore an information system that is seriously damaged by a natural disaster or other events. It also refers to the facilities, systems, and measures that are in place to prepare for such a situation.

Safety Confirmation System

We have introduced a Safety Confirmation System for confirming people’s safety via mobile phones and smartphones following a disaster or accident. We explain the system to new employees and enforce early registration. We carry out operation drills twice a year (in June and December) to confirm the system’s effectiveness and to raise awareness of the system among all employees and use the drill results to perform reviews and disseminate information. In fiscal 2022, we continued to collect final response rate and elapsed time data, and implemented measures for improvement.

Information Security

We believe that it is our responsibility to protect the information assets entrusted to us by our important customers and business partners as well as our own information assets. Accordingly, we have established the Information Security Policy as a guideline for information protection. In response to increasingly complex and sophisticated cyber-attacks in recent years, we are working to strengthen security for information assets, prevent leaks of confidential company information and personal information due to the expansion of the scope of traditional activities, including remote work (working from home), and provide education to improve individual employee literacy. In fiscal 2021, we restructured the Information Security Subcommittee, assigning a director in charge of security, a security manager, and a security subcommittee to each company. Group (consolidated) companies also participate on the committee and work together to implement security measures.

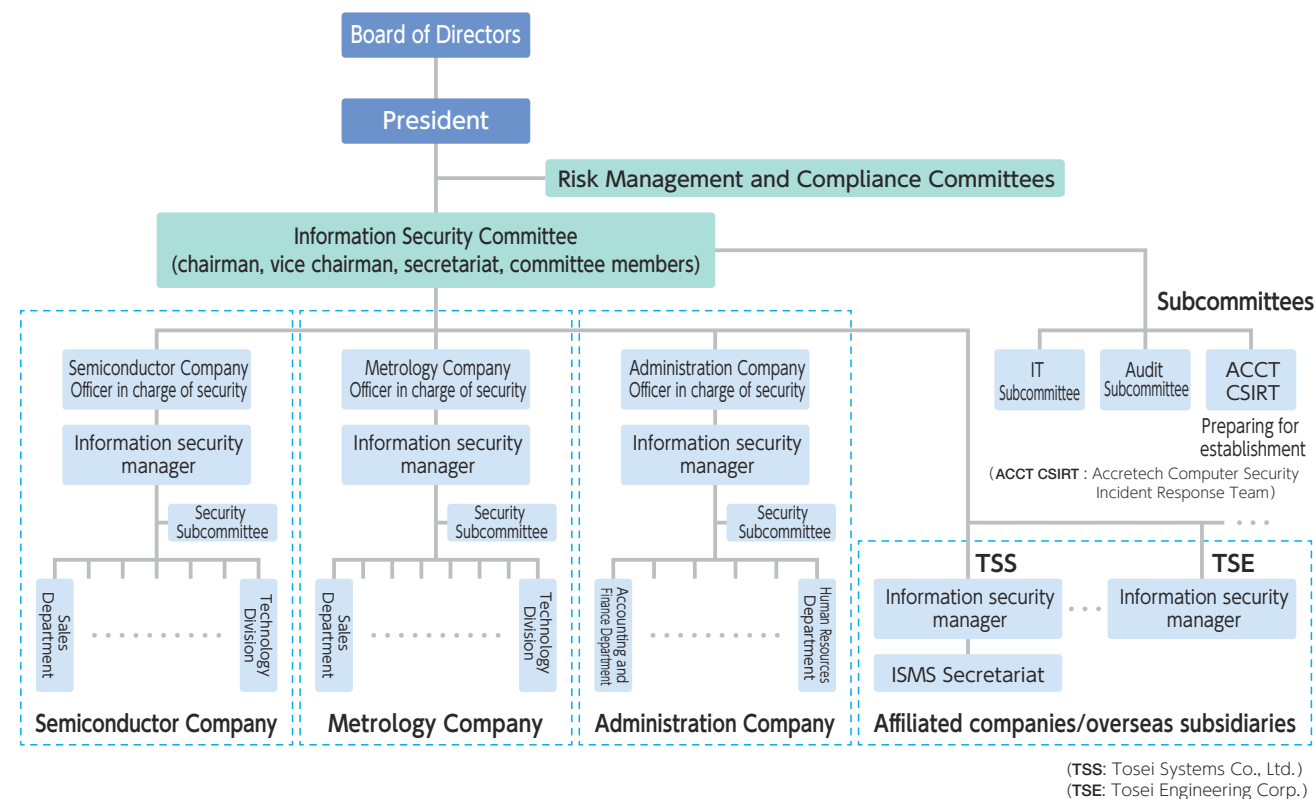
Basic Policy on Information Security

<https://www.accretech.com/en/company/securitypolicy.html>

Information Security Targets and Results

	Target	Result
Number of regular information exchange meetings on information security	18 times	42 times
Number of serious incidents	0 incidents	0 incidents
Proper management of personal information, number of serious personal information leaks	0 incidents	0 incidents
Participation in security-related seminars	Twice per year	Twice per year
Provision of specialized security-related training	Twice per year	Three times per year
Information security training participation rate	98% or higher	99%

Information Security System Chart



Dialogue with Shareholders and Investors

Tokyo Seimitsu is committed to investor relations (IR) activities that enable shareholders and investors to better understand the Company through timely and appropriate information disclosure and constructive dialogue.

Basic Policy on IR Disclosure

The Tokyo Seimitsu Group will disclose and provide fair and accurate information in a timely manner in accordance with various laws and regulations as well as the ACCRETECH Group Code of Conduct. In addition, with the aim of promoting constructive dialog with shareholders, investors, and other stakeholders, the Company discloses information deemed effective for further understanding of the Tokyo Seimitsu Group as appropriate.

IR Disclosure Policy (full text)

