Characteristics of Semiconductor Production Equipment Business

In recent years, the transition to a data-driven society using AI is accelerating, making semiconductors crucial to the foundation that supports society, and the semiconductor market is forecast to reach approximately US$1 trillion by around 2030. With the continuous expansion of digital technology usage across a wide array of fields, technological innovation in semiconductors is advancing even further, significantly increasing the importance of semiconductor production equipment.

Under such circumstances, it is vital for semiconductor production equipment manufacturers to utilize specialized expertise in a variety of fields, including electronics, mechanics, process and software and develop equipment with the world's highest performance to continuously expand business. This requires comprehending the needs of customers early on based on a solid relationship of mutual trust and engaging in R&D with a medium- to long-term perspective. In addition, we must advance co-creation with academia and consortiums engaged in creating leading-edge technologies and carry out R&D at a global level. Recruitment and fostering of excellent human resources, expansion of capital investment and building a solid management and financial foundation are essential to perform these activities consistently and effectively.

There is also a need for high-value-added technical services that support the stable operation and high productivity of semiconductor production equipment. To achieve high productivity while reducing environmental impact, there has been a proactive push toward digital transformation (DX), such as the use of AI.

In addition to these aspects, it is crucial to strengthen partnerships within the entire supply chain such as parts and materials supply, equipment assembly and adjustment, customs clearance and logistics.

Going forward, semiconductor production equipment manufacturers may be increasingly expected to contribute to the development of high-performance, low-power semiconductors and to provide manufacturing technologies that combine high productivity with reduced environmental impact.

Technological innovations in semiconductors driving the growth of the production equipment market

Requirements of semiconductor production equipment manufacturers

- Specialized expertise in a variety of fields, including electronics, mechanics, process and software
- Development of equipment with highest performance that realizes technological innovations
- Solid relationship of mutual trust with customers
- Recruitment and fostering of excellent human resources
- R&D with a medium- to long-term perspective and solid management and financial foundations to support it
- Provision of high-value-added technical services
- Building of sustainable supply chains
- Measures to reduce environmental impact

Material Issues

By practicing our Corporate Philosophy through the realization of our Vision, we aim to expand medium- to long-term profit and to continuously enhance our corporate value; to that end, we have identified key items that should be worked on with priority as our material issues, and these are reviewed each year. Additionally, we are working continuously to create new value through the value chain of our business activities anchored around material issues.

Key items to be worked on with priority (material issues)

- **Practice of our Corporate Philosophy through the realization of our Vision**
- **Medium- to long-term profit expansion and continuous corporate value enhancement**

Material Issues Identification Process

Analyze Environment and Determine Issues

We analyze the status of social issues and the SDGs, business environments, the results of engagement with stakeholders[1], and key risks in our business activities[2] to determine issues that could become our material issues.

Social Issues

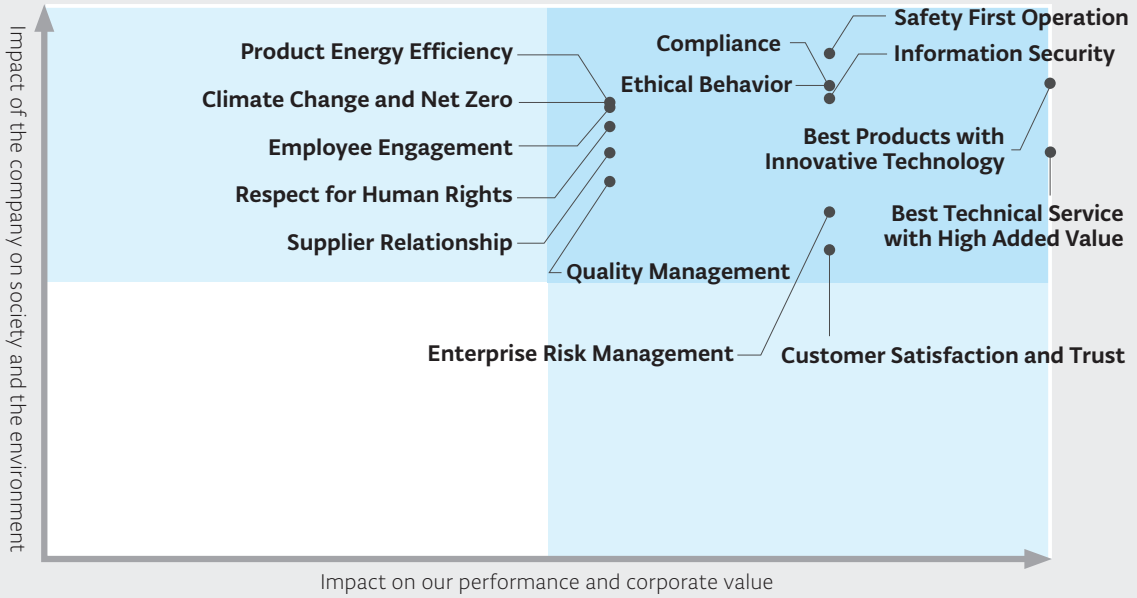
- Climate change, human rights issues, poverty, educational inequality, interstate conflicts and geopolitical confrontations, migrant and refugee issues, supply chain management, technology and ethics, cybersecurity, inflation, etc.

Business Environment

- Further expansion of semiconductors and semiconductor production equipment markets due to the rapid transition to a data-driven society centered on AI development, initiatives for the preservation of the global environment, human rights initiatives, further strengthening of corporate governance, etc.

Prioritizing/Mapping

Determined issues are prioritized, then evaluated and mapped on two axes: "Impact of the company on society and the environment," taking into account stakeholder impact and interest, and "Impact on our performance and corporate value," focusing on continuously enhancing corporate value.



Identifying Material Issues

We identified key items as material issues following discussions and decisions by the Corporate Officers Meeting, participated in by the CEO, and a report to and approval of the Board of Directors.
In addition, we confirmed the material issues' relation to key indicators for continuous corporate value enhancement[3] and the 16 major risk items, as well as the SDGs to be addressed.
Furthermore, we organized the relation between the value chain and material issues.

We obtain the advice of a third party specialist regarding consideration of the process by which we identify material issues.

