



Message from the President

Transforming for Sustainable Growth

A handwritten signature in black ink, appearing to read 'T. Higashi'.

Tetsuro Higashi

Representative Director
President & CEO
Tokyo Electron Limited

New challenges and innovation

“We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support”—guided by this Corporate Philosophy, the Tokyo Electron Group as a member of the electronics industry is committed to contributing to the further development of the industry and a sustainable society.

Although Tokyo Electron Limited (TEL) had been preparing for a business combination with U.S.-based Applied Materials, Inc. since September 2013, the business combination agreement was terminated in April 2015. Despite both companies having made their utmost efforts and contributed to discussions aimed at gaining the approval of the relevant authorities, the business combination did not go ahead because there remained a gap between our view and the view of the United States Department of Justice. The business environment surrounding not just TEL but the semiconductor production equipment industry as a whole has reached a turning point; however, our fundamental policy of undertaking drastic reforms in order to ensure our own growth and contribute to the industry as a “Globally Excellent Company” remains unchanged.

Through the business combination process, we reaffirmed the strength of TEL’s world-class corporate culture. With confidence and pride in that strength, and with the determination to make the required changes, we developed our new Medium-term Management Plan with a vision as part of our effort to enhance our corporate value.

Enhancing the TEL Group’s operating base and corporate governance

In fiscal year 2015, we proactively undertook restructuring reforms for further profitability improvement. We withdrew from the unprofitable business of photovoltaic panel production equipment, consolidated business locations, and sold some stocks of Tokyo Electron Device Limited, which is engaged in the electronics components and computer networks segments, changing it from a consolidated subsidiary to an equity-method affiliate. With these measures, our gross profit margin, ROE, and free cash flow for fiscal year 2015 all improved dramatically year over year. We will step up efforts to enhance our operating base for further business growth.

Under the new operating structure announced in May of this year, the next generation of leaders were appointed to senior management and a new position of Chief Operating Officer (COO) was established, reporting to the President and Chief Executive Officer (CEO). The rejuvenated management and the newly created position are intended to lead the acceleration of operations with the goal of boldly differentiating our main business in this rapidly changing and intensely competitive environment. Furthermore, the addition of experienced top executives from overseas subsidiaries to our executive officer team is expected to enhance our competitiveness at the global level.

Joining EICC®

The electronics industry, to which the TEL Group belongs, is becoming ever more challenging. Business activities must be conducted from a socially conscious perspective and must contribute to the sustainability of society.

To ensure our efforts to that end are broadly in line with international standards, TEL joined the United Nations Global Compact in July 2013. Moreover, having already conducted CSR activities prior to fiscal year 2015, in June 2015, we joined the Electronic Industry Citizenship Coalition® (EICC®), a CSR alliance that sets forth a code of conduct in relation to labor, safety, the environment, and ethics for the global electronics supply chain. Even before joining, TEL had incorporated the EICC® Code of Conduct into its corporate activities, identified social issues related to its business, and steadily implemented initiatives to address those issues. With EICC® membership, we now aim to proactively launch and implement such initiatives on a Group-wide basis and work with suppliers to promote CSR throughout the industry as a whole.

Product stewardship—product development for improved environmental performance

Having undergone a tremendous evolution involving a series of performance improvements and cost reductions, semiconductors have played an important part in the development of our advanced information-and-communications-driven society. For further advancement, there are growing expectations for technological innovation of both semiconductors and semiconductor production equipment. Meanwhile, reducing environmental impact is indispensable to the formation of a sustainable society. Under the slogan of “Technology for Eco Life,” the TEL Group is developing equipment to solve environmental issues.

To limit the environmental impact of its products during customer use, the TEL Group conducts life cycle assessments to reduce their energy consumption. In fiscal year 2014, we achieved a 50% reduction of energy consumption for our major models (per wafer compared to fiscal year 2008). Subsequently, in fiscal year 2015, we set a goal of reducing both energy and pure water consumption by 10% from the fiscal year 2014 level within the next five years.

Together with stakeholders

To develop together with society, the TEL Group is building relationships through our ardent efforts to fulfill our strong commitment to addressing social issues, such as developing the next generation and making community-based contributions according to local needs. The TEL Group is also committed to enhancing its corporate value by fostering employee engagement and incorporating opinions from customers, suppliers, shareholders and other stakeholders into its business activities.

Last year, TEL identified materiality (important sustainability issues) that will drive long-term value creation in light of social issues. This year, we verified these again with stakeholders from the perspectives of business continuity and growth and identified 20 issues, including some new ones. We will now prioritize them to make optimal use of our management resources.

We will continue to sincerely welcome feedback from stakeholders to accelerate our transformation and achieve our own corporate growth and that of society. We greatly appreciate your continued support and understanding.

EICC® is a registered trademark of Electronic Industry Citizenship Coalition Incorporated.