<https://www.accretech.com/en/ir/irpolicy.html>

Disclosure Policy

In accordance with laws, regulations, and stock exchange rules, in addition to providing electronic public notices, we publish notices on TDnet, the Timely Disclosure network of corporate information operated by the Tokyo Stock Exchange, and on EDINET (Electronic Disclosure for Investors' Network), the Financial Services Agency's electronic disclosure system for securities reports and other disclosure documents under the Financial Instruments and Exchange Act. Information that we publish on TDnet is also provided on the IR information site on the Company's website. In addition, financial information and other information are arranged in a form that can be downloaded from the top page of the IR website, and important information to stakeholders, such as rating information, is disclosed through IR News on the Company's website.

- Consolidated financial results information (financial results summary, summary presentation, briefing Q&A session, etc.)
- Securities report, quarterly report, extraordinary report, and confirmation report
- Notice of convocation for shareholders' meeting, other matters to be provided electronically, and resolution notice
- Corporate Governance Report
- Internal control report
- Notice of independent officers
- Electronic public notice
- Articles of incorporation
- Integrated Report
- Other information on the business, operation, or business performance of the Company that has significant influence on investment decisions

Opportunities for Dialogues

We provide the following opportunities for our shareholders and investors to gain a deeper understanding of the Tokyo Seimitsu Group. The opinions obtained through dialogues with shareholders and institutional investors are summarized as appropriate, reported to the Board of Directors and at the Executive Management Meeting, and shared with relevant departments.

Fiscal 2022 Results

	Times held
100th Regular Shareholders' Meeting	1 time Rate of exercise of voting rights: 81.8%
Handling coverage by institutional investors/analysts	Total of 340 times
Conferences for overseas investors	4 times
Briefings for individual investors	1 time (online participants: 1,315)
Business results briefings/press conferences	8 times

Insider Information

In accordance with all laws and regulations, the ACCRETECH Group Code of Conduct, and internal regulations, the Company shall not disclose insider information until it is disclosed by TDNet or by the means prescribed by laws and regulations. For this, we will conduct strict management and work to prevent insider trading. In addition, when a person in charge of investor relations engages in dialog with a specific stakeholder, they shall take care not to unintentionally transmit insider information or undisclosed information that is highly likely to have a significant impact on the value of securities.

IR Information Site

- Japanese site
<https://www.accretech.com/jp/ir/>
- Global site
<https://www.accretech.com/en/ir/>

Key Consolidated Financial Data

Note: Figures in millions of yen are rounded down to the nearest million yen and percentages are rounded to the nearest decimal place. As a result, the sum of individual items may differ from the totals presented.