1 Stakeholder Engagement P. 23
2 Risk Management P. 71-72
3 Key Indicators for Continuous Corporate Value Enhancement P. 19-20

Material Issues

Identified Material Issues

Material Issues	Impact on Our Company	Impact on Society	SDGs to Be Addressed
Climate Change and Net Zero	Reduce the environmental impact of business activities, products and services to achieve net zero emissions	Create new opportunities by reducing climate change risks	7, 13
Product Energy Efficiency	Achieve both the environmental performance and process performance of products	Preserve the global environment by providing environmentally friendly products	12, 13
Best Products with Innovative Technology	Establish superiority by creating high-value-added products with innovative technology	Promote innovation and development of society through the evolution of semiconductors	9, 13
Best Technical Service with High Added Value	Expand business opportunities by providing advanced field solutions that solve customer issues	Improve semiconductor device yield and productivity, and maximize equipment utilization rates	9, 12
Customer Satisfaction and Trust	Pursue customer satisfaction and build relationships of absolute trust as a sole strategic partner	Drive new innovations and further revitalize industry by providing added value	8, 17
Supplier Relationship	Carry out activities such as development, improvement and quality improvement through collaboration	Maintain soundness and strengthen competitiveness throughout the supply chain	9, 17
Respect for Human Rights	Reduce human rights risks and respect individual dignity in business activities	Solve social issues such as discrimination, inequality, and those related to labor and safety	10, 16

Material Issues	Impact on Our Company	Impact on Society	SDGs to Be Addressed
Employee Engagement	Create a workplace environment where individuals can maximize their abilities and work actively	Promote economic growth by building relationships of mutual trust with stakeholders	8
Safety First Operation	Achieve sustainable operations by putting safety first	Establish safety as a social foundation	12
Quality Management	Pursue management efficiency through quality-focused operations	Strengthen productivity and competitiveness through quality improvement	12
Compliance	Comply with laws, regulations, industry codes of conduct, etc. as the basis for corporate reliability and sustainable growth	Improve soundness of society by realizing social responsibility	16
Ethical Behavior	Strive to be a company with a strong sense of corporate social responsibility where our employees can take pride in their work and feel happy	Form a fair and orderly society	16
Information Security	Balance data utilization and information security by promptly tackling cyberattacks, information leaks, etc.	Ensure information security without sacrificing convenience	9
Enterprise Risk Management	Aim for sustainable growth by appropriately responding to business risks and their impacts	Sustainably develop the economy and society by eliminating and reducing risks	8, 9

The Driving Forces of Growth and Strengths behind Our Company

From its founding, we have treasured the trust and reliability of our stakeholders, which serves as the foundation for our unique business model. We have also developed three key driving forces of growth: "abundant technological capabilities cultivated as an industry leader," "absolute trust from customers based on our reliable technical services" and "challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment." We aim for further growth by maximizing the strengths created by these driving forces in our business activities.

The Driving Forces of Growth behind Our Company

Driving Force 1

Abundant technological capabilities cultivated as an industry leader

We generate innovative and diverse technologies through in-house development and joint development with our customers and collaboration with world-leading consortiums through proactive investment in R&D

Driving Force 2

Absolute trust from customers based on our reliable technical services

Striving to further improve customer satisfaction by providing high quality and highly efficient service, we will be the sole strategic partner for our customers

Driving Force 3

Challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment

Based on the idea that "our corporate growth is enabled by people, and our employees both create and fulfill company values," we promote management that emphasizes employee motivation, and realize a company filled with dreams and vitality

Strengths

Having Advanced Products for the Four Key Processes

The manufacturer with advanced products for the four key processes necessary for semiconductor scaling: deposition, coater/developer, etch and cleaning

100%

100% share[1] of coater/developer for EUV[2] lithography, which are necessary for semiconductor evolution

1 Tokyo Electron's estimate
2 EUV: Extreme Ultraviolet. A semiconductor industry term for an exposure technology that uses a specific wavelength of 13.5 nm.

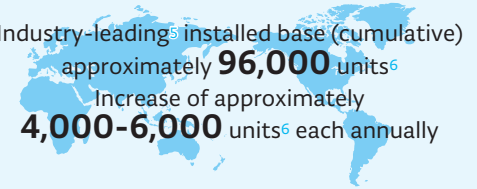
No.1/No.2

Our product lines are strongly positioned in their respective segments, all of which having achieved first or second place in market share[3]

3 Tokyo Electron's estimate
4 Our product lines in respective segments: Diffusion furnace includes thermal processing, batch deposition includes ALD (Atomic Layer Deposition) and CVD (Chemical Vapor Deposition), metal deposition includes single wafer deposition, and cleaning includes single wafer cleaning and batch cleaning.

No.1

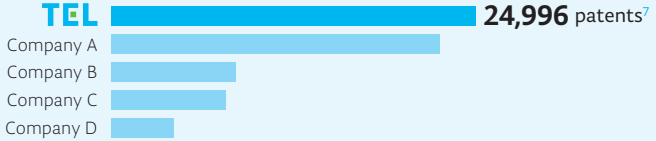
Based on relationships of absolute trust with customers, technical service and marketing developed taking advantage of the highest number of installations in the industry[5]



