CEO's Message

Toshiki Kawai
Representative Director,
President & CEO

I would like to start by thanking all our stakeholders for their constant support. Since 1963, the year that Tokyo Electron was founded, we have achieved growth by contributing to the development of the semiconductor industry through our pioneering and innovative technologies, while quickly responding to changes in the business environment. We owe what our company is today entirely to the support of our stakeholders. We are endeavoring to expand medium- to long-term profit and to continuously enhance our corporate value by putting into 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."

Business Environment in Which We Operate

As shown by a dramatic increase in the utilization of artificial intelligence (AI) with the recent arrival of generative AI, the relationships between digital technologies and our daily lives and every industry are now closer than ever. As a result, the role of semiconductors and related technological innovation are becoming increasingly important. While the semiconductor device market has grown to approximately US$630 billion[1] as of 2024, it is forecast to reach approximately US$1 trillion[2] by around 2030.

On the other hand, it is expected that the many different AI-based applications arriving going forward will not only require higher data processing capabilities but will also increase power consumption, raising concerns about a growing burden on the 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. New high-value-added equipment and technical services will be essential for technological innovation in semiconductors, so the semiconductor production equipment market in which we operate is also expected to grow considerably going forward.

1 Source: World Semiconductor Trade Statistics (WSTS)
2 Estimated by Tokyo Electron

Our Vision and Medium-term Management Plan

We have established a Vision: "A company filled with dreams and vitality that contributes to technological innovation in semiconductors," which is based on the CSV (Creating Shared Value)[3] approach. To build a strong and resilient society in which economic activities do not stop under any circumstances, we have defined our own CSV as TSV (TEL's Shared Value), through which we strive to create social and economic value. Leveraging our expertise as a semiconductor production equipment manufacturer, we will contribute to technological innovation in semiconductors that will support digitalization and decarbonization for preservation of the global environment.

As part of our Medium-term Management Plan for realizing our Vision, we have set fiscal 2027 financial targets for an operating margin of 35% or more and ROE of 30% or more, with net sales of 3 trillion yen or more. Despite risks that need our attention, including geopolitical trends such as friction and tariffs between the U.S. and China, the Russia-Ukraine war, and conflicts in the Middle East, and global inflation, the importance of semiconductors for the future will remain unchanged. We therefore aim to achieve our Medium-term Management Plan by providing new high-value-added products and technical services in the areas of semiconductor scaling and advanced packaging. These efforts will center on a broad product lineup leveraging our track record as the industry's largest installed base (cumulative total of more than 96,000 units[4]) with the industry's largest number of patents (approximately 25,000 patents[4]).

We have also established, and are currently implementing, a growth investment plan to refine our strengths and maximize future growth opportunities. We plan to spend 1.5 trillion yen or more on R&D investment and 700 billion yen or more on capital expenditures while recruiting 10,000 employees globally, over five years from fiscal 2025.

3 The CSV approach aims to create social and economic value, enhance corporate value, and realize sustainable growth by leveraging company expertise to address social challenges.
4 As of the end of March 2025

Human Resource-related Initiatives

We believe that "our corporate growth is enabled by people, and our employees both create and fulfill company values." Based on this belief, we practice motivation-oriented management to increase employee motivation and engagement with the company so that they can fully exercise their capabilities, centered on the following five points.

About Tokyo Electron

CEO's Message

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

- TEL's Shared Value: Contribution to technological innovation in semiconductors that will support digitalization and decarbonization for preservation of the global environment

2 Dreams and expectations of the Company's future

- Group-wide pursuit of world-class profit margins based on the Medium-term Management Plan

3 Opportunities to take on challenges

- Implementation of growth investments, including proactive R&D Investment based on world-class profits

4 Fair evaluations that recognize employee efforts and globally competitive rewards

- Adoption of a performance-linked compensation system based on world-class operating income

5 Workplace with an open atmosphere and positive communication

- Regular communication between employees and senior management, including through employee meetings and roundtable discussions

In addition, we are working to secure a diverse workforce in line with our "ONE TEL, DIFFERENT TOGETHER™" slogan while keeping 3G (Global, Gender, Generation) in mind, while also improving work-life balance, implementing measures to create career paths for employees, and enhancing educational programs.

