

CEO's Message



To build a strong and resilient society in which economic activities do not stop under any circumstances, we will contribute to balancing the digitalization and preservation of the global environment through technological innovation in semiconductors.

Toshiki Kawai
Representative Director,
President & CEO

Toward Further Growth Based on Trust and Reliability

I would like to start by thanking all our stakeholders for their constant support. On November 11, 2023, Tokyo Electron celebrated 60 years since its founding in 1963. From that time, we have been able to contribute to the development of the semiconductor industry, and achieve the level of growth that we have, entirely thanks to this support from our stakeholders. Prioritizing the building of trust and reliability, we aim to practice our Corporate Philosophy of “We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support,” endeavoring to expand medium- to long-term profit and to continuously enhance our corporate value.

The birth of the transistor in 1947 led to the development of personal computers, mobile phones and other electronic devices, and to the internet and IT platform services. Over recent years, it has also led to a transition toward a full-fledged data-driven society. Going forward, it is expected that applications requiring large-scale computing, such as AI, autonomous driving and virtual reality, will become technology drivers and that further market growth will continue. And it is technological innovation in semiconductors that will support these trends.

Under such circumstances, the semiconductor market is forecast to reach US\$1 trillion by 2030. This means that a market that has grown to US\$530 billion over 76 years will roughly double in size in just 6–7 years. On the other hand, using many different applications will require higher data processing capabilities, and therefore will increase power consumption, so there is concern about the impact on preservation of the global environment. For this reason, innovative technologies are needed to not only achieve higher speeds, larger capacity and superior reliability in semiconductors, but lower power consumption as well.

With semiconductor market growth, about 100 new semiconductor fabs are predicted to start operating globally in the years from 2022 to 2026, so the semiconductor production equipment market in which we operate will also expand further.

Continuous Enhancement of Corporate Value through A Double-offensive Management Style

■ Vision Realization and the Medium-term Management Plan

Digitalization and decarbonization for preservation of the global environment, to build a strong and resilient society in which economic activities do not stop under any circumstances,

are becoming global trends. To help realize balancing the digitalization and preservation of the global environment, we are leveraging our expertise as a semiconductor production equipment manufacturer, and promoting technological innovation in semiconductors. And for this purpose, we formulated our Vision of becoming “A company filled with dreams and vitality that contributes to technological innovation in semiconductors.” This Vision is based on the Creating Shared Value (CSV) concept of utilizing our unique resources and expertise to solve social issues. We have defined our own CSV as TEL's Shared Value (TSV), through which we strive to create social and economic value in our business activities.

As we implement TSV, we have set fiscal 2027 financial targets in our Medium-term Management Plan of an operating margin of 35% or more and ROE of 30% or more, with net sales of 3 trillion yen or more. We consider profit to be an important measure of value in our products and services, and we aim to achieve a world-class operating margin and ROE by providing the Best Products with innovative technology, and the Best Technical Service with high added value.

Our pursuit of this aim is a more aggressive style of management. At the same time, though, we are focusing on Safety, Quality, Compliance and other essentials for continuous growth of the Company. Our efforts on these areas may appear at first glance to be defensive in nature; however, we believe that more proactive action will help our company become stronger, or more aggressive. By promoting such a double-offensive management style, and ensuring short-, medium- to long-term profit expansion and continuous corporate value enhancement, which are also part of my mission as CEO, we aim to become a truly excellent global company.

■ Business Activities Anchored around Material Issues

As part of efforts to achieve our Medium-term Management Plan, we identify key items to be worked on with priority in our businesses as material issues. In fiscal 2024, we looked at our previous material issues of Product Competitiveness, Customer Responsiveness, Higher Productivity, and Management Foundation, and developed a more granular level of material issues with respect to their significance to the Company and to society.

■ Initiatives for Further Growth

We consider the following to be our strengths: (1) being the world's only manufacturer with products in deposition, coater/

developer, etch and cleaning, the four sequential key processes necessary for semiconductor scaling, (2) a 100% share in coater/developer for EUV lithography, which are necessary for semiconductor evolution, (3) our product lines being strongly positioned in their respective segments, all of which having achieved first or second place in market share, (4) technical service and marketing developed based on relationships of absolute trust with customers, built through the highest number of installations in the world (approximately 92,000 units) and (5) more than 23,000 patents owned, the largest number in the industry globally.