5 Tokyo Electron's estimate
6 As of the end of March 2025

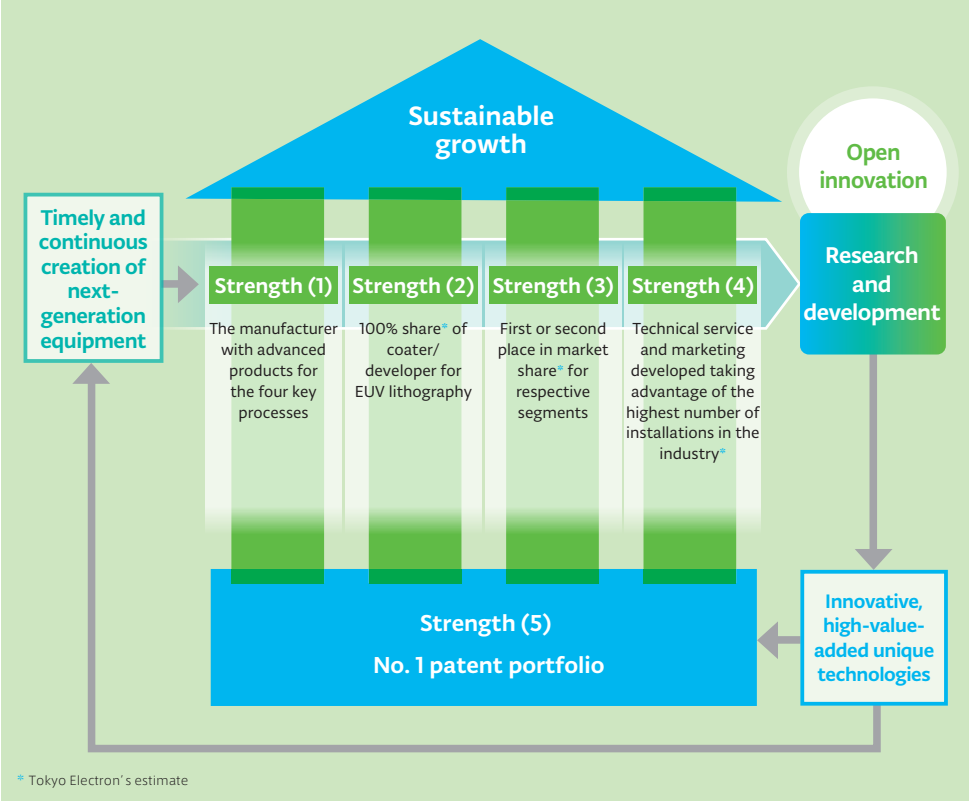
No.1

Globally No. 1 patents owned in the semiconductor production equipment industry



7 As of the end of March 2025
The figure is based on LexisNexis® PatentSight+ database.

Intellectual Property and Intangible Assets



Positioning and Initiatives of Intellectual Property and Intangible Assets

It is crucial that we strengthen R&D to achieve sustainable growth in the semiconductor industry where growth is driven by technological innovation. The source of the superior competitiveness of our products lies in our pursuit of R&D utilizing our four strengths (Diagram (1) to (4)). In addition, we produce innovative and high-value-added unique technology by actively engaging in collaborations (open innovation) with domestic and international customers, consortiums and academia, and incorporating diverse knowledge and technologies in our R&D. This enables the timely and continuous creation of next-generation equipment, which is the lifeline of our company, and the strategic construction of our patent portfolio (Diagram (5)), which is our fifth strength.

The number of inventions that we created in 2024 was 1,331 in Japan and 296 overseas, and our global patent application rate has been approximately 75% for 6 consecutive years. The allowance rate[1] of the filed patents was 77% in Japan and 86% in the United States, and in terms of the number of patents owned, we have maintained our No. 1 ranking in the semiconductor production equipment industry, with 24,996 patents owned as of March 31, 2025. Our patent portfolio has also been rated highly for aspects such as impact on other companies and improved technological value. We have continuously been selected in the Clarivate Top 100 Global Innovators 2025 and the LexisNexis Innovation Momentum 2025: The Global Top 100. Such a competitive patent portfolio contributes to the differentiation of our products and the building of unshakable relations of trust with our customers. In addition, by supporting our four strengths, it serves a vital role as the foundation for improving medium- to long-term corporate value, driving our sustainable growth.

Top 100 Global Innovator 2025
Clarivate

Furthermore, we have set up an inventor prize program[2] to promote intellectual property creation activities by our inventors who drive the competitive advantage of our intellectual portfolio. By recognizing inventors at various stages, from those who have made their first patent application after entering the company to those who are exceptional and exemplary inventors, we aim to continuously improve the competitiveness of our products while passing on the spirit of invention to young inventors and promoting intellectual property creation activities.

1 Figures calculated in 2024

2 "Inventor Prize Program" on our website www.tel.com/rd/intellectualproperty/index.html

Intellectual Property Governance System

We are strengthening our intellectual property portfolio, that accurately reflects technological innovation and market needs, through collaboration between the intellectual property department at the head office with those stationed in major domestic and overseas development sites, as well as with R&D departments and business departments. Also, Intellectual property activities and intellectual property risks are regularly reported at the Board of Directors meetings and Corporate Officers Meetings. We strive for an even stronger intellectual property governance system through collaboration with management.

Medium-term Management Plan

Amid the dizzyingly fast technological innovation of the electronics industry, Tokyo Electron, as the leading company in semiconductor production equipment, is expanding its business based on 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." In fiscal 2023, we formulated a new Vision aimed at further growth to become "A company filled with dreams and vitality that contributes to technological innovation in semiconductors," announced our Medium-term Management Plan and implement various initiatives toward its achievement.

Financial Targets

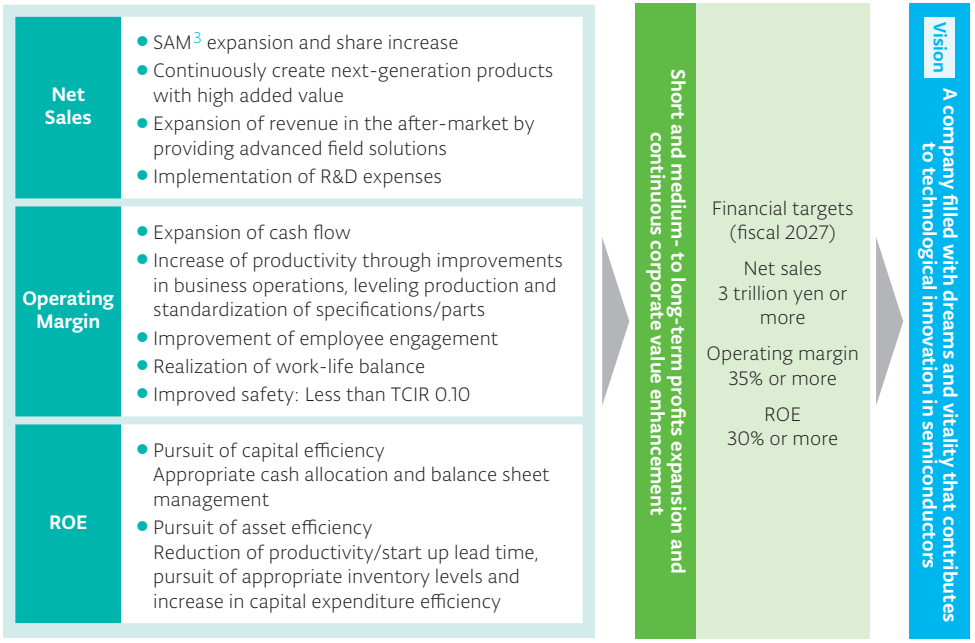
This Medium-term Management Plan sets financial targets of net sales of 3 trillion yen or more, an operating margin of 35% or more, and ROE of 30% or more by fiscal 2027, to further improve our world-class operating margin and ROE. Amid the expectation of further increasing demands for semiconductors and significant future growth in the semiconductor production equipment market, we will advance various initiatives throughout the value chain, always strive for the Best Products, Best Technical Service and aim to achieve medium- to long-term profit expansion and continuous corporate value enhancement.