	(Unit)	FY2011 (FY2012/3)	FY2012 (FY2013/3)	FY2013 (FY2014/3)	FY2014 (FY2015/3)	FY2015 (FY2016/3)	FY2016 (FY2017/3)	FY2017 (FY2018/3)	FY2018 (FY2019/3)	FY2019 (FY2020/3)	FY2020 (FY2021/3)	FY2021 (FY2022/3)	FY2022 (FY2023/3)
Net sales	millions of yen	57,727	51,013	55,268	66,445	70,274	77,792	88,194	101,520	87,927	97,105	130,702	146,801
Semiconductor manufacturing equipment	millions of yen	37,463	29,454	31,360	40,179	41,773	50,291	59,523	69,117	56,198	71,745	101,145	112,365
Precision measuring instruments	millions of yen	20,263	21,559	23,908	26,266	28,500	27,501	28,671	32,403	31,728	25,359	29,556	34,436
Cost of goods sold	millions of yen	39,152	33,041	34,845	40,275	42,185	48,152	53,818	60,430	53,452	60,190	77,694	84,967
Gross profit on sales	millions of yen	18,575	17,971	20,422	26,169	28,089	29,640	34,375	41,090	34,474	36,914	53,008	61,834
Operating profit	millions of yen	9,704	7,505	8,466	12,124	13,222	13,659	17,283	20,221	12,282	15,562	28,327	34,494
Semiconductor manufacturing equipment	millions of yen	5,297	2,832	3,720	6,963	7,339	8,820	11,292	13,195	7,915	13,565	24,698	29,866
Precision measuring instruments	millions of yen	4,407	4,673	4,745	5,160	5,883	4,839	5,990	7,025	4,366	1,996	3,628	4,628
Non-operating income	millions of yen	503	519	626	726	243	318	170	688	255	540	987	965
Non-operating expenses	millions of yen	906	132	68	59	232	112	138	104	177	235	153	162
Recurring profit	millions of yen	9,301	7,892	9,024	12,791	13,232	13,864	17,316	20,805	12,360	15,867	29,160	35,297
Extraordinary gains	millions of yen	289	13	79	9	8	583	4	58	57	1,354	390	103
Extraordinary losses	millions of yen	45	2,098	12	4	0	32	2	419	1,712	1,074	34	2,099
Current net benefits before tax citation	millions of yen	9,544	5,807	9,090	12,796	13,240	14,415	17,318	20,443	10,705	16,147	29,516	33,301
Income tax and others	millions of yen	936	1,812	3,201	3,767	3,484	4,464	4,542	5,719	3,598	3,978	8,132	9,607
Net profit	millions of yen	8,607	3,995	5,889	9,028	9,756	9,951	12,775	14,724	7,106	12,169	21,384	23,693
Net profit attributable to minority interests	millions of yen	—	—	30	35	52	41	58	58	(49)	(6)	57	62
Net profit attributable to owners of the parent	millions of yen	8,607	3,995	5,858	8,993	9,704	9,909	12,717	14,665	7,156	12,175	21,326	23,630
Accumulated other comprehensive income	millions of yen	(246)	723	1,278	1,940	(2,557)	420	2,348	(2,483)	(722)	849	1,026	1,051
Comprehensive income	millions of yen	8,361	4,718	7,168	10,969	7,199	10,371	15,124	12,240	6,384	13,018	22,411	24,745
Return on equity (ROE)	%	17.7	7.3	9.7	13.0	12.7	12.0	13.8	14.4	6.7	10.9	17.4	17.3
Return on assets (ROA)	%	11.5	5.1	7.3	9.9	9.7	9.2	10.3	10.1	4.7	7.9	12.1	11.8
Book value per share (BPS)	Yen	1,276.39	1,384.43	1,557.28	1,787.05	1,903.29	2,083.40	2,367.92	2,551.20	2,601.10	2,810.79	3,187.39	3,573.81
Earnings per share (EPS)	Yen	208.83	96.93	142.06	217.97	234.58	239.32	306.41	352.92	171.89	293.83	522.52	581.33
Diluted net profit per share	Yen	208.54	96.72	141.49	216.93	233.29	237.80	304.02	350.23	170.72	291.43	517.51	575.62
Gross profit margin ratio	%	32.2	35.2	37.0	39.4	40.0	38.1	39.0	40.5	39.2	38.0	40.6	42.1
Operating margin	%	16.8	14.7	15.3	18.2	18.8	17.6	19.6	19.9	14.0	16.0	21.7	23.5
Semiconductor manufacturing equipment	%	14.1	9.6	11.9	17.3	17.6	17.5	19.0	19.1	14.1	18.9	24.4	26.6
Precision measuring instruments	%	21.8	21.7	19.9	19.7	20.6	17.6	20.9	21.7	13.8	7.9	12.3	13.4
Recurring profit margin	%	16.1	15.5	16.3	19.3	18.8	17.8	19.6	20.5	14.1	16.3	22.3	24.0