Leveraging these strengths, we plan to spend 1.5 trillion yen or more on R&D investment and 700 billion yen or more on capital investment over five years from fiscal 2025 to accomplish our Medium-term Management Plan and achieve further growth thereafter.

What is vital for us is timely and continuous creation of next-generation products that are both “only one” and “number one.” We will work to provide high-value-added equipment with world-leading performance through not only our own R&D activities, but through collaborations with customers and consortiums as well, and we will ensure the outcomes of this R&D leads efficiently to increased profits.

As we expand the scale of our business, it is also important that we improve production efficiency. By implementing digital transformation, we will actively promote standardization and leveling of tasks in a range of operations, and adopt Smart Manufacturing at our manufacturing sites.

■ Reducing Environmental Impact and Achieving Net Zero Emissions through E-COMPASS

With preservation of the global environment growing in importance in society, we are conducting a range of activities through our environment-focused E-COMPASS initiative. Specifically, we are working with our customers and partner companies to achieve technological innovation in semiconductors, and reduce their environmental impact throughout the entire supply chain, from the following three perspectives.

- ✓ Pursuing higher performance and lower power consumption in semiconductors
- ✓ Achieving both high process and environmental performance
- ✓ Reduction of CO₂ and equivalent emissions in all business activities

While our original long-term environmental goal was to achieve net zero by 2050, during implementation of these initiatives, in December 2023, we brought that date forward to 2040 as we continue working to reduce our greenhouse gas emissions.

■ Practicing Motivation-oriented Management

Based on our belief that “our corporate growth is enabled by people, and our employees both create and fulfill company values,” we conduct management focused on employee motivation so they can fully exercise their capabilities, centered on the following five points.

The Five Points and Main Activities for Motivation-oriented Management

- 1 Awareness that our company and work contributes to the development of industry and society**
➔ Realization of our Vision based on TSV
- 2 Dreams and expectations of the Company's future**
➔ To achieve net sales of 3 trillion yen or more, an operating margin of 35% or more, and ROE of 30% or more
- 3 Opportunities to take on challenges**
➔ 1.5 trillion yen or more in R&D investment over five years
- 4 Fair evaluations that recognize employee efforts and globally competitive rewards**
➔ Performance-linked compensation
- 5 Workplace with an open atmosphere and positive communication**
➔ Convening employee meetings and round-table discussions with employees globally

In addition, we are working to secure a diverse workforce in line with our “ONE TEL, DIFFERENT TOGETHER™” slogan focusing mainly on 3G (Global, Gender, Generation), while also improving work-life balance, implementing measures aimed at creating career paths for employees and enhancing educational programs.

■ Focusing on Sustainable Industry Development

As a leading company in semiconductor production equipment, we are actively engaged in supply chain management, not just within the Company, and in the education of students, researchers and others who will be responsible for the future of the industry, which we consider to be our mission. We will therefore contribute to the sustainable development of industry in a number of ways. For the supply chain, we will further enhance the E-COMPASS initiative that I described earlier, and to strengthen human resource development, we will promote a program of industry-academia-government collaboration, which includes collaboration with universities in Japan and abroad.