	Fiscal 2025 Performance	Financial Targets (Target Year: Fiscal 2027)
Net Sales	2,431.5 billion yen	3 trillion yen or more
Operating Margin	28.7%	35% or more
ROE	30.3%	30% or more

Main Initiatives[1]

- Expand our business in the fields of our expertise, using our accumulated technology, in areas where we can leverage our management know-how
- Introduce next-generation products with high added value required in the future by our customers into the market as early as possible while providing superior technological services
- Proactively invest in R&D
- We will work to sell parts, offer upgrades and modifications and improve the utilization rate based on approximately 96,000 units[2] we have installed to date, and endeavor to resolve issues such as yield enhancement for the devices that our customers produce. We will also aim to expand revenue in the after-market by providing such advanced field solutions. In addition, in preparation to support future cumulative installed equipment of over 100,000 units, we will also focus on developing highly efficient and high-value-added service through such means as remote maintenance services and predictive maintenance utilizing device operating data and AI
- We will implement environmentally focused E-COMPASS initiatives and carry out activities for achieving technological innovation in semiconductors and reduce their environmental impact throughout the entire supply chain. We have set a target of net zero greenhouse gas emissions by fiscal 2041 and we are promoting efforts to reduce environmental impacts through collaborations not only within our own Group but also with customers and partners

1 In addition to these initiatives, with the aim of further profit generation and increased corporate value, we are planning growth investments and investments in human resources over five years from fiscal 2025.
R&D investment: 1.5 trillion yen or more, Capital expenditures: 700 billion yen or more, Recruitment: Cumulative total of 10,000 people globally
2 As of the end of March 2025



3 SAM: Served Available Market

Medium-term Management Plan | Message from the Division Officer, Finance Division

Tokyo Electron will implement the following strategies and measures to realize its Vision and achieve its financial targets, while also contributing to the enhancement of corporate and shareholder value through engagement with capital markets.

Hiroshi Kawamoto
Senior Vice President &
General Manager
Division Officer, Finance Division

1 Growth Strategy

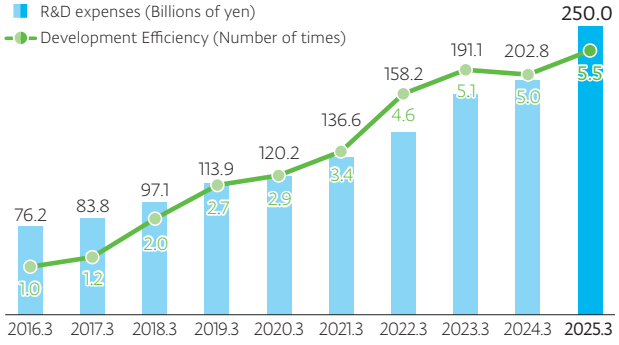
- Set medium-term financial targets for net sales of 3 trillion yen or more, an operating margin of 35% or more, and ROE of 30% or more by fiscal 2027
- Pursue high capital efficiency, including improving ROE, by further enhancing asset efficiency and striving to expand cash flow
- Utilize the cash we have generated for growth investments and investment in human resources to generate technological innovation in semiconductors that supports the sustainable development of society

In fiscal 2025, we reached a record high of 2,431.5 billion yen in net sales and 697.3 billion yen in operating income, and we achieved our target ROE of 30% or more. In order to achieve further growth, we are also implementing the following initiatives in our five-year plan starting fiscal 2025.

- Proactive R&D investment worth 1.5 trillion yen or more
- Capital expenditures of 700 billion yen or more to expand R&D and production capacity and improve productivity
- Recruitment of a cumulative total of 10,000 people globally

At the same time, we recognize the importance of further increasing efficiency as we carry out future-oriented growth investment. Through diverse collaborations with customers and outside parties, we are striving to accurately assess technical trends and customer needs and to reflect them in our research and development activities. We are also intensifying our operational improvement activities that leverage digital technologies. The figure at right shows our development efficiency, which is being consistently maintained at levels surpassing our competitors. We will continue to take efficiency into consideration as we aim to create "number one," "only one" products with high added value and to improve our operational efficiency.

R&D Expenses and Development Efficiency*



* Aggregated by dividing the total operating income in the last 5 years by the total of R&D expenses from the last 6 to 10 years

2 Financial Strategy

- Stabilize management by securing working capital for anticipated business expansion
- Maintain a solid financial position
- Pursue appropriate cash allocation and balance sheet management

We have achieved considerable growth over the years as a leading company in the semiconductor production equipment industry. We will continue to effectively utilize our cash for our next growth investments and pursue further business expansion in areas of high growth potential as we work to enhance our medium- to long-term corporate value. To realize our medium-term financial targets, we will implement appropriate financial strategies.

In fiscal 2025, we generated 832.1 billion yen in operating cash flow before deducting R&D investments. We invested roughly half of this in growth and allocated the other half for shareholder returns. We will continue to allocate cash in a balanced manner to achieve sustainable corporate growth while providing greater shareholder value.

3 Capital Policy

- Accurately understanding our own corporate value and evaluating stock prices and market capitalization
- Achieving an optimal capital structure with awareness of capital cost and capital profitability
- Executing continuous and aggressive returns to shareholders based on the expansion of cash flow

4 Shareholder Return Policy

- Follow a performance-linked model for dividends to shareholders and aim for a consolidated payout ratio of 50% of the net income attributable to owners of parent*
- Apply a flexible policy for share repurchases, taking into account the current cash position, funds for medium- to long-term growth investments, stock price levels and total return conditions

* 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.

In fiscal 2025, our total return to shareholders (dividends and share repurchases) reached a record high of 422.7 billion yen. Our total return ratio was 78%, representing a high level of returns.

We will enhance shareholder value through shareholder returns by achieving medium-term financial targets, a high level of dividends and flexible share repurchases.

Value Creation Story

Medium-term Management Plan

Frontend Process Business Division

Hiroshi Ishida

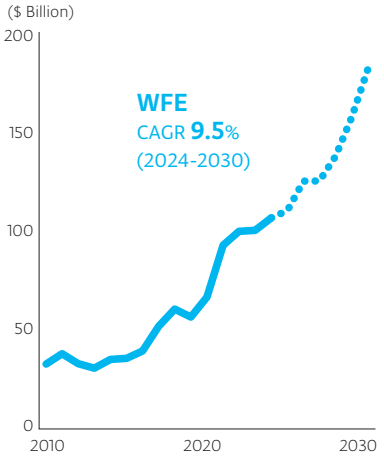
Corporate Officer
Senior Vice President & General Manager
Division Officer, Frontend Process Business Division

The semiconductor market is forecast to reach approximately US$1 trillion by around 2030, and this growth will be driven by AI. The leading-edge devices, state-of-the-art packages and tests and methods used to ensure performance for AI semiconductors are growing more diverse, but semiconductor performance improvements and scaling continue to be important. We are a major player in the frontend manufacturing processes that are the key to semiconductor performance improvement and scaling, and we are actively engaging in technological development to further strengthen our position. Looking at individual segments, fields such as etching and deposition are expected to see growth surpassing the growth rates of WFE[1], and our frontend process business has acquired numerous development PORs[2]. We will continue to aim for medium- and long-term growth that outperforms WFE, and we will make major contributions to the growth of the semiconductor market by actively investing in technological development.

