

CEO's Message



Toshiki Kawai
Representative Director,
President & CEO

Tokyo Electron's 60th Anniversary

On November 11, 2023, Tokyo Electron will celebrate 60 years since its founding in 1963. From that time, we have been able to contribute to the development of the semiconductor industry and achieve the level of growth that we have entirely thanks to the support we have received from all our stakeholders. I wish to express my deepest appreciation.

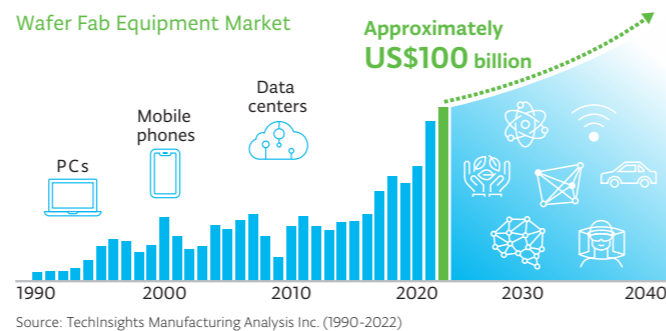
Until now, we have strived to create strong next-generation products and to provide the Best Technical Service, specializing in the semiconductor business. While prioritizing the building of trust and reliability with all our stakeholders, we aim to practice our Corporate Philosophy of "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support," endeavoring to expand medium- to long-term profit and to continuously enhance our corporate value.

These 60 years have seen spectacular technological innovation in semiconductors, and at the same time, we have initiated innovation and grown by staying true to our venture spirit. The uses for semiconductors expanded to computers, televisions and then to mobile phones, and the emergence of the Internet led to the connection of billions of devices, as we witness the shift from selling products to selling value. With the arrival of the DX era, where big data drives society, semiconductors have become indispensable, with persistent technological demands for semiconductors with larger capacity, higher speed, superior reliability and lower power consumption.

The current semiconductor market is reaching a period of adjustment, due to concerns of continued inflation, geopolitical risks and accompanying macro-economic deceleration and other factors such as inventory control of semiconductors, with a focus on memory. But demand will gradually recover, and is expected to grow considerably from 2024 onwards. The global data traffic is increasing at a compounded annual growth rate of 26%* due to the spread of various applications, improved data processing capabilities and other factors, and is forecast to reach 10 times its current level in 10 years time. With investment in data centers, the recovery of demand for computers and

* A compounded annual growth rate of 26%: Omdia's projection for 2020-2030

smartphones, the spread of EVs and autonomous driving and the use of generative AI, the semiconductor market is forecast to grow to twice its current size and be worth over US\$1 trillion in 2030. Along with the advancement of technology through further scaling and higher multi-layering of semiconductors used in logic, DRAM, NAND and so on, the semiconductor production equipment market, in which we operate, is also expected to expand.



TSV Aimed at Sustainable Corporate Value Enhancement

With the 60th anniversary of Tokyo Electron approaching, last year we formulated a new Vision to become "A company filled with dreams and vitality that contributes to technological innovation in semiconductors." This new Vision is based on the idea of CSV (Creating Shared Value). The concept behind CSV is that, by using their unique resources and expertise to resolve social issues, companies can realize sustainable growth through the creation of social and economic value. The world is aiming for the coexistence of digitalization and decarbonization for preservation of the global environment in order to build a strong and resilient society in which economic activities do not stop under any circumstances, and technological innovation in semiconductors is essential for this. We are expanding our business activities based on our TSV (TEL's Shared Value), our CSV, aiming for sustainable corporate value enhancement by leveraging the expertise we have cultivated as an industry leader, to drive semiconductor technological innovation.

As we implement TSV, in our Medium-term Management Plan we set fiscal 2027 financial targets aimed at further growth—an operating margin of 35% or more and ROE of 30% or more with net sales of 3 trillion yen or more. We are aware that such financial targets are unique even for the Tokyo Stock Exchange Prime Market, and will strive to ensure we can achieve them. We consider profit to be an important measure of value in our products and services, and are therefore aiming for a world-class operating income of over 1 trillion yen, through creating high-value-added technologies that world has never seen and only we can accomplish.

In addition, we endeavor to implement appropriate balance sheet management and to focus on producing returns for shareholders by setting a high-level payout ratio of 50%.

Leveraging Our Strengths

We consider the following to be our strengths: (1) being the world's only manufacturer with products in deposition, coater/developer, etch and cleaning, the four sequential key processes necessary for semiconductor scaling, (2) a 100% share in EUV lithography coater/developer, which are necessary for semiconductor evolution, (3) our product lines being strongly positioned in their respective segments, all of which having achieved first or second place in market share, (4) technical service and marketing developed based on relationships of absolute trust with customers, built through the highest number of installations in the world (approximately 88,000 units) and (5) approximately 22,000 patents owned, the largest number in the industry globally. In order to leverage and further develop these strengths, we are planning 1 trillion yen or more in R&D investment and 400 billion yen or more in capital investment over five years.

Products are our lifeline. Moving forward, we will continuously produce "only one" and "number one" products needed in the future by customers in a timely manner.

Net Zero Initiatives through E-COMPASS

Through our business activities, we are expanding E-COMPASS, focused on the environment, and will work with our customers and partner companies to promote the technological innovation in semiconductors and to reduce environmental impact across the entire supply chain, mainly from the following three perspectives.

- ✔ Pursuing higher performance and lower power consumption in semiconductors
- ✔ Achieving both the process performance and environmental performance of equipment
- ✔ Reduction of CO₂ emissions in all business activities

We have set net zero, the reduction of greenhouse gas actual emissions, as a long-term environmental goal, and are implementing and accelerating our E-COMPASS initiatives to be able to realize net zero for Scope 1 and 2 emissions¹ by 2040, and for Scope 3 emissions² by 2050.

¹ Scope 1 and 2: Emissions from the use of energy such as electricity in our own business activities
² Scope 3: Emissions from the use and disposal of equipment sold, purchase of materials, distribution, etc.

Our Corporate Growth Is Enabled by People, and Our Employees Both Create and Fulfill Company Values

Without a doubt, it is people who will achieve this. Based on our belief that "our corporate growth is enabled by people, and our employees both create and fulfill company values," we conduct management and appropriate initiatives focused on employee motivation so they can fully exercise their capabilities, centered on the following five points.

The Five Points and Main Activities for Motivation-oriented Management

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

As one pillar of our management, we are also focusing on initiatives for diversity, equity and inclusion, in an effort to enhance 3G diversity (encompassing Global, Gender and Generation aspects).

Going forward, with the expectation of expanding applications for semiconductors in society and development of further innovation, it is important to nurture the students, researchers and other human resources who will lead future technological innovation. We are continuing efforts to boost human resource development in the semiconductor industry through the promotion of a program of industry-academia-government collaboration that includes collaboration with universities in Japan and abroad.

Aiming to Be a Company Filled with Dreams and Vitality

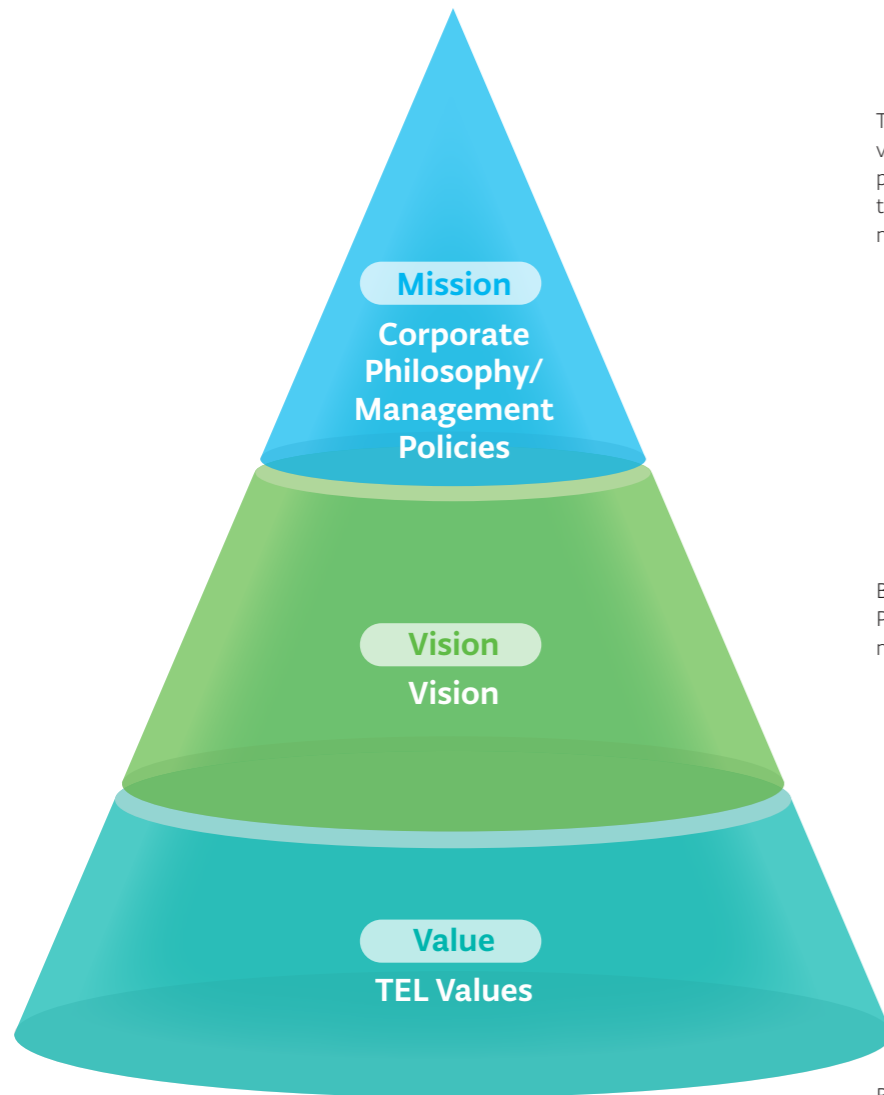
We look towards a prosperous future made possible by semiconductors, their ongoing evolution and the significant expansion of the semiconductor production equipment market that supports this. Tokyo Electron will make even greater contributions to the technological innovation in semiconductors, as the industry leader. As we mark the 60th anniversary of our company's founding, we will continue tackling challenges for further growth and evolving, while valuing trust and reliability. We will aim to be "a company filled with dreams and vitality" so as to be cherished and deeply trusted by all stakeholders and so that our employees can fully exercise their motivation and capabilities.

We look forward to your continued support and patronage.

Representative Director,
President & CEO

Corporate Principles System

Tokyo Electron has repeatedly revolutionized technology in a rapidly changing industry, continuing to grow together with the times. In 2013 we refined our Management Policies, which was established at the time of our founding as our starting point, and also newly defined the purpose of our existence and our mission in society as our Corporate Philosophy. In 2022, we set forth a new Vision toward further future growth and re-defined our Corporate Principles system, which consists of a Mission, Vision and Value, from a medium- to long-term perspective.



Corporate Philosophy

The Corporate Philosophy defines the purpose of Tokyo Electron's existence and its mission in society. It represents TEL's basic way of thinking that forms the foundation for its corporate activities.

Management Policies

The Management Policies highlight the management values that Tokyo Electron regards as essential to practice our Corporate Philosophy. They express the logic that underscores our eight general rules of management.

Vision

Based on our Corporate Philosophy and Management Policies, the Vision describes Tokyo Electron's medium- to long-term business aspirations.

TEL Values

Based on the idea that "Our employees both create and fulfill company values," TEL Values clearly describe the mindset of each employee and code of conduct based on the corporate culture that we have cherished since our founding.

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



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.

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.

Pride

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

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

Ownership

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

We always have an awareness of problems, and tackle challenges with enthusiasm and a sense of responsibility. We make decisions quickly, and do what we consider to be the best course of action.

Awareness

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

We strictly comply with laws and regulations and the rules of society. We give top priority to safety, health, and the global environment. We strive to become a company that local communities hold in high esteem.

Challenge

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

We view changes as opportunities, and respond to them flexibly and positively. We are tolerant of failure, and consider it important to learn from the process and results.

Teamwork

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

We create a workplace with an open atmosphere and positive communication. We establish relationships of trust with our business partners in order to facilitate mutual growth.