Net profit margin	%	14.9	7.8	10.6	13.5	13.8	12.7	14.4	14.4	8.1	12.5	16.3	16.1
Current assets	millions of yen	52,427	51,809	55,865	67,873	72,710	82,792	94,990	110,094	97,771	111,516	133,829	143,972
Fixed assets	millions of yen	25,417	26,052	26,699	30,584	29,223	31,670	37,902	47,478	48,777	50,039	56,457	65,060
Total assets	millions of yen	77,845	77,862	82,565	98,457	101,933	114,463	132,893	157,573	146,549	161,556	190,287	209,032
Current liabilities	millions of yen	19,047	17,403	15,571	21,718	21,416	26,570	32,807	40,948	29,017	39,296	55,641	50,947
Fixed liabilities	millions of yen	6,008	3,154	2,324	2,367	1,099	698	731	9,220	7,857	5,482	3,564	12,057
Net assets	millions of yen	52,789	57,304	64,668	74,371	79,418	87,194	99,354	107,403	109,674	116,777	131,081	146,028
Total liabilities and net assets	millions of yen	77,845	77,862	82,565	98,457	101,933	114,463	132,893	157,573	146,549	161,556	190,287	209,032
Equity ratio	%	67.6	73.3	77.8	75.0	77.3	75.5	74.0	67.3	73.9	71.4	68.1	69.0
Net cash and deposits	millions of yen	8,159	13,202	17,926	24,754	25,768	32,521	35,869	30,102	24,999	36,076	43,535	25,888
Dividend per share (ordinary dividend)	Yen	16	16	23	55	59	72	92	105	76	104	185	235
Dividend per share (commemorative dividend)	Yen	—	—	—	—	—	—	—	20	—	—	—	—
Purchases of treasury stock	millions of yen	0	0	2	2	2	1	2	1	1	3,002	2,501	1,583
Dividend payout ratio	%	7.7	16.5	16.2	25.2	25.2	30.1	30.0	35.4	44.2	35.4	35.4	40.3
Total shares issued	Shares	41,253,981	41,254,781	41,278,381	41,340,681	41,423,381	41,495,581	41,575,881	41,598,381	41,695,381	41,759,981	41,869,581	41,903,281
Amount of treasury stock among shares issues	Shares	32,147	32,292	33,542	34,609	35,393	35,819	36,251	36,791	37,207	715,164	1,222,956	1,529,552
Cash flows from operating activities	millions of yen	8,914	8,337	6,434	10,820	7,210	12,809	10,931	12,932	5,965	22,062	23,837	1,000
Cash flows from investing activities	millions of yen	(3,298)	(3,019)	(1,374)	(2,958)	(3,823)	(3,486)	(4,649)	(13,952)	(6,116)	(5,191)	(8,990)	(8,421)
Cash flows from financing activities	millions of yen	(5,327)	(4,322)	(3,244)	(1,762)	(2,851)	(2,953)	(3,163)	5,443	(6,375)	(8,282)	(10,346)	(2,174)
Orders	millions of yen	53,502	52,135	57,692	70,241	69,159	83,487	103,979	98,909	87,576	117,060	186,056	136,326
Semiconductor manufacturing equipment	millions of yen	32,651	29,961	33,434	43,297	41,033	56,232	73,327	65,335	57,709	93,181	152,896	99,366
Precision measuring instruments	millions of yen	20,850	22,174	24,257	26,943	28,126	27,254	30,651	33,573	29,866	23,878	33,159	36,960
Order backlog	millions of yen	11,323	12,445	14,866	18,662	17,994	23,663	39,448	36,836	36,965	56,920	112,274	101,799
Semiconductor manufacturing equipment	millions of yen	6,768	7,275	9,349	12,467	11,706	17,647	31,452	27,670	29,182	50,619	102,370	89,371
Precision measuring instruments	millions of yen	4,554	5,169	5,516	6,194	6,288	6,015	7,996	9,165	7,782	6,301	9,904	12,428
Ratio of orders to sales (BB ratio)	—	0.93	1.02	1.04	1.06	0.98	1.07	1.18	0.97	1.00	1.21	1.42	0.88
Semiconductor manufacturing equipment	—	0.87	1.02	1.07	1.08	0.98	1.12	1.23	0.95	1.03	1.30	1.51	1.07
Precision measuring instruments	—	1.03	1.03	1.01	1.03	0.99	0.99	1.07	1.04	0.94	0.94	1.12	0.93
Ratio of order backlog to net sales	%	19.6	24.4	26.9	28.1	25.6	30.4	44.7	36.3	42.0	58.6	85.9	69.3
Semiconductor manufacturing equipment	%	18.1	24.7	29.8	31.0	28.0	35.1	52.8	40.0	51.9	70.6	101.2	79.5
Precision measuring instruments	%	22.5	24.0	23.1	23.6	22.1	21.9	27.9	28.3	24.5	24.8	33.5	36.1