Business Opportunities

As AI advances, the growth rate of etching TAM[3] is expected to rise further in the fields of advanced logic and DRAM, where growth is expected. In the field of film deposition, as well, high growth is expected for advanced logic. As the market expands, driven by the growing range of applications for AI-oriented devices, each device is expected to offer even higher performance and further scaling, thereby creating higher added value. Responding to these varied technological inflection points will provide our own company with significant growth opportunities. Furthermore, to develop our business in the US$1 trillion market, dealing with issues related to the structure of the industry, such as human resource shortages and achieving net zero emissions, will also produce greater growth opportunities.

Semiconductor Production Equipment Market

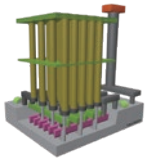


Source : TechInsights (April 2025)

Business Strategies

In advanced logic, we are working on precision control for film deposition and etch, high selectivity gas chemical etch, new materials such as ruthenium and new structure such as air gap. Furthermore, to balance performance and cost for lithography, we are evaluating high-NA EUV, combination with multi-patterning, the adoption of MOR[4], as well as anisotropic etch for optimizing the number of EUV applications. For DRAM, we are meeting demand for high aspect ratio etch and highly difficult capacitor film deposition to secure the capacitance necessary for 2D scaling. We are also enhancing our technological development of film deposition, etch, and gas chemical etch adapt to new structures such as 4F² vertical channel transistor and changes in 3D structures. For NAND, to further increase multi-layering, we will strengthen our development of cryogenic etch for deep holes and trenches, along with applying next-generation transition metal materials to word lines and lowering resistivity in channel silicon. Through the extensive technological development we are conducting, which plays an extremely important role in improving performance and scaling, we will make major contributions to the evolution of semiconductors and we will expand the range of fields in which we do business by supplying new products, thereby achieving growth that surpasses WFE levels. Moreover, we will also strengthen our "Digital & Green" initiatives which achieve both digitalization and decarbonization for preservation of the global environment.


Advanced logic: CFET[5]


DRAM


NAND

1 WFE: Wafer Fab Equipment. The semiconductor production process is divided into frontend production, in which circuits are formed on wafers and inspected, and backend production, in which wafers are cut into chips, assembled and inspected again. WFE refers to the production equipment used in frontend production and in wafer-level packaging production.
2 POR: Process of Record
3 TAM: Total Available Market
4 MOR: Metal Oxide Resist
5 CFET: Complementary Field Effect Transistor

Our Competitive Advantages in the Frontend Process Business

- Powerful development system for achieving the etch and film deposition that are the keys to higher performance and scaling
- Supporting EUV through coater/developer and optimization technologies
- Leveraging of advanced products for the four key processes in patterning to provide overall optimized solutions

Value Creation Story

Medium-term Management Plan

Backend Process Business Division

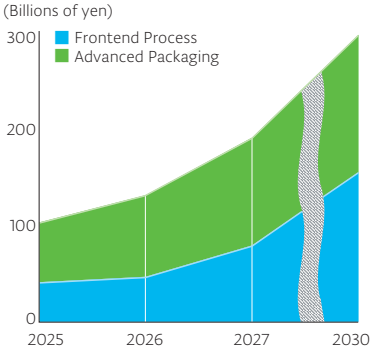
Keiichi Akiyama
Corporate Officer
Senior Vice President & General Manager
Division Officer, Backend Process Business Division

In addition to Moore's Law, which has driven the increase of transistor counts in HPC[1] and AI-oriented devices, in recent years attention has been drawn by advanced packaging technologies in which multiple chips are implemented in 2D and 3D directions to achieve an increase of transistor counts. To further improve device performance, semiconductor manufacturing processes are accelerating their introduction of technologies for directly bonding semiconductors to each other. Expectations are high for further technological innovation that will serve as a critical technological inflection point for next-generation device manufacturing. Our strengths lie in the fact that our frontend processes, with their proven track record, can be leveraged by the technologies that are essential for bonding. In addition, we have constructed our development and evaluation centers near our customers to provide rapid development and support, and we are striving to further enhance engagement. We will continue to accelerate our evaluation with customers' devices and to promote initiatives aimed at mass production.

Business Opportunities

We expect the scale of the bonding process equipment market, in which we have entered, to achieve high growth, with a compound annual growth rate (CAGR) of 24% between 2025 and 2030. In 2030, we also anticipate the market scale will reach 300.0 billion yen[2]. The use of bonding technology in all leading-edge device frontend processes is expected to grow, such as in logic semiconductors, backside wiring structures called Backside PDN[3], and CFET (next-generation transistors). Bonding technology development is advancing for next-generation DRAM. Mass production using bonding technologies is already underway for 3DIC and the stack memory, such as HBM[4] in the advanced packaging processes.

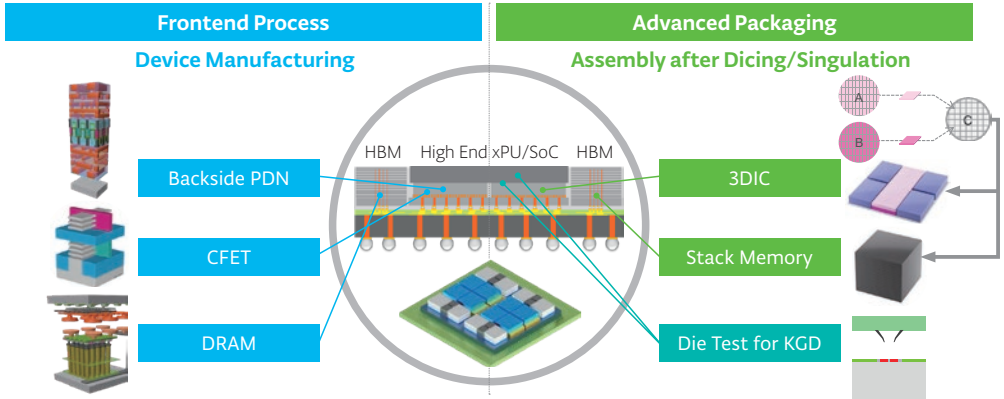
Scale of the Bonding Process Equipment Market



(Estimated by Tokyo Electron/TAM)

Business Strategies

In order to maximize our share of the bonding market, we have developed the wafer bonding system "Synapse™ Si", the laser edge trimming system "Ulucus™ L", and the extreme laser lift off system "Ulucus™ LX." In addition to these, we are also developing advanced packing products for implementing multiple chips (Die to Wafer). We will take advantage of numerous business opportunities in the future by proposing processes that are essential and effective, and doing so in a timely manner. Improving yield after assembly is a challenge of advanced packages (Die to Wafer). It is important to reach almost 0% defects for individualized chips called KGD[5], and through development and evaluation using the heat absorptions technologies of our latest wafer prober "Prexa™", we will approach that level. Bonding systems are process devices that fuse process technologies such as plasma control and cleaning technology with mechanical alignment technologies. By using the advanced technologies and know-how we have developed through our frontend process businesses of deposition, coater/developer, etch, and cleaning, we will continue to carry out efficient product development.