Aiming to Become a Company That Is Cherished and Trusted by All Stakeholders

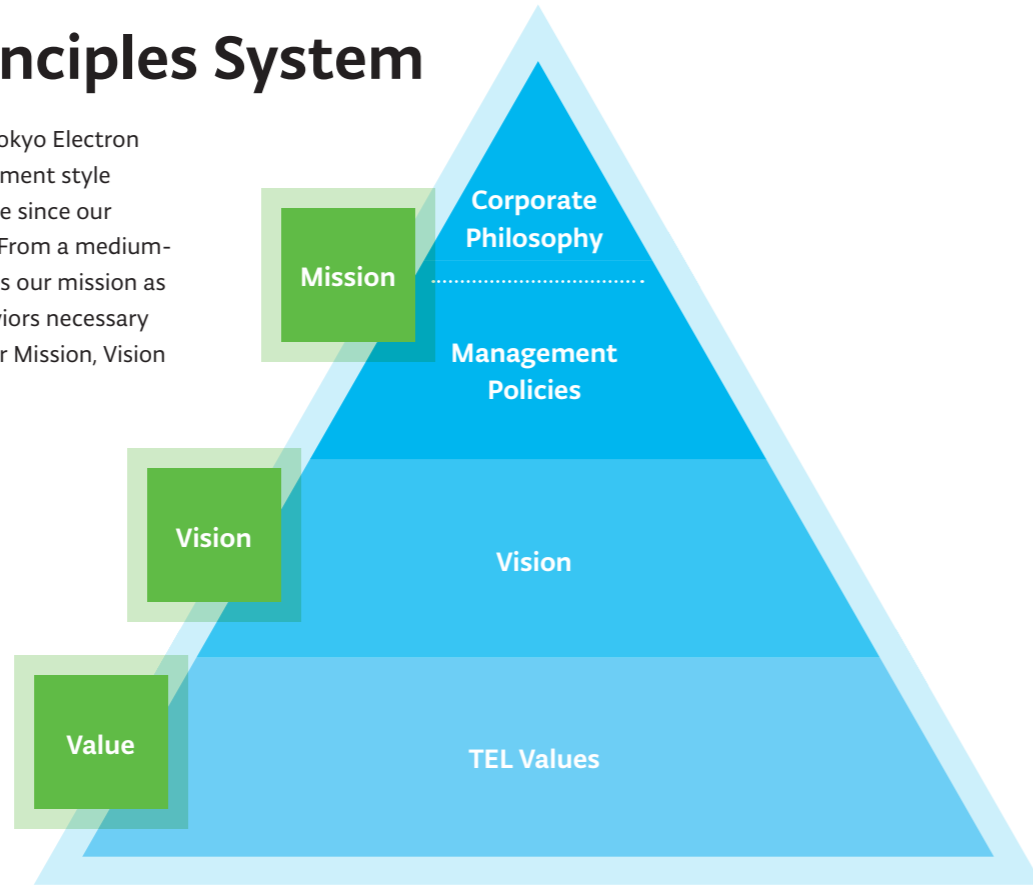
We have now entered a new growth phase in terms of a prosperous future made possible by semiconductors, their ongoing evolution, and the semiconductor production equipment market that supports them. To achieve our goal of becoming number one globally, we will continue to take on challenges and evolve, create high-value-added technologies that the world has never seen and only we can, and provide them to society. We will also strive to become a company that is cherished and deeply trusted by all stakeholders, and that continues to be a company filled with dreams and vitality.

We look forward to your continued support and patronage.

Representative Director,
President & CEO

Corporate Principles System

The Corporate Principles system at Tokyo Electron summarizes the basis of our management style throughout our growth from the time since our founding in 1963 to the present day. From a medium- to long-term perspective, it expresses our mission as a company and the values and behaviors necessary to fulfill our goals, and consists of our Mission, Vision and Value.



Vision Medium- to long-term business aspirations based on our Corporate Philosophy and Management Policies

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

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

Mission Corporate Philosophy The purpose of our existence and mission in society

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



Management Policies The logic that underscores general rules of management

Profit is Essential

The TEL Group aims to contribute to the development of society and industry and to the enhancement of corporate value while continually pursuing profit.

Scope of Business

The TEL Group leads markets by providing high-quality products in leading-edge technology fields with a focus on electronics.

Growth Philosophy

We will tirelessly take on the challenges of technological innovation to achieve continuous growth through business expansion and market creation.

Quality and Service

The TEL Group strives to understand the true needs to achieve customer satisfaction and secure customer trust while continuously improving quality and service.

Employees

The TEL Group's employees both create and fulfill company values, performing their work with creativity, a sense of responsibility, and a commitment to teamwork.

Organizations

The TEL Group builds optimal organizations that maximize corporate value in which all employees can realize their full potential.

Safety, Health, and the Environment

The TEL Group gives the highest consideration to the safety and health of every person connected with our business activities as well as to the global environment.

Social Responsibility

Feeling a strong sense of corporate social responsibility, we strive to gain the esteem of society and to be a company where our employees are proud to work.