As a leading company in this industry, we are actively engaged in the education of students, researchers, and others responsible for the future of the semiconductor industry, which we consider to be our mission. We will contribute to the sustainable development of the semiconductor industry by helping to develop the next generation of semiconductor talent. We will do this by supporting various industry-academia collaborations, including by participating in the U.S.-Japan University Partnership for Workforce Advancement and Research & Development in Semiconductors (UPWARDS).

Environment-related Initiatives

With the importance of preserving the global environment grows even more in society, we are working to reduce environmental impact, and above all achieve decarbonization, in all of our business activities to contribute toward realization of a sustainable society. We have therefore set ourselves the goal of net zero greenhouse gas emissions by 2040. As part of this initiative, we are targeting a rate of 100% renewable energy usage at all of our plants and offices. We achieved this target in Japan during fiscal 2023, while our global usage is currently at 89% (fiscal 2025).

In addition to our own emissions, we are also working with our customers and partner companies to reduce environmental impacts across the entire product lifecycle[5]. As part of this, we are implementing the E-COMPASS[6] initiative, which focuses on the environment, to achieve technological innovation in semiconductors, and reduce their environmental impact throughout the entire supply chain.

5 Product lifecycle: The value chain from product planning, development, and design, through procurement, manufacturing, logistics, customer use, maintenance and service, to disposal
6 E-COMPASS: Environmental Co-Creation by Material, Process and Subcomponent Solutions

Governance-related Initiatives

We aim to achieve short-term and medium- to long-term profit expansion and continuous corporate value enhancement, so we apply a basic management policy that we call "double-offensive governance." The first "offensive" refers to an aggressive style of business activities. We consider profit to be an important measure of value in our products and services, so we always pursue a world-class operating margin and ROE by providing the Best Products with innovative technology, and the Best Technical Service with high added value. We have defined 14 material issues, that we work on with priority, as key items in conducting our aggressive style of business activities.

The second "offensive" refers to an aggressive style of building a management foundation. Fundamental to all corporate activities is the strengthening and enhancement of safety, quality, legal compliance, engagement with employees and other stakeholders, and security, and we aim to make them our own strengths. We have identified 16 risks that we may face when conducting business, including four newly added in fiscal 2025, and we are conducting appropriate risk management not only to minimize their impacts but also to turn them into business opportunities.

Through this "double-offensive governance," we aim to contribute to technological innovation in semiconductors while becoming the truly excellent global company that the world needs.

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

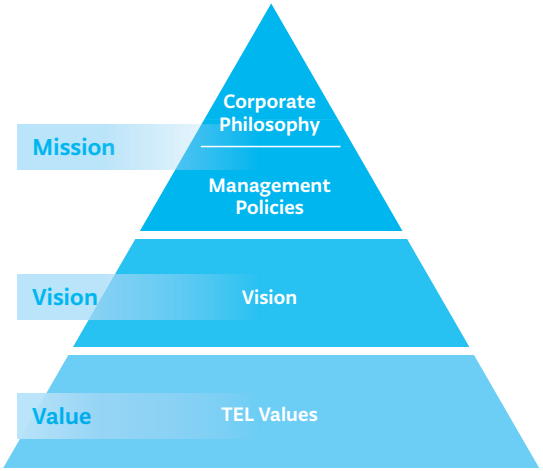
In terms of a prosperous future made possible by semiconductors and their ongoing evolution, we have now entered a new growth phase in the semiconductor production equipment market that supports them. To achieve our goal of becoming number one globally, we will continue to take on challenges and evolve, 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.



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.

People. Technology. Commitment.™

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.

Vision

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.

Value

TEL Values

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

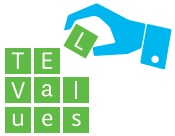
Pride
We take pride in providing high-value products and services.