1 HPC: High Performance Computing
2 Estimated by Tokyo Electron
3 Backside PDN: Backside Power Delivery Network
4 HBM: High Bandwidth Memory
5 KGD: Known Good Die. Semiconductor chips with guaranteed quality, including reliability

Our Competitive Advantages in the Backend Process Business

- Broad range of innovative products for the bonding market, which is expected to see major growth
- Technologies and know-how from our frontend business can be leveraged in fast, effective development
- Yield improvement approach through fusion of bonding and testing technologies

Medium-term Management Plan

Key Indicators for Continuous Corporate Value Enhancement

The Medium-term Management Plan clearly defines financial and sustainability metrics as "key indicators for continuous corporate value enhancement" and confirms the main material issues related to such key indicators. At quarterly review meetings attended by the CEO, we regularly check progress and action plans, and various activities are carried out under the responsible persons for each indicator.

"Sustainability goals and results" on our website www.tel.com/sustainability/goals-and-results/index.html

○: Proceeding well △: Need to accelerate to achieve the goal

Target Area		Objective	Target Year	Fiscal 2025 Performance	Progress Evaluation	Related Main Material Issues
Finance		● Net Sales: 3 trillion yen or more	Fiscal 2027	● 2,431.5 billion yen	○	
		● Operating Margin: 35% or more	Fiscal 2027	● 28.7%	○	
		● ROE: 30% or more	Fiscal 2027	● 30.3%	○	
Research and Development		● Continuously create high value-added next-generation products by implementing R&D expenses of more than 1 trillion yen over five years	Fiscal 2027	● R&D expenses 250.0 billion yen (Cumulative 644.0 billion yen from fiscal 2023)	○	
Environment	Plants and Offices	● Reduce total CO_2 emissions by 85% (compared to fiscal 2019)	Fiscal 2031	● 73% reduction	○	
		● A rate of 100% renewable energy usage	Fiscal 2031	● 89%	○	
		● Reduce energy consumption (per-unit basis) by 1% from the previous fiscal year at each plant and office	Every fiscal year	● Achieved goal at 6 out of 11 plants or offices	△	
		● Maintain water consumption (per-unit basis) at each plant and office at individual base year levels	Every fiscal year	● Achieved 10 out of 13 goals	○	
	Logistics	● Reduce CO_2 emissions of total logistics (own delivery) by 30% by further implementing modal shift and joint delivery	Fiscal 2027	● 22.4% reduction	○	
		● Reduce the usage ratio of wood packaging for products to 50% or less (packaging of semiconductor production equipment)* * Change of goals starting in fiscal 2026: "Reduce the usage ratio of wood packaging for products to 40% or less (packaging of semiconductor production equipment) (by fiscal 2027)"	Fiscal 2025	● 65.3% over the fiscal year (fourth quarter 56.3%)	○	
	Products	● Reduce per-wafer CO_2 emissions by 55%* (compared to fiscal 2022) * Including reductions resulting from customers' introduction of renewable energy	Fiscal 2031	● 21% reduction	○	
Employees	Engagement	● Engagement survey score: Continuously improve (increase score compared to the previous survey) or achieve a score higher than the average of other companies in each region	Every survey	● Score increase: 19 points (globally overall, from fiscal 2016 to fiscal 2025) ● Situation in each region: Above the average of other companies in 5 out of 7 sites	○	
		● Employee retention rates* Japan: 99% Overseas: Higher than the industry average * Excluding retirement at the mandatory retirement age and so on	Every fiscal year	● Japan: 99.1% ● Overseas: Higher than the industry average (97.6%)	○	
	Careers	● We have created an environment where every employee can create value for the Company's growth and for society with the support of supervisors and others by challenging themselves to do what they want while imagining their own futures (career paths) and growing*. * Additional goal from fiscal 2026: "Ratio of annual online learning users Global: 60%"	Fiscal 2027	● Make careers visible, introduce a structure for independent skill acquisition (encyclopedia of jobs, training programs etc.) ● Engagement survey score "Career opportunities" Japan: +3 points in comparison to previous survey Global: +1 point in comparison to previous survey ● Ratio of increase of online learning users in relation to career (annual) Global: +24 points (56%)	○	