Value TEL Values Attitudes, codes of conduct, and values to be observed by each employee

Pride

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

Ownership

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

Awareness

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

Challenge

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

Teamwork

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



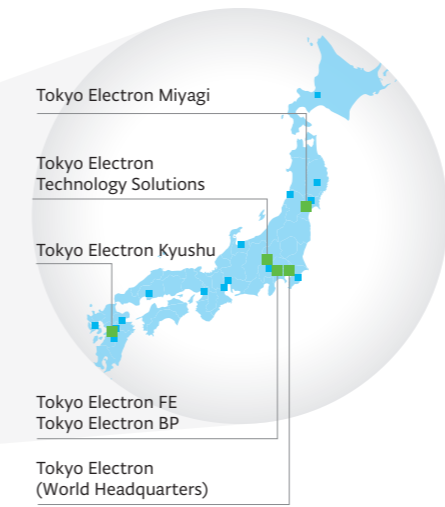
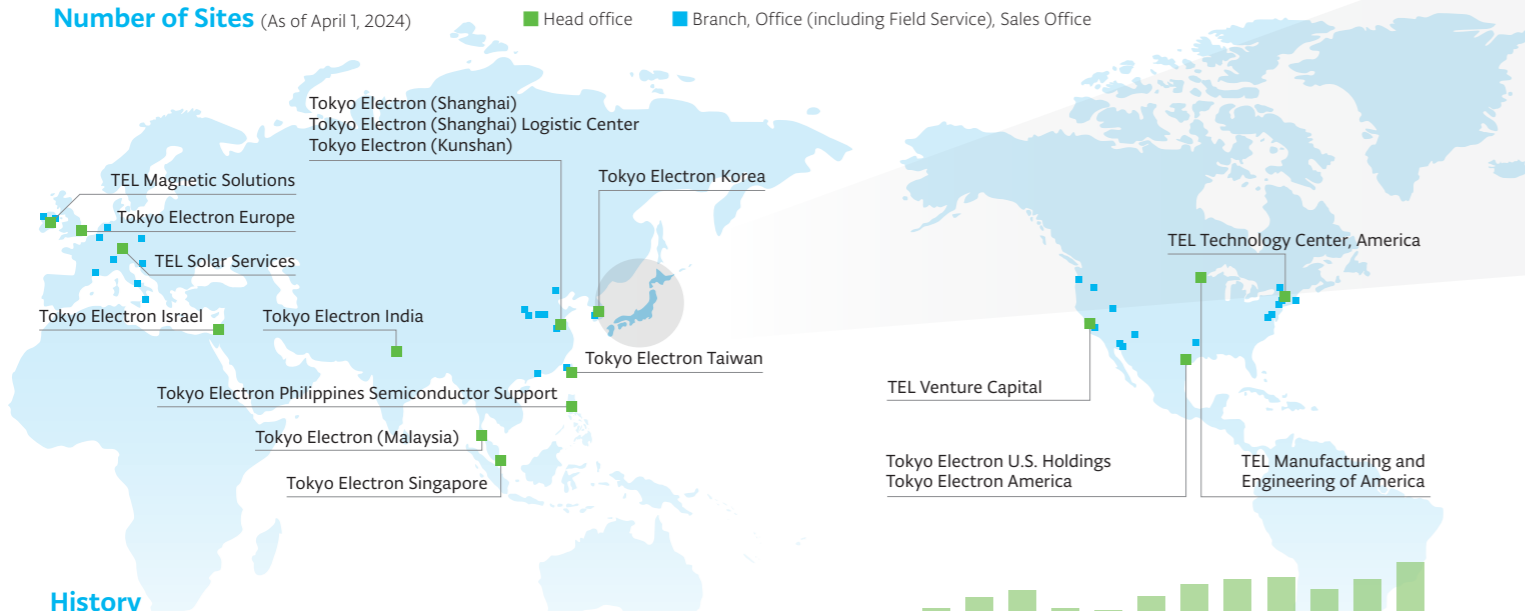
We have established the TEL Values as a foundation for our operations, and we will continue to develop them accordingly in the future.

Company Overview

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

Number of Sites (As of April 1, 2024)

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



Japan:
6 companies at 27 sites

Overseas:
20 companies at 60 sites in 18 countries and regions

Worldwide total:
26 companies* at 87 sites in 19 countries and regions (consolidated)

* Group companies in the process of being wound up are not shown on the map.