	(Unit)	FY2011 (FY2012/3)	FY2012 (FY2013/3)	FY2013 (FY2014/3)	FY2014 (FY2015/3)	FY2015 (FY2016/3)	FY2016 (FY2017/3)	FY2017 (FY2018/3)	FY2018 (FY2019/3)	FY2019 (FY2020/3)	FY2020 (FY2021/3)	FY2021 (FY2022/3)	FY2022 (FY2023/3)
R&D expenditure	millions of yen	3,544	4,255	4,979	5,744	6,292	6,791	7,194	7,469	8,234	7,193	8,146	8,542
Semiconductor manufacturing equipment	millions of yen	2,808	3,419	4,087	4,645	5,104	5,443	5,826	6,154	6,216	5,748	6,728	6,798
Precision measuring instruments	millions of yen	736	836	891	1,098	1,187	1,347	1,368	1,314	2,017	1,445	1,418	1,743
Capital investment	millions of yen	2,816	2,795	1,803	3,249	3,795	4,145	3,547	13,872	7,477	5,950	9,793	9,725
Semiconductor manufacturing equipment	millions of yen	2,337	1,955	874	2,459	2,940	3,647	2,543	12,235	3,832	3,499	9,223	7,248
Precision measuring instruments	millions of yen	479	840	929	789	855	498	1,003	1,636	3,644	2,450	569	2,476
Depreciation	millions of yen	1,985	1,873	1,830	1,837	2,012	2,380	2,541	2,655	3,450	3,516	3,551	3,832
Semiconductor manufacturing equipment	millions of yen	1,414	1,391	1,304	1,238	1,340	1,668	1,824	1,909	2,450	2,343	2,447	2,642
Precision measuring instruments	millions of yen	571	481	525	599	671	711	716	746	1,000	1,172	1,103	1,189
Goodwill amortization	millions of yen	332	396	427	427	261	102	102	226	41	28	29	42
Semiconductor manufacturing equipment	millions of yen	74	110	140	133	119	102	102	102	39	7	7	8
Precision measuring instruments	millions of yen	258	285	287	294	141	—	—	123	1	20	21	34
R&D expenditure as a percentage of net sales	%	6.1	8.3	9.0	8.6	9.0	8.7	8.2	7.4	9.4	7.4	6.2	5.8
Semiconductor manufacturing equipment	%	7.5	11.6	13.0	11.6	12.2	10.8	9.8	8.9	11.1	8.0	6.7	6.1
Precision measuring instruments	%	3.6	3.9	3.7	4.2	4.2	4.9	4.8	4.1	6.4	5.7	4.8	5.1
Capital expenditure as a percentage of net sales	%	4.9	5.5	3.3	4.9	5.4	5.3	4.0	13.7	8.5	6.1	7.5	6.6
Semiconductor manufacturing equipment	%	6.2	6.6	2.8	6.1	7.0	7.3	4.3	17.7	6.8	4.9	9.1	6.5