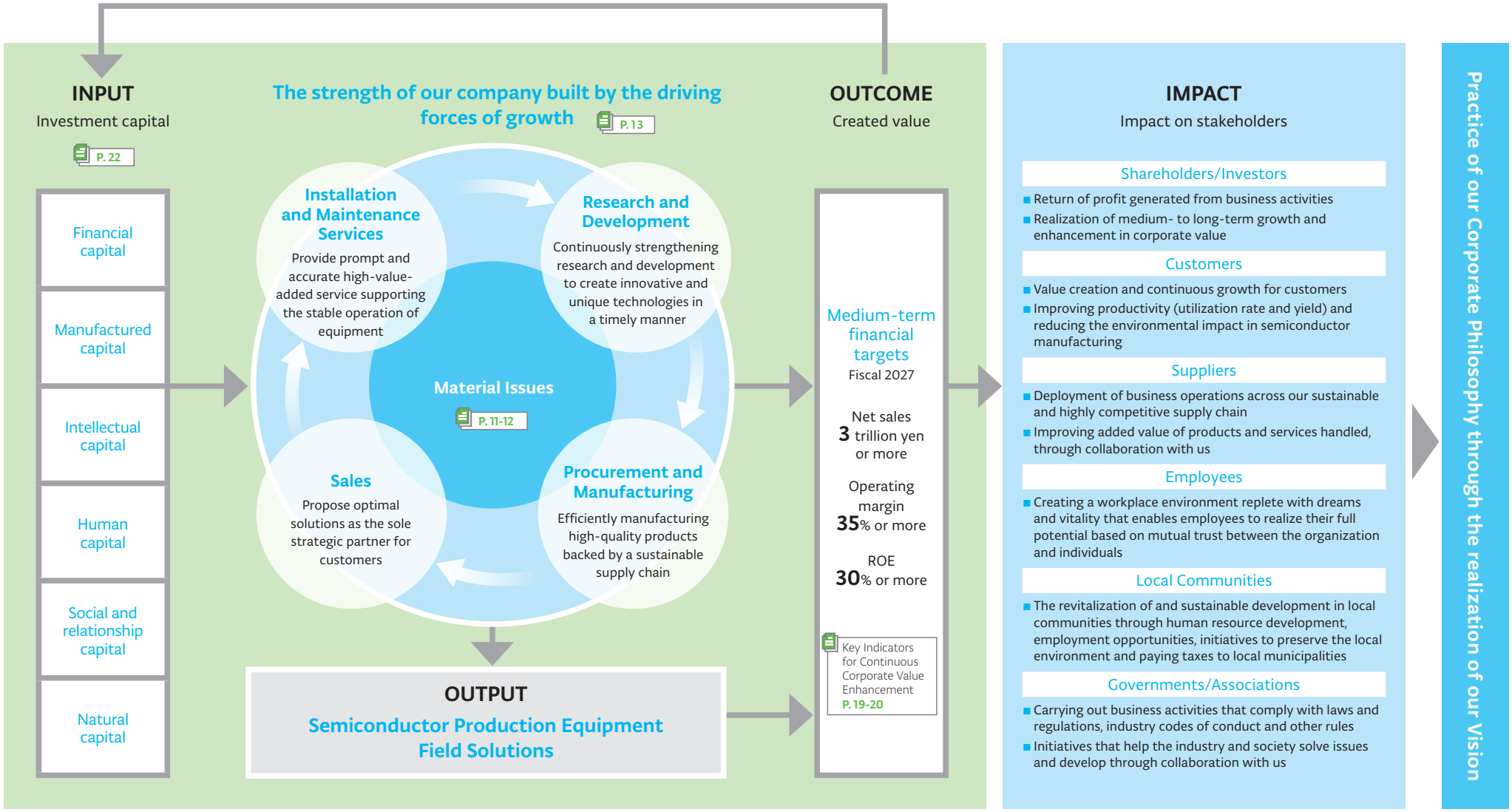
Medium-term Management Plan

○: Proceeding well △: Need to accelerate to achieve the goal

Target Area	Objective	Target Year	Fiscal 2025 Performance	Progress Evaluation	Related Main Material Issues
Employees: Work-life Balance	● Annual paid leave utilization rate Japan: (1) 80% / (2) 90% Overseas: Equal to or better than the previous fiscal year's results * Additional goal from fiscal 2026: "Male childcare leave utilization rate Japan: 85% (by fiscal 2030)"	Japan: (1) Fiscal 2027 / (2) Fiscal 2031 Overseas: Every fiscal year	● Japan: 78.9% ● Overseas: 78.9% (previous fiscal year's result: 69.0%)	○	
Employees: DE&I	● Ratio of female managers Japan: 5% Global: 8%* * Targets do not apply to Tokyo Electron U.S. regions.	Fiscal 2027	● Japan: 3.3% ● Global: 6.4%	△	
Supply Chain Management	● Supply chain sustainability assessment implementation rate Material suppliers: Covering at least 85% of our procurement spend Logistics suppliers: 100% of customs-related operators Staffing suppliers: 100% of employment agencies and contracting companies (internal contractors) ● Implementation of improvement activities in response to assessment results	Every fiscal year	● Assessment implementation rate: Due to revisions of the questionnaire and reconsiderations on the implementation period, the assessment was not conducted in fiscal 2025 (Conducted in May 2025) ● Improvement activities: Based on assessment results, request improvement actions from suppliers identified as high priority for improvement, promote engagement and check progress	○	
Supply Chain Management	● Supply chain BCP assessment implementation rate Material suppliers: Covering at least 85% of our procurement spend ● Implementation of improvement activities in response to assessment results	Every fiscal year	● Assessment implementation rate: Material suppliers: Achieved 85% or more of our procurement spend ● Improvement activities: Based on assessment results, identify issues, and develop and implement a remediation plan	○	
Safety	● TCIR* Less than 0.10 (Globally No. 1 in the industry) * TCIR: Total Case Incident Rate. The number of workplace incidents per 200,000 work hours.	Fiscal 2027	● TCIR 0.23	△	
Corporate Governance	● We are working at all times to establish an optimal and highly effective Board of Directors and an aggressive management execution system, and by continuously addressing issues based on evaluations of the effectiveness of the Board of Directors and input from institutional investors and other stakeholders, we will achieve solid corporate governance for enhancing corporate value over the medium to long term and sustainable growth.	Every fiscal year	1. Seeking a Board of Directors with high effectiveness ● Continue the Audit & Supervisory Board System Realize a ratio of majority outside directors (4 out of 7 people) Maintain contact with outside director candidates at the Nomination Committee ● Off-site meeting: 2 times (August and March) ● At every Board of Directors meeting, in principle, the CEO explains important matters concerning business execution ● CEO mission: Shared with members of the Board of Directors ● Closed session on evaluation of representative directors: 2 times 2. Operating rhythm supporting the execution of business ● Corporate Officers Meeting: 21 times ● CSS meeting: 2 times ● Quarterly review meeting: 4 times	○	
Risk Management	● We are building and further improving a highly effective risk management system that supports a strong management foundation. ● We are enhancing risk management and compliance based on the slogan "Safety, Quality and Compliance. Our top priority. It's our pride."	Every fiscal year	● Add the four items, Finance, M&A, IT & Operations and Business Locations to our major risks, clarify the owner for all 16 risk items and promote a global risk management system ● To reinforce the capability to respond across the entire Group to product compliance risks (prohibited substances, export regulations etc.), in December 2024, we began conducting information exchange meetings (Product Compliance Regular Meetings) with headquarters and manufacturing sites in Japan	○	

Value Creation Model

Utilizing the capital we hold to the maximum capacity (INPUT) while leveraging our strengths, we implement the value chain of our business activities anchored around material issues. We offer the value created (OUTCOME) from this process to our stakeholders. By practicing our Corporate Philosophy through the realization of our Vision, we aim to expand medium- to long-term profit and to continuously enhance our corporate value.