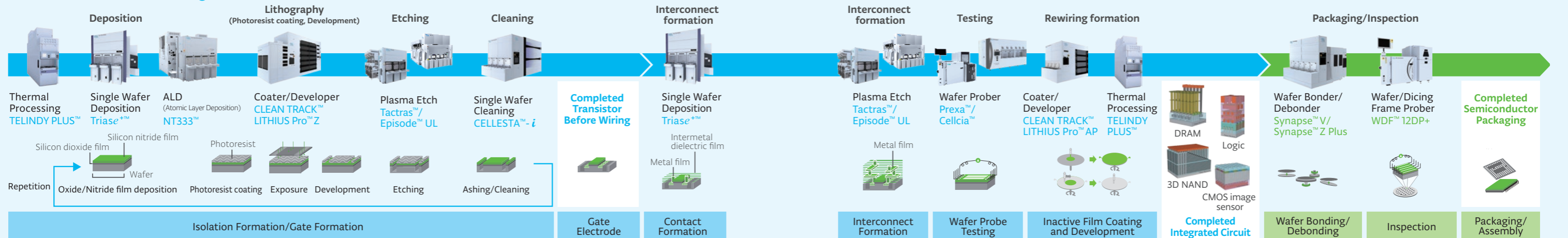
Fiscal 2024 Sales
1,830.5 billion yen (Billions of yen)



History

1960s ~	1980s ~	1990s ~	2000s ~	2020s ~
<p>1963 Founded as technical specialized trading company</p> <p>Tokyo Electron Laboratories, Inc. is established with capital from Tokyo Broadcasting System, Inc.</p> <p>1964 Tokyo Electron Laboratories acquires importing and selling rights for diffusion furnace manufactured by Thermco Products Corp. (U.S.) and begins sales</p> <p>1966 TEL-Thermco Engineering Co., Ltd. began domestic production of diffusion furnaces</p>	<p>Shifting to a full-scale manufacturer</p> <p>1978 Tokyo Electron Laboratories, Inc. renamed Tokyo Electron Ltd.</p> <p>1980 Listed on the Second Section of the Tokyo Stock Exchange</p>	<p>Accelerating globalization</p> <p>1984 Listed on the First Section of the Tokyo Stock Exchange</p> <p>1990 Enhanced the Group structure in Japan by, for example, establishing service and manufacturing companies, and set up overseas subsidiaries throughout the world to globalize operations</p> <p>1990 Tokyo Electron (TEL) marks a major move into development and marketing of FPD production equipment</p>	<p>Aspiration toward innovation and new growth</p> <p>1994 Started direct sales and support systems overseas</p> <p>1999 Category of industry on the Tokyo Stock Exchange First Section changed from "Wholesale Trade" to "Electric Appliances"</p> <p>2006 "TEL Values" formulated as code of conduct</p> <p>2007 Established "TEL UNIVERSITY" to strengthen human resource development</p> <p>2015 Establishment of Tokyo Electron Corporate Governance Guidelines</p> <p>Re-emergence as the New TEL (Vision, Medium-term Management Plan formulated and new Corporate Logo created)</p> <p>2019 Formulation of the Medium-term Management Plan to further enhance corporate value</p>	<p>2021 Began publishing integrated reports</p> <p>2022 Listed on the Prime Market of the Tokyo Stock Exchange</p> <p>Formulated the new Vision and Medium-term Management Plan</p> <p>"Technology Enabling Life" formulated as corporate message</p> <p>2023 60th anniversary of the foundation</p>
<p>Transition of Typical Applications of Semiconductors</p> <p>■ Mainframe Computer</p>	<p>■ Single Chip Microprocessor</p>	<p>■ Personal Computer</p>	<p>■ Mobile Phone</p>	<p>■ Digital Consumer Electronics</p>

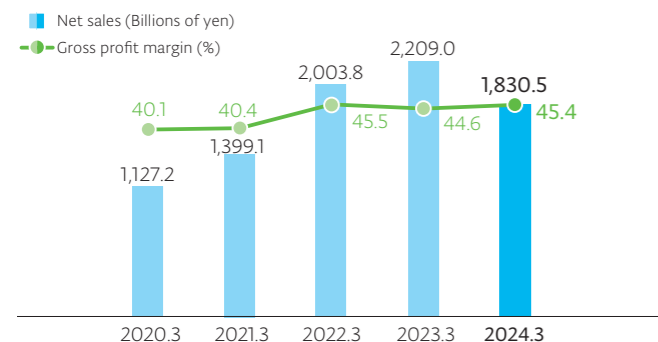
Semiconductor Manufacturing Process and Our Main Products