Challenge
We accept the challenge of going beyond what others are doing in pursuing our goal of becoming number one globally.

Ownership
We will keep ownership in mind as we think things through, and engage in thorough implementation in order to achieve our goals.

Teamwork
We respect each other's individuality and we place a high priority on teamwork.

Awareness
We must have awareness and accept responsibility for our behavior as respectful members of society.



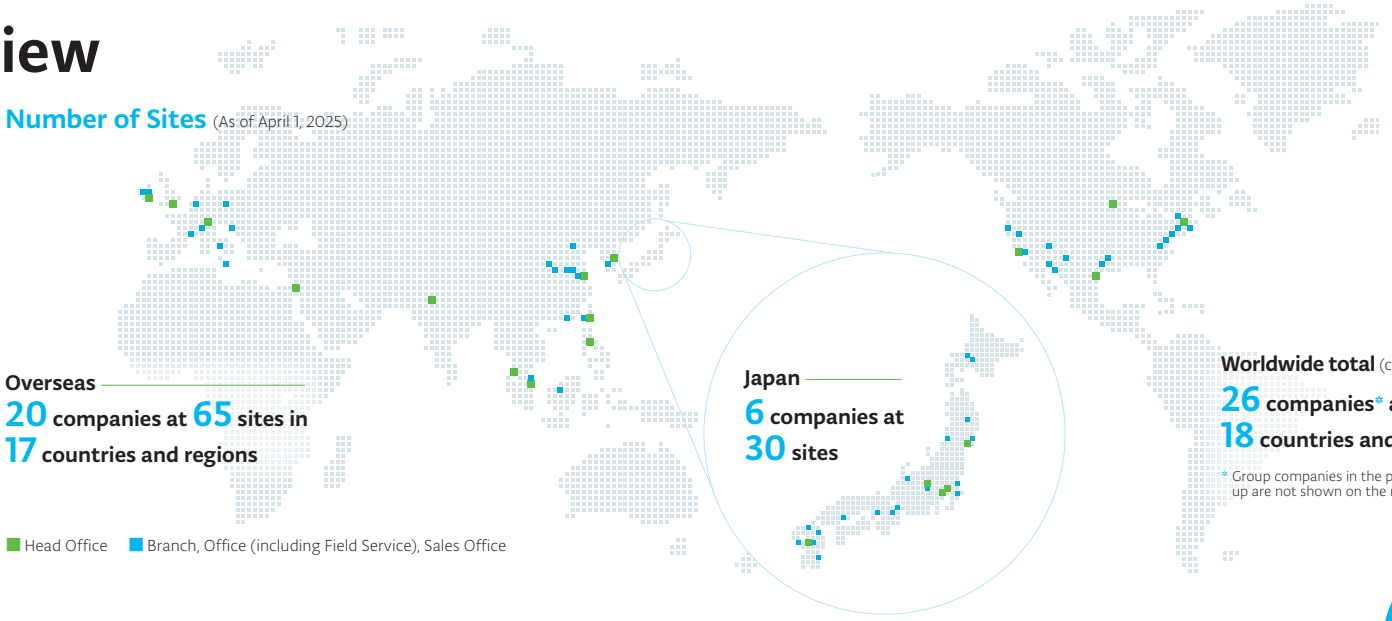
We have established the TEL Values as a foundation for our operations, and we will continue to develop them accordingly in the future.

