

Q&A of fiscal year 2021 Annual General Meeting of Shareholders
(including answers to questions submitted in advance)

<p>Q. What risks does the company face amidst the on-going conflict between the US and China? (Question submitted in advance)</p>
<p>A. Although we have to be wary of future trends, the demand for semiconductors and technological demands relating to semiconductors is steadily increasing, and so the market for semiconductor manufacturing equipment will also be entering a new growth phase. Therefore, it is important that we maintain our world-leading technological innovation capabilities, and we will continue our efforts to create capable Next Generation Products.</p>
<p>Q. What can you tell us about your technology race with ASML, Inc. in the Netherlands? (Question submitted in advance)</p>
<p>A. We handle different equipment segments and products than ASML, so we don't compare ourselves to them. ASML has released EUV exposure equipment, and we have a 100% market share of the coater/developer equipment connected to that EUV exposure equipment. Without both of these, it would be impossible to make state-of-the-art devices, and both play complementary roles in miniaturization. We are proud of being at the world's top level in both.</p>
<p>Q. There are concerns about a future shortage of human resources in Japan due to the declining birthrate, but it will be important to hire excellent young people if the company is aiming to be No. 1. Therefore, I would like you to focus on supporting specialized research institutes and universities, as well as providing more support as a sponsor to improve name recognition.</p>
<p>A. We are implementing industry-academia collaborations and open innovation initiatives not only in Japan but globally as well. We will utilize and leverage academic expertise to hire excellent students and acquire human resources that are able to play active roles globally.</p>
<p>Q. With respect to the transition of the WFE (Wafer Fab Equipment) market (page 21 of the presentation materials), what are your views on how the market will grow in the medium term?</p>
<p>A. Semiconductor demand is moving from an era driven by PCs and mobile devices, etc. to an era driven by data. Furthermore, IoT will expand machine-to-machine exchanges, which will require high-performance semiconductors that exceed human cognitive capabilities. Therefore, the size of the semiconductor market is projected to grow from about \$440 billion in 2020 to \$1 trillion by 2030. Although temporary investment adjustments will continue in the future due to the balance between supply and demand, trends will be different than the fierce silicon cycles of the past because, (1) the use of semiconductors will expand from “tangible things” such as PCs and mobiles to the creation of “intangible things” for society as a whole, and (2) semiconductor manufacturers are paying closer attention to the balance between supply and demand. Furthermore, during the adjustment period, the price of semiconductors will fall, which will promote the spread of semiconductors and the expansion of new markets.</p>

Q. What efforts and ideas are there for growing the company, which has grown to the point where it is now among the top 10 on the TSE in terms of market capitalization, without falling prey to "big company disease?"

A. Based on the idea that people are the source of corporate growth and employees are the source of value creation, we are striving to maintain and improve the company as one with dreams and vitality, based on the following three points.

The first point is our "TEL Values," which summarize the corporate culture and code of conduct we wish to embrace.

The second point is motivated management. Things that are critical to fostering motivation among employees include, (1) expectations and dreams for the company's future, (2) challenging opportunities, (3) fair evaluation of and compensation for results, and (4) good communication.

We are working to ensure that such things are shared across the entire group through employee meetings, etc.

Finally, the third point is ensuring diversity. The company's group engages in business from 78 bases in 18 countries, and is thus working to advance diversity, which it will continue to enhance going forward by including efforts to enhance gender diversity as well.

Q. From a long-term perspective, such as 50 or 100 years in the future, to what sectors can TEL technology be effectively applied if semiconductors, as a market, fall into jeopardy?

A. Technological innovation of semiconductors will not stop. As long as people seek more convenient lives, there will be a demand for semiconductors. It hasn't disappeared in the 70 years since the birth of the transistor, and we don't think it will disappear in the next 50 years either.

As things like quantum computing emerge in the future, semiconductor manufacturing technology will be applied to them.

Q. What are TEL's strengths and weaknesses compared to the global competition, and what is the competitive strategy for staying on top?

A. The company's strengths are, (1) we are the only manufacturer in the world to have products in 4 sequential key processes required for semiconductor microfabrication, (2) all of our products have 1st or 2nd place market shares, (3) we have a 100% market share in the most advanced EUV exposure coater/developer equipment for semiconductors, and overwhelming strength in the most advanced technology areas, and (4) we have shipped more devices than any other companies in the industry, and the devices we sell create new business opportunities. Furthermore, we will continue to aggressively invest in R&D toward becoming No. 1, especially in the expanding etching equipment market.

Q. What was positive, and what changed, at the company due to COVID-19?

A. We established our COVID-19 Headquarters last January, before the first state of emergency was declared, and, since then, weekly or bi-weekly countermeasure meetings have been, and are still being, held across the entire group.

80% of our sales are overseas. The fact that we were able to ensure employee safety and achieve record high performance as a result of accomplishing everything from factory production to customer support without delay proves that our BCP (Business Continuity Plan) worked. It also allowed us to confirm the extent of the company's mobility. Another positive was that it helped promote teamwork and remote customer support via outstanding cooperation between our overseas subsidiaries and domestic factories.

Q. Shares are tough to buy due to the rise in stock prices, please consider a stock split.

A. We will decide this after carefully considering share liquidity, the number of shareholders, management costs, etc.

Q. Please engage in social action programs as a company, such as establishing foundations, even in areas away from the company's main business.

A. The company's social action programs are executed centered on our main business. On the other hand, we are developing social action programs in-house under the name TEL FOR GOOD* that are outside the company's main business.

*TEL FOR GOOD: A general term for social action programs, donations, volunteer activities, etc. sponsored by the company group.