Precision measuring instruments	%	2.4	3.9	3.9	3.0	3.0	1.8	3.5	5.1	11.5	9.7	1.9	7.2
Depreciation and amortization as a percentage of net sales	%	3.4	3.7	3.3	2.8	2.9	3.1	2.9	2.6	3.9	3.6	2.7	2.6
Semiconductor manufacturing equipment	%	3.8	4.7	4.2	3.1	3.2	3.3	3.1	2.8	4.4	3.3	2.4	2.4
Precision measuring instruments	%	2.8	2.2	2.2	2.3	2.4	2.6	2.5	2.3	3.2	4.6	3.7	3.5
Total regular employees	People	1,144	1,275	1,393	1,447	1,559	1,784	1,933	2,119	2,250	2,293	2,354	2,468
Non-consolidated basis	People	582	613	618	637	679	726	809	868	912	944	992	1,054
Consolidated subsidiaries	People	562	662	775	810	880	1,058	1,124	1,251	1,338	1,349	1,362	1,414
Total temporary employees	People	470	495	540	620	690	720	820	980	980	996	1,123	1,258
Non-consolidated basis	People	280	285	330	380	440	445	500	620	610	611	712	783
Consolidated subsidiaries	People	190	210	210	240	250	275	320	360	370	385	411	475
Number of employees	People	1,614	1,770	1,933	2,067	2,249	2,504	2,753	3,099	3,230	3,289	3,477	3,726
Non-consolidated basis	People	862	898	948	1,017	1,119	1,171	1,309	1,488	1,522	1,555	1,704	1,837
Consolidated subsidiaries	People	752	872	985	1,050	1,130	1,333	1,444	1,611	1,708	1,734	1,773	1,889
Average age (non-consolidated basis)	Age	41.8	41.8	42.1	41.8	41.3	41.4	40.9	40.4	40.0	39.9	39.8	39.6
Average years of service (non-consolidated basis)	Years	14.2	13.2	13.5	13.2	12.7	12.5	12.1	11.6	11.2	11.2	11.1	11.1
Average annual salaries (non-consolidated basis)	Yen	7,471,535	7,090,578	7,158,712	7,329,971	7,523,864	7,426,572	7,815,525	7,582,169	7,152,806	7,013,791	7,496,101	7,984,646
Consolidated subsidiaries	Companies	10	12	13	13	14	16	16	17	17	17	17	17
Consolidated subsidiaries in Japan	Companies	5	5	5	5	5	5	5	6	6	6	6	6
Consolidated subsidiaries overseas	Companies	5	7	8	8	9	11	11	11	11	11	11	11
Non-consolidated subsidiaries	Companies	15	14	13	16	17	15	14	14	16	16	13	12
Affiliated companies	Companies	—	—	—	—	—	—	1	1	1	1	1	1