"TEL Values" on our website www.tel.com/sustainability/management-foundation/human-resource/#values

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, 2025)



History

1963
Tokyo Electron Laboratories, Inc. is established with capital from Tokyo Broadcasting System, Inc.

1964
Tokyo Electron Laboratories acquires importing and selling rights for diffusion furnace manufactured by Thermco Products Corp. (U.S.) and begins sales

1968
TEL-Thermco Engineering Co., Ltd. began domestic production of diffusion furnaces

1978
Tokyo Electron Laboratories, Inc. renamed Tokyo Electron Ltd.

1980
Listed on the Second Section of the Tokyo Stock Exchange

1984
Listed on the First Section of the Tokyo Stock Exchange

1986
Export of semiconductor production equipment begins

1990s
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

1990
Tokyo Electron (TEL) marks a major move into development and marketing of FPD production equipment

1994
Started direct sales and support systems overseas

1999
Category of industry on the Tokyo Stock Exchange First Section changed from "Wholesale Trade" to "Electric Appliances"

2006
"TEL Values" formulated as code of conduct

2007
Established "TEL UNIVERSITY" to strengthen human resource development

2015
Establishment of Tokyo Electron Corporate Governance Guidelines

Re-emergence as the New TEL (Vision, Medium-term Management Plan formulated and new Corporate Logo created)

2021
Began publishing integrated reports

2022
Listed on the Prime Market of the Tokyo Stock Exchange

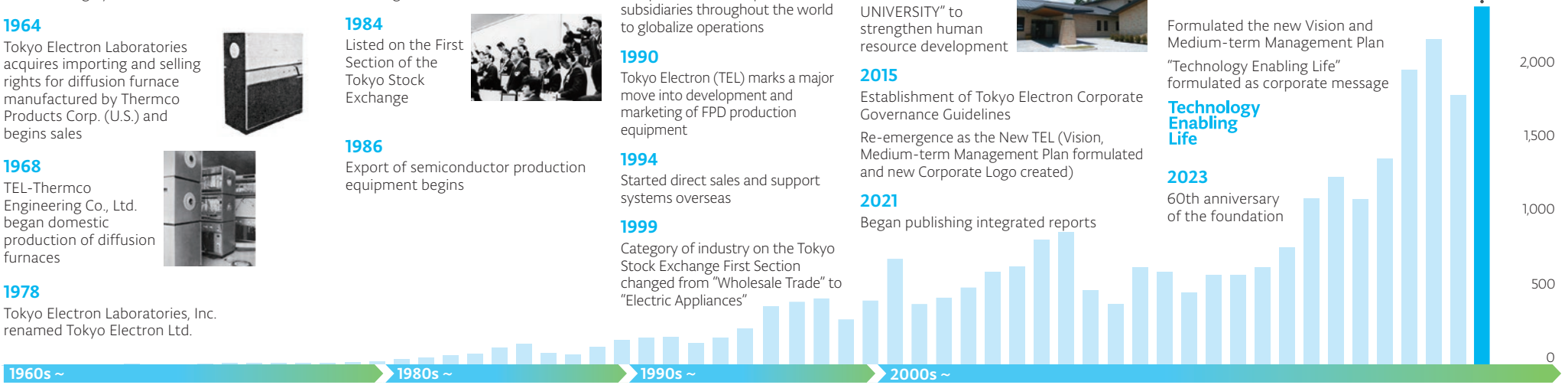
Formulated the new Vision and Medium-term Management Plan

"Technology Enabling Life" formulated as corporate message

Technology Enabling Life

2023
60th anniversary of the foundation

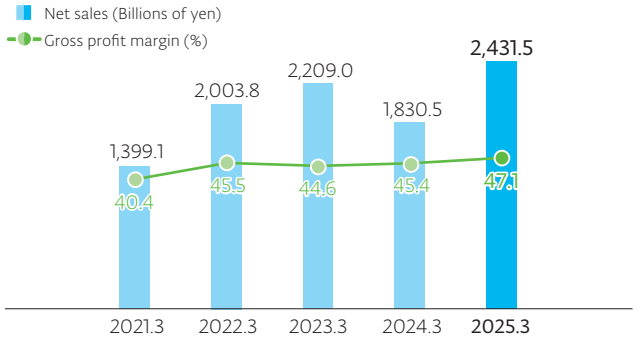
Net Sales
2,431.5 billion yen
Fiscal 2025



