In 2019, although investment by logic chip manufacturers and foundries grew, driven by demand for data centers and 5G smartphones, investment by memory chip manufacturers underwent an adjustment following several years of investing to increase production capacity. As a result, the global WFE market edged down year on year. In addition, there were concerns about the impact of COVID-19 near the end of fiscal 2020. Nevertheless, we met our financial estimates for all our key indicators, namely net sales, operating income and operating margin. The driving force behind Tokyo Electron is its rich technological prowess built up as an industry leader, customer trust based on solid technical service, and our employees, who are capable of flexibly and rapidly adapting to changes in the environment and always eager to take on new challenges. Fiscal 2020 was truly a year in which the strength of Tokyo Electron was put to the test, whether it was maintaining production amid the rising threat of COVID-19 or providing remote customer support and the flexible response of local employees overseas amid travel restrictions. I believe Tokyo Electron rose to the challenge.

We announced a plan to invest approximately ¥400 billion in research and development over the three years beginning with fiscal 2020 to achieve the targets of the medium-term management plan. In line with the plan, in fiscal 2020, we invested ¥120.2 billion in research and development, a record high.

Amid this rapidly changing business environment, and while investing aggressively in growth, I think that our results for the year were satisfactory, precisely achieving our initial financial estimates for fiscal 2020: net sales of more than ¥1 trillion, an operating margin of over 20% and ROE over 20% for a third consecutive year. Going forward, all of Tokyo Electron will continue to work as one to achieve the upwardly revised targets of the medium-term management plan published in May 2019.

1 Wafer fab equipment (WFE): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. WFE refers to the production equipment used in front-end production and in wafer-level packaging production.
**Question 02**

Could you tell us your medium- to long-term outlook for the business environment?

In addition to IoT, which will connect all kinds of things to networks, the growing adoption of AI and 5G is bringing us into the true big data era. As a result, going forward, global data traffic is forecast to grow at a compound annual growth rate of 26%. In addition, the spread of COVID-19 is accelerating the use of remote work arrangements, distance learning, remote medicine, and streaming video services, further increasing the importance of aggressively implementing information and communications technologies.

The big data era will require large quantities of diverse semiconductors as well as even higher performance. As I mentioned, Tokyo Electron recorded net sales of over ¥1 trillion for a third consecutive year in fiscal 2020, and we expect sales to grow further going forward.

**Question 03**

Could you go over the medium-term management plan’s financial model and the measures Tokyo Electron is taking to achieve them?

The medium-term management plan announced in May 2019 comprises targets for fiscal 2024 under three scenarios. Given the business environment, as we’ve been discussing, we expect the WFE market to grow to US$65~70 billion within four years and are targeting net sales of ¥2 trillion, an operating margin of over 30% and ROE of over 30%. However, we have also included two downside scenarios to ensure that we can steadily generate profit and provide returns to stakeholders if the WFE market does not grow as anticipated due to the macro economy or changes in the semiconductor supply balance. As such, the financial model is designed to capture as much growth potential as possible while steadily reinforcing Tokyo Electron’s financial strength.

To achieve the targets, we will fully leverage our 100% market share in mass production EUV coater/developer and reinforce product competitiveness in the key fields of etch, deposition and cleaning, where we expect major market growth going forward. Furthermore, in the field solutions business (encompassing sales of parts and used equipment, modifications and maintenance services), which boasts wide profit margins, we will leverage our installed base of more than 72,000 units, the largest in the industry, to achieve steady growth.

Few companies in the world have needs like Tokyo Electron. Utilizing all these resources, we will contribute to society by creating high-value-added technologies never seen before.

**Financial Model (within 4 years)**

<table>
<thead>
<tr>
<th>Net sales</th>
<th>¥1,500 billion</th>
<th>¥1,700 billion</th>
<th>¥2,000 billion</th>
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<tbody>
<tr>
<td>Operating margin</td>
<td>26.5%</td>
<td>28%</td>
<td>&gt;30%</td>
</tr>
<tr>
<td>ROE</td>
<td>&gt;30%</td>
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<td></td>
</tr>
</tbody>
</table>
Question 04

Please tell us about your management philosophy as CEO.

In terms of management philosophy, Tokyo Electron has the Corporate Philosophy, which defines its reason for existence and social mission, as well as the Management Policies, eight general rules of management for achieving the Corporate Philosophy. I think that the judicious management decisions made by its leaders over the decades based on these are a major reason that Tokyo Electron has grown to where it is today. With this in mind, I try to always approach management with due consideration for the happiness of our shareholders, customers, employees and their families. That is to say, I strive to generate world-class profit, creating value, to bring happiness to all of our stakeholders through business activities.

In addition, those at the helm of corporate management must be aware of their company’s core competence, take a medium- to long-term perspective, understand market environment trends and changes, and respond appropriately.

As I said, technological innovation in semiconductors and displays will continue. As long as technological innovation continues, the markets will grow. Tokyo Electron thus stands at the edge of tremendous future growth potential in these markets. To capture as much of this potential as possible, we will throw our full weight into developing next generation products. We will pursue Tokyo Electron’s core competence—providing added value to customers through the Best Products and Best Service on the market to steadfastly put into action our Corporate Philosophy: “We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.” It will be our employees who make this happen. Employees are the source of value creation, and increasing employee motivation is crucial.

Employee motivation is determined by many factors, including expectations and dreams for the Company’s future, fair human resource systems that recognize employee effort, competitive compensation that is commensurate with results, relationships of trust with management and supervisors, and an open corporate culture.

To that end, I strive to share my vision for the Company and initiatives to achieve it with all our employees. Whenever possible, I also value the opportunity to visit our factories and other sites around the world to hear from employees about issues at our front lines. Also, as profits increase, employees are better able to follow their dreams and take on challenges in pursuit of growth without fear of failure, creating a virtuous cycle that further increases motivation.

The spread of COVID-19 has affected the world in many ways. Tokyo Electron’s social mission and responsibility of helping to build a strong, resilient society will only grow more important in the future. Providing leading-edge technology products and the best technical services to pursue continued profit, increase corporate value and bring happiness to our shareholders, customers, employees and their families, and everyone else related to Tokyo Electron—that is my management philosophy.