Highlights of Key Indicators for Continuous Corporate Value Enhancement

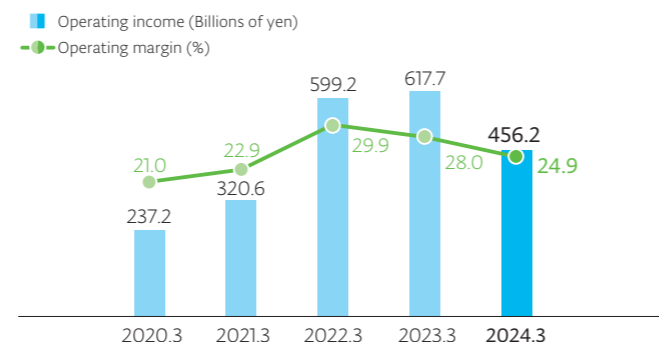
At Tokyo Electron, policy decisions and various judgments are made for our business activities by clarifying management indicators, which are important for medium- to long-term profit expansion and continuous corporate value enhancement, as well as conducting monitoring and analysis.

Net Sales and Gross Profit Margin



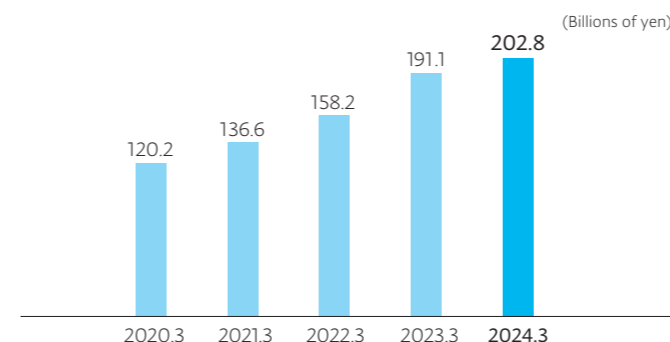
Net sales decreased due to adjustments to capital investments by customers, but gross profit margin stayed at a record high level, owing to an increase in sales of products with high-profit margins.

Operating Income and Operating Margin



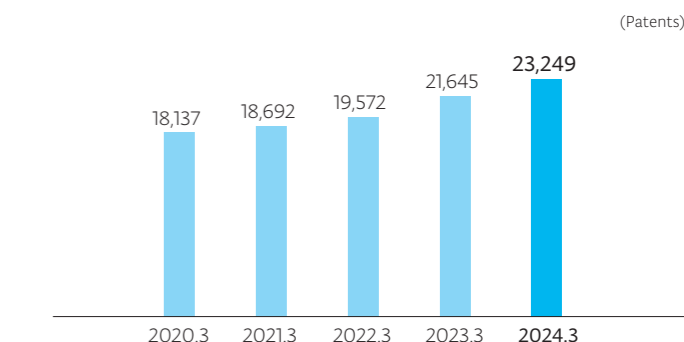
Operating income and operating margin decreased because of continued investments in R&D for the future despite the market being in a period of adjustment.

R&D Expenses



We made an R&D investment of 202.8 billion yen in fiscal 2024, making steady progress toward achieving the target of 1 trillion yen set out in the Medium-term Management Plan. As further growth investments, we plan to invest over 1.5 trillion yen in R&D over the five years from fiscal 2025.

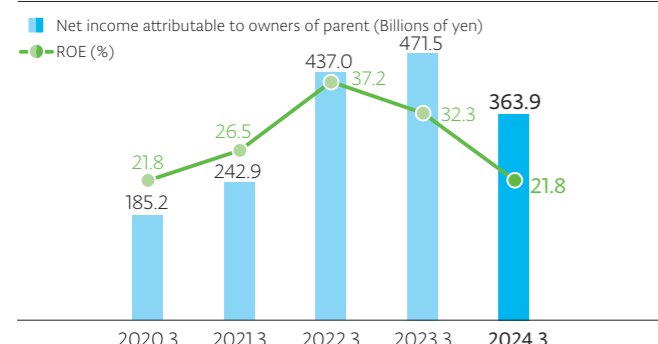
Patents Owned⁶



In terms of number of patents owned, we have remained No. 1 in the semiconductor production equipment industry for the consecutive year with 23,249 patents owned as of the end of March 2024. We built a competitive intellectual property portfolio in terms of both quantity and quality, maintaining a competitive advantage in the intellectual property field on a global level.