Non-Financial Data

● Environment-Related

	FY2018	FY2019	FY2020	FY2021	FY2022
CO ₂ emissions and electric power used					
CO ₂ emissions (t-CO ₂)	12,312	11,982	9,524	8,191	8,257
Electric power used (MWh)	25,765	25,448	28,843	29,835	29,546
CO ₂ emissions per unit of production (t-CO ₂ /million yen)	0.160	0.191	0.129	0.080	0.074
Amount of water usage					
Amount of water usage (m³)	157,375	171,706	169,873	163,662	164,150
Water usage per unit of production (m³/million yen)	2.05	2.74	2.29	1.61	1.48

● Human Resource Data (Non-consolidated)

	FY2018	FY2019	FY2020	FY2021	FY2022
Average age of regular employees	40.4	40.0	39.9	39.8	39.6
Average years of service for regular employees	11.6	11.2	11.2	11.1	11.1
Men	11.8	11.4	11.4	11.4	11.5
Women	7.9	7.8	7.8	7.5	7.3
Percentage of female regular employees	6.5%	6.4%	6.4%	7.4%	8.5%
Percentage of female managers	1.4%	1.4%	1.5%	1.9%	2.4%
Percentage of female officers	0.0%	7.7%	7.7%	7.7%	13.3%
New graduate retention rate (three years after entering the Company)	96.4%	80.0%	90.9%	87.7%	88.4%
Turnover rate of regular employees	2.7%	4.6%	3.3%	4.1%	3.7%
Percentage of employment of persons with disabilities*	1.9%	2.0%	1.9%	2.0%	2.1%
Percentage of paid leave taken	66.0%	73.1%	65.9%	69.8%	76.7%
Childcare leave acquisition rate	10.7%	0.0%	14.7%	19.2%	42.9%
Men	0.0%	0.0%	9.4%	19.2%	38.5%
Women	100%	None eligible	100%	None eligible	100%
Total training hours	—	—	3,385.1	6,445.9	9,938.7
Average number of training hours per person	—	—	3.6	7.0	9.4
Education investment per person (yen)	—	—	22,432.3	29,415.3	35,576.5

* Data depicted in the table are current as of June 1 of each year. The Act to Facilitate the Employment of Persons with Disabilities stipulates that employment of one individual with a serious disability is equivalent to employing two individuals for purposes of calculating the number of associates with disabilities and percentage of employment.

Company Information and Stock Information

Company Information

Company name : Tokyo Seimitsu Co., Ltd.	Number of employees :
U R L : https://www.accretech.com/en/	1,054 (non-consolidated), 2,468 (consolidated)
Head office : 2968-2 Ishikawa-machi, Hachioji-shi, Tokyo	(as of March 31, 2023)
Established : March 28, 1949	Major business lines :
Paid-in capital : 11,064 million yen (as of March 31, 2023)	Manufacture and sale of semiconductor manufacturing equipment and precision measuring instrument

Affiliated Companies

(Japan)	Tosei Engineering Corp. Tosei Systems Co., Ltd. Accretech Create Corp.	Tosei Box Corp. Accretech Finance Co., Ltd Accretech Powertro System Co., Ltd.
(Overseas)	Accretech America Inc. Accretech (Europe) GmbH Accretech (China) Co., Ltd Accretech Korea Co., Ltd. Accretech (Malaysia) Sdn. Bhd. Accretech Taiwan Co., Ltd. Accretech (Thailand) Co., Ltd. Accretech Adamas (Thailand) Co., Ltd. Accretech (Singapore) Pte. Ltd. Accretech Vietnam Co., Ltd. PT Accretech Indonesia. Accretech-Tosei do Brasil Ltda. Accretech (Pinghu) Co., Ltd	Accretech SBS UK Ltd. Accretech-Tosei Hungary Kft. Accretech SBS Inc. Tosei Engineering (Pinghu) Co., Ltd TOSEI (Thailand) Co., Ltd. PT TOSEI Indonesia. TOSEI Philippines Corp. TOSEI Engineering Pvt. Ltd. TOSEI Mexico, S.A. de C.V. Tosei Technology Development (Shanghai) Co., Ltd.

Stock Information

● Overview (as of March 31, 2023)

Securities code	7729
Stock market listing	Prime Market, Tokyo Stock Exchange
Number of shares issued	41,903,281 shares
Number of shareholders	25,110

● Principal Shareholders (as of March 31, 2023)

Name	Number of shares held (thousand)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,768	16.76
Custody Bank of Japan, Ltd. (Trust account)	3,275	8.11
The Precise Measurement Technology Promotion Foundation	1,058	2.62
JP MORGAN CHASE BANK 385632	1,007	2.49
SSBTC CLIENT OMNIBUS ACCOUNT	946	2.34
Mizuho Bank, Ltd.	672	1.66
Ayako Yano	614	1.52
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	591	1.46
STATE STREET BANK AND TRUST COMPANY 505223	552	1.37
STATE STREET BANK WEST CLIENT-TREATY 505234	525	1.30

Treasury stock excluded

Status of Share Distribution by Owner (as of March 31, 2023)