Highlights of Key Indicators for Continuous Corporate Value Enhancement

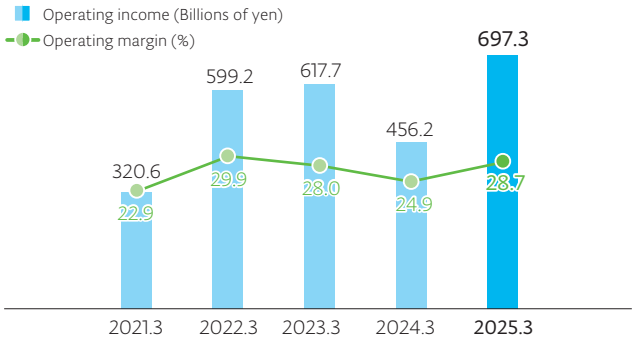
At Tokyo Electron, policies and various judgments are made for our business activities by clarifying, monitoring and analyzing management indicators, which are important for medium- to long-term profit expansion and continuous corporate value enhancement.

Net Sales and Gross Profit Margin



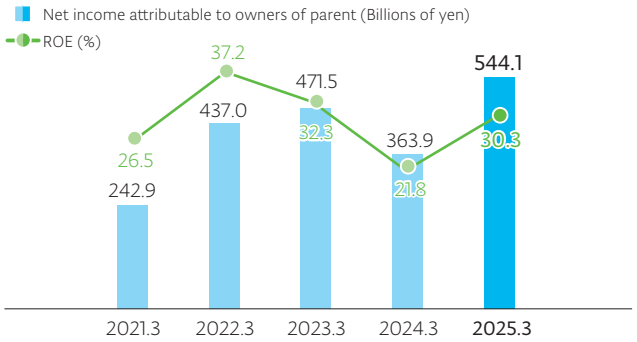
Achieved a new net sales record, backed by active capital investment in the logic/foundry and DRAM. Rising sales ratios for products with high profit margins contributed to higher gross profit margins.

Operating Income and Operating Margin



While we proactively invested in R&D aimed at future growth, we also achieved a record gross profit margin, which contributed to our operating profit margin improvement.

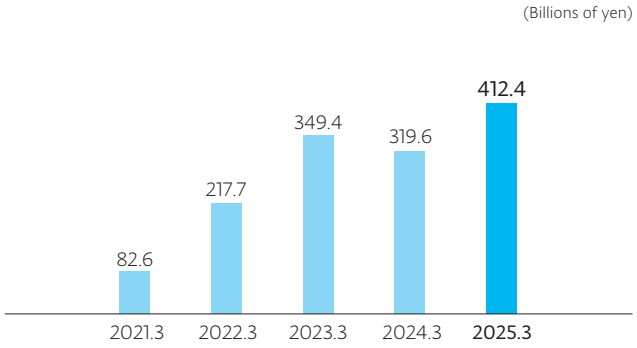
Net Income Attributable to Owners of Parent and ROE[1]



Achieved our Medium-term Management Plan target of ROE 30% or more through profit margin improvements and balance sheet management.

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

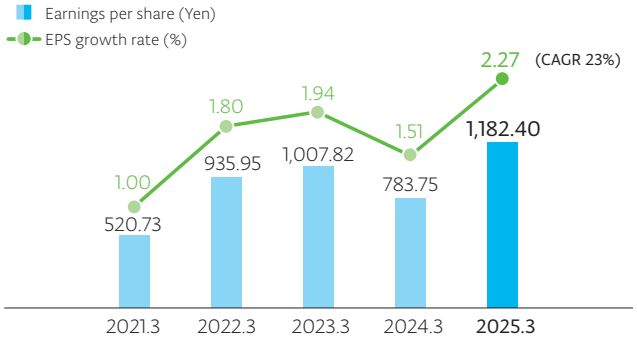
Free Cash Flow[2]



Achieved record high free cash flow through the successful balancing of high levels of cash generation from business activities and investments focused on future growth.