⁶ Figures for fiscal 2020 to fiscal 2022 are based on our database; figures for fiscal 2023 to fiscal 2024 are based on LexisNexis® PatentSight® database.

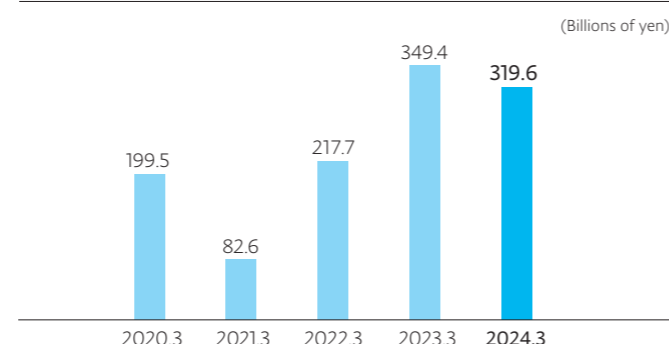
Net Income Attributable to Owners of Parent and ROE¹



ROE decreased because of lower net income attributable to owners of parent due to the decreased operating income, and the growth in total equity.

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

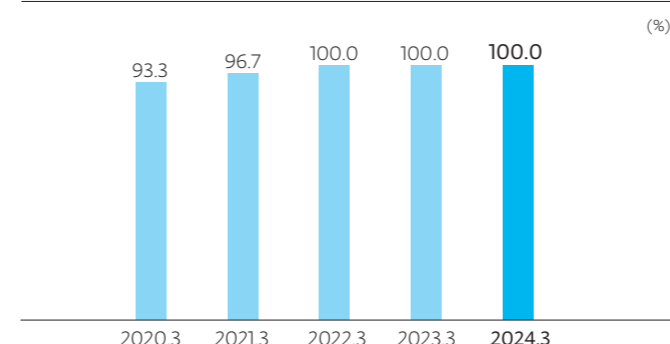
Free Cash Flow²



Free cash flow decreased from the previous fiscal year as a result of decreased net income attributable to owners of parent and increased capital investments to respond to future market growth, despite smooth collection of sales receivables.

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

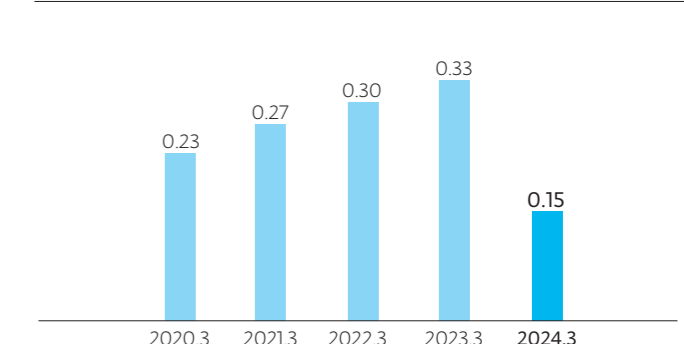
Percentage of Respondents who Selected “Very Satisfied” or “Satisfied” in the Customer Satisfaction Survey⁷



The percentage of respondents who gave evaluations of “Very Satisfied” or “Satisfied” reached 100% in fiscal 2024 continuing from the previous year. Aiming to be the sole strategic partner for our customers, we strive to further improve customer satisfaction, a key theme since our founding.

⁷ For each question, average score is calculated for all customers who responded.

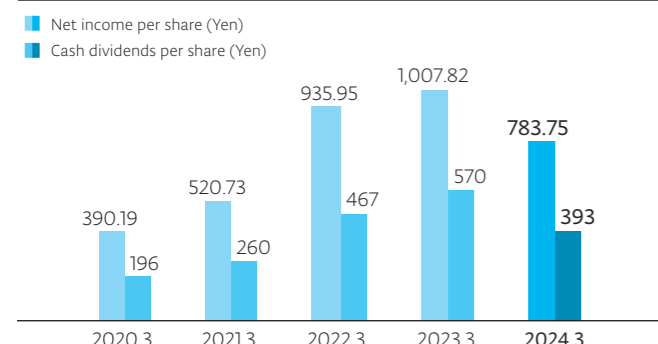
Workplace Incidents per 200,000 Work Hours (TCIR⁸)



In fiscal 2024, through enhancement of safety training and continuous efforts toward safe design of equipment, we achieved a TCIR of 0.15, an industry-leading position in the semiconductor production equipment industry. With “Safety First” as our slogan, we are pushing ahead with various activities towards achieving the target in our Medium-term Management Plan of no more than 0.10.