Value Creation Model

Capital	INPUT (investment capital) Fiscal 2025	OUTCOME (created value) Fiscal 2025
Financial capital	● Net assets **1,855.2** billion yen ● Equity ratio **70.1**% ● Total assets **2,625.9** billion yen	● Net sales **2,431.5** billion yen ● Operating margin **28.7**% ● Net income **544.1** billion yen ● ROE **30.3**% ● Total annual dividend **272.7** billion yen (dividend payout ratio: 50.1%)
Manufactured capital	● Manufacturing sites **9** total (6 in Japan and 3 overseas) ● Manufacturing-related capital investment, such as new plant buildings and manufacturing equipment ● Component standardization and leveling production ● Many years of know-how and proven performance in manufacturing operations ● Manufacturing core system	● Cumulative number of equipment installations Approximately **96,000** units (annual shipment volume of approximately 4,000-6,000 units) ● High-quality and superior-reliability products incorporating leading-edge technologies ● Safety-first operation: TCIR **0.23** ● Reduction of production lead times
Intellectual capital	● R&D sites **16** total (8 in Japan and 8 overseas) ● R&D investment **250.0** billion yen ● A high level of expertise in numerous areas, and the ability to fuse this knowledge together to create new products ● Broad-ranging knowledge and integrated technological capabilities in semiconductor manufacturing processes ● Customer requests and technology trends ● Equipment-related data accumulated through digital technology and knowledge management	● Innovative, high-value-added unique technologies ● Product lineup with No. **1** or No. **2** market share ● Optimal solutions for semiconductor manufacturing ● Number of patents owned **24,996** ● High-quality and highly efficient service
Human capital	● Number of employees **19,573** ● Proportion of engineers **68.7**% ● Human resources possessing knowledge in a variety of specialized fields ● Personnel able to perform globally ● Human resource development through TEL UNIVERSITY	● Retention rate[1] **97.6**% ● Improvement in desire for growth and demonstration of the challenge spirit in employees, who both create and fulfill company values ● Building of relationships of trust with stakeholders by employees with a high level of engagement ● Ratio of female managers[2] **6.4**% 1 Calculated using data on turnover rate 2 Include individual contributors and employees reemployed after retirement
Social and relationship capital	● Relationship of mutual trust with customers built through many years of performance records ● Strong partnerships with our suppliers ● Foundation for business activities in local communities ● Collaboration with other companies in the industry through industry associations	● Percentage of respondents who selected "Very Satisfied" or "Satisfied" in the Customer Satisfaction Survey[3] **100**% ● Creating employment opportunities in and paying taxes to local municipalities and nations where we carry out business activities ● Number of TEL FOR GOOD[4] programs **287** 3 For each question, average score is calculated for all customers who responded 4 The brand name for Tokyo Electron's social contribution activities
Natural capital	● Energy consumption **537,978** MWh ● Water consumption **1,587,000** m^3	● Own CO_2 emissions **73**% reduction (compared to fiscal 2019, reduction of 127 kilotons due to the introduction of renewable energy, etc.) ● CO_2 emissions from product use (per wafer) **21**% reduction (compared to fiscal 2022) ● Waste material recycling rate **99.2**%

Stakeholder Engagement

We actively create opportunities for dialogue and hold mutual communication with our stakeholders to allow us to accurately comprehend their demands and expectations as we deploy our business activities. We strive to build a solid relationship of mutual trust with all the stakeholders surrounding our company by working steadily to fulfill our roles and responsibilities in society.

Stakeholders	Relationship with Stakeholders	Value Provided to Stakeholders	Main Engagement Opportunities
Shareholders/ Investors	● Shareholders and investors provide our company's capital, while expressing their opinions, demands and expectations of our company from the shareholder/investor perspective through constructive dialogue and through exercising their voting rights at the Shareholders' Meeting ● We share our management vision and growth scenario with shareholders and investors, and incorporate the opinions and demands we hear from them into our management in an effort to enhance our corporate value	● Return of profit generated from business activities ● Enhanced corporate value through the realization of our medium- to long-term growth	● Earnings release conference, Medium-term Management Plan briefing, IR Day ● IR conference, IR road show*, individual IR interview ● Shareholders' Meeting ● Investor event (CEO appearance) held in conjunction with major domestic and international exhibitions related to semiconductors and technology * IR road show: IR activities presented directly to shareholders and investors
Customers	● Customers purchase the semiconductor production equipment we provide and also utilize services necessary for maintaining that equipment ● We not only provide products, services and solutions but also create technology roadmaps spanning multiple generations and carry out joint technology development with customers	● Best Products with innovative technology ● Best Technical Service with high added value ● Environmentally friendly products and services with a focus on safety and quality ● Solutions that satisfy a variety of application needs	● Technology conference ● Joint development ● Customer Satisfaction Survey
Suppliers	● Suppliers supply the materials and human resources necessary for our company's business administration, and also perform customs clearance, logistics operations and other operational services ● In addition to purchasing these materials and operational services, we cooperate with our suppliers on the further development and improvement of these aspects and enhancement of their quality. We build a sustainable supply chain that takes into account labor, the environment, health and safety, ethics and the like	● Promotion of social issue initiatives and further improving added value of products and services through collaboration with our company ● Business opportunities in the semiconductor production equipment markets ● Maintaining soundness and strengthening competitiveness throughout the entire supply chain	● Production update briefing ● TEL Partners' Day/TEL E-COMPASS Day ● Sustainability Assessment ● STQA* audit * STQA: Supplier Total Quality Assessment
Employees	● Our employees contribute to enhancing our corporate value by demonstrating their individual capabilities and pursuing personal growth through making use of opportunities for education ● We promote the improvement of employee engagement under management that emphasizes employee motivation	● A workplace environment replete with dreams and vitality that respects diversity and enables employees to realize their full potential based on mutual trust between the organization and individuals ● Opportunities for career development and skill improvement ● Fair performance review and remuneration commensurate with results	● Employee meeting ● Global engagement survey ● Training and workshops
Local Communities	● Local communities are striving to offer more value by working to foster local industry and educate human resources ● We contribute to the development of the local communities where we operate through employment opportunities, initiatives to preserve the local environment and paying taxes to local municipalities	● Human resources development and employment opportunities ● Promotion of environmental preservation in communities ● Financial contributions through tax payments	● TEL FOR GOOD (Social contribution activities) ● Tours of plants and offices ● Environmental debriefing
Governments/ Associations	● Governments and associations not only require companies to comply with laws, regulations, industry codes of conduct and other rules, but also aim to work in partnership with companies to bring about development at the industrywide, national and community level ● While carrying out our business activities in compliance with such laws, regulations, industry codes of conduct and the like in the countries and communities where we operate, we contribute to social development and the resolution of societal issues by accurately grasping social needs	● Solutions that help the industry and society solve issues and develop ● Business activities that comply with laws, regulations, industry codes of conduct and other rules	● Cooperation with government and administrative agencies ● Collaboration with global initiatives and NGOs etc. ● Industry group activities