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

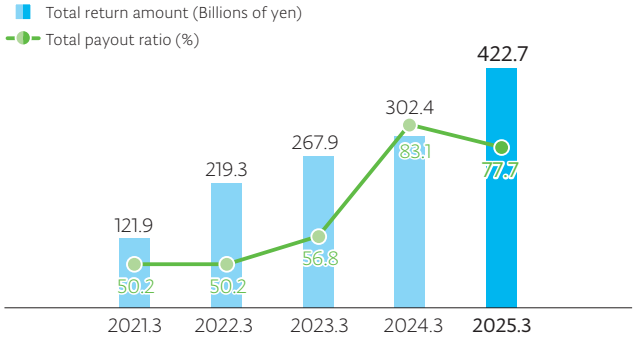
Earnings per Share (EPS)[3] and EPS Growth Rate[4]



Earnings per share is steadily growing, and the compound annual growth rate (CAGR) was 23%.

3 Figures reflect the stock split implemented on April 1, 2023.
4 EPS growth rates for each period are indicated in multiples with fiscal 2021 as the reference year.

Total Return Amount and Total Payout Ratio



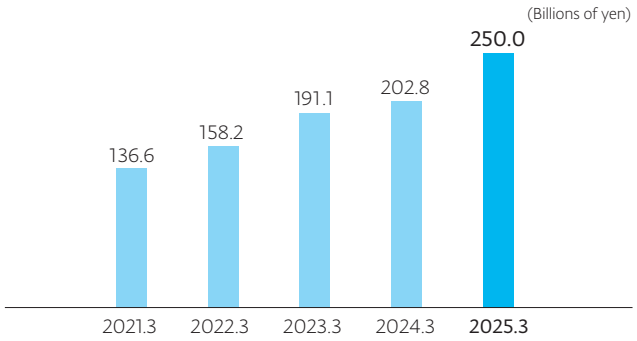
The total shareholder returns surpassed 400 billion yen as a result of the payment of dividends based on our shareholder return policy of a payout ratio of 50%[5], and by conducting share repurchases[6] twice in fiscal 2025.

5 However, ensure the amount of annual dividend per share is not less than 50 yen, and consider reviewing the dividend policy if net income is not generated for two consecutive fiscal years.
6 Share repurchase: Will be considered flexibly.

About Tokyo Electron

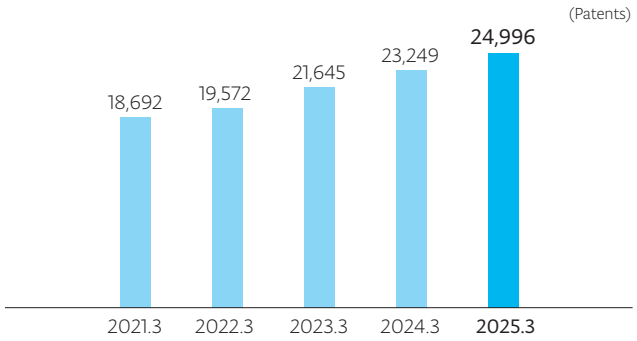
Highlights of Key Indicators for Continuous Corporate Value Enhancement

R&D Expenses



We made an R&D investment of 250.0 billion yen in fiscal 2025, a 23.2% year-on-year increase and made steady progress toward achieving the target of 1 trillion yen or more set out in the Medium-term Management Plan. As further growth investments, we are investing over 1.5 trillion yen in R&D over the five years from fiscal 2025.

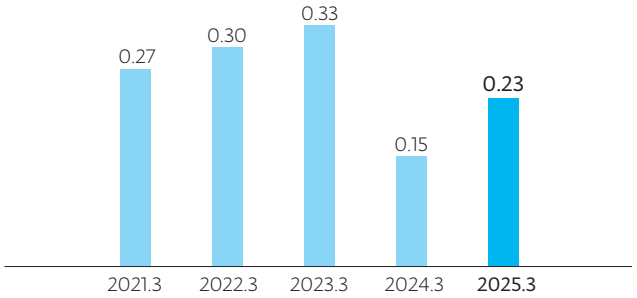
Patents Owned[1]



In terms of number of patents owned, we are No. 1 in the semiconductor production equipment industry with 24,996 patents owned as of the end of March 2025. 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.

1 Figures for fiscal 2021 to fiscal 2022 are based on our database; figures for fiscal 2023 and beyond are based on LexisNexis® PatentSight+ database.

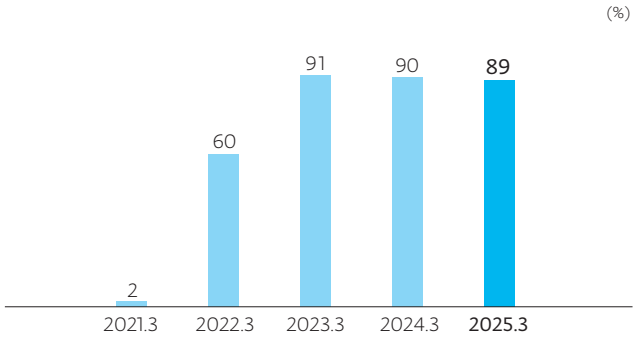
Workplace Incidents per 200,000 Work Hours (TCIR[2])



In fiscal 2025, through enhancement of safety training and continuous efforts toward safe design of equipment, we achieved a TCIR of 0.23, 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 less than 0.10.

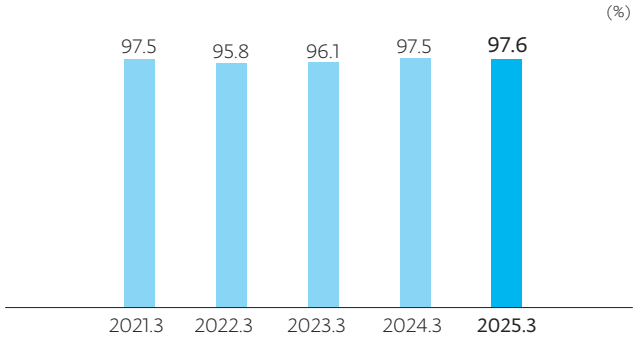
2 TCIR: Total Case Incident Rate

Renewable Energy Usage at Plants and Offices



Our renewable energy usage was 89% on a global basis as of fiscal 2025 (100% for Japan). We aim to reach 100% on a global basis by fiscal 2031 by promoting the introduction of renewable energy throughout Asia.

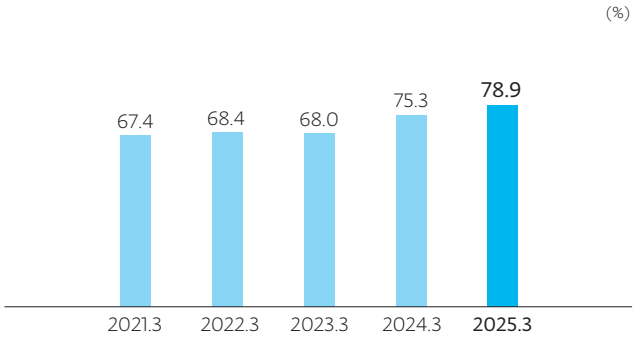
Employee Retention Rates[3]



Our employee retention rate stayed high at 97.6% on a global basis in fiscal 2025. Recognizing that our employees both create and fulfill company values, we continued to effectively develop initiatives aimed at further improving employee engagement.

3 Calculated using data on turnover rate

Annual Paid Leave Utilization Rate

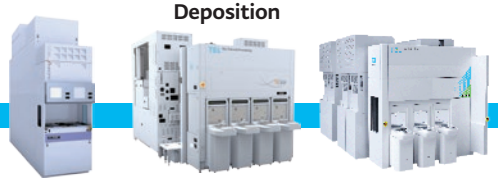


The annual paid leave utilization rate was 78.9% on a global basis in fiscal 2025. Utilization rates are reported periodically to managers and we are promoting the creation of working environments that make it easy for individuals to utilize leave such as by making adjustments to work allocation.

Semiconductor Manufacturing Process and Our Main Products

Wafer Process (Front-end) Assembly and Test Process (Back-end)

Deposition



Thermal Processing System
TELINDY PLUS™

Atomic Layer Deposition System
NT333™

Single Wafer Deposition System
Episode™ 1

Lithography (Photoresist coating, Development)

Coater/Developer
CLEAN TRACK™
LITHIUS Pro™ Z

Etching

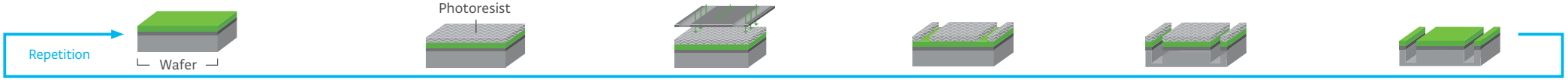
Plasma Etch System
Tactras™

Plasma Etch System
Episode™ UL

Gas Chemical Etch System
Certas LEAGA™

Cleaning

Single Wafer Cleaning System
CELLESTA™ - i



Film Deposition

Thin films such as silicon dioxide, silicon nitride, metal and others are deposited by thermal oxidation, CVD[1] and/or ALD[2] on the wafer surface.

1 CVD: Chemical Vapor Deposition
2 ALD: Atomic Layer Deposition

Photoresist[3] Coating

While the wafer is rotated at a high speed, a thin layer of photoresist is coated uniformly on its surface.

3 Photoresist: A light-sensitive material that changes its properties when exposed to ultraviolet (UV) light.

Exposure

To transfer the integrated circuit pattern onto a wafer, equipment called stepper irradiates UV light on the photoresist layer through a patterned photomask aligned over the wafer.

Development

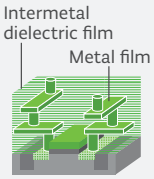
Developing exposed photoresist leaves a particular pattern on a wafer according to the reticle (photomask) being used.

Etching

A plasma etch system or plasma-less gas chemical etch system etches the dielectric silicon dioxide, silicon nitride, silicon, or other material, guided by the pattern created using lithography, to form the required patterns.

Ashing/Cleaning

In a post-etch process, the residual photoresist is removed, and the wafer is soaked into chemical solvents to remove particles and impurities on the wafer.



Completed Transistor and Wiring

Bonding

Wafer Bonding System
Synapse™ Si

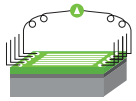
Wafer Edge Trimming System/ Extreme Laser Lift Off System
Ulucus™ L / Ulucus™ LX

In some cases, multiple wafers with transistors and wires are bonded to each other to create a single integrated circuit.

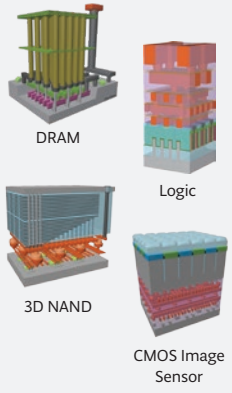
Wafer Probe Testing

Wafer Prober
Prexa™

Multi-Cell Test System
Cellcia™



Each IC is tested to find any imperfect chip.



Completed Integrated Circuit

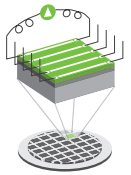
Wafer Bonding/ Debonding

Wafer Bonding System/ Wafer Debonding System
Synapse™ V / Synapse™ Z Plus

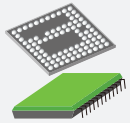
After fabricating redistribution layers and bonding pads (bumps), a support substrate may be temporarily bonded to the device wafer to thin the back surface, and is then removed by a debonding system.

Inspection

Wafer/Dicing Frame Prober
WDF™ 12DP+



Each diced chip is examined to determine whether it can be assembled into the package.



The chips are attached to package substrates or lead frames, and are sealed with ceramic or plastic.

Completed Semiconductor Packaging