⁸ TCIR: Total Case Incident Rate

Net Income per Share and Cash Dividends per Share^{3,4}

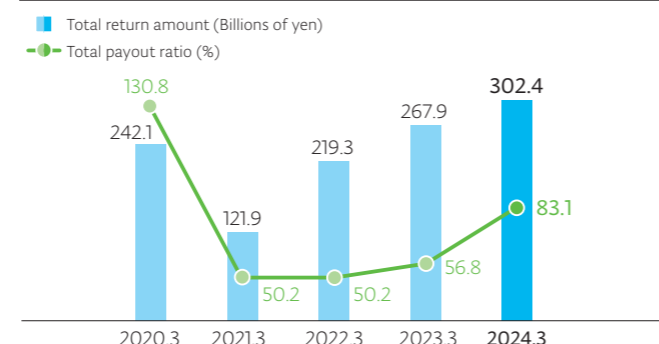


Net income per share and cash dividends per share decreased due to the decrease in net income attributable to owners of parent.

³ These figures reflect the stock split.

⁴ Dividend payout ratio: 50%. However, the amount of annual dividend per share shall not be less than 50 yen, and we will review our dividend policy if we do not generate net income for two consecutive fiscal years.

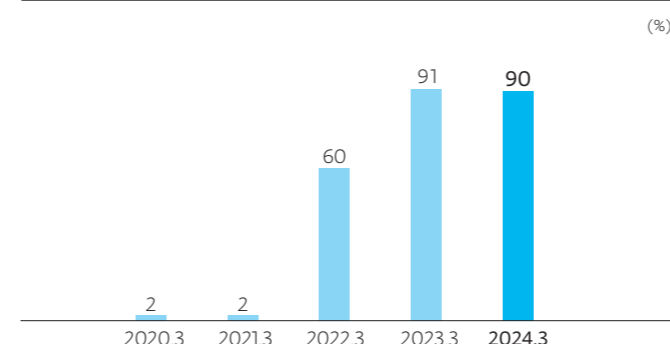
Total Return Amount and Total Payout Ratio



Total return amount grew year-on-year owing to repurchases of treasury stocks⁵, despite the decrease in dividends paid.

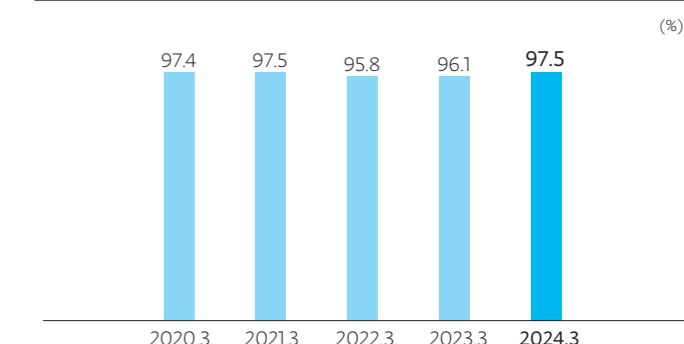
⁵ Repurchases of treasury stocks: We will consider executing these flexibly.

Renewable Energy Usage at Plants and Offices



Our renewable energy usage reached 90% on a global basis as of fiscal 2024 (100% for Japan). Initiatives are now underway to achieve our new target of reducing total CO₂ emissions from our plants and offices by 85% (compared to fiscal 2019) by fiscal 2031, such as promoting the introduction of renewable energy to regions where it has not yet been introduced.

Employee Retention Rates⁹



Our employee retention rate stayed high at 97.5% on a global basis in fiscal 2024. Recognizing that our employees both create and fulfill company values, we continued to effectively develop initiatives aimed at further improving employee engagement.

⁹ Calculated using data on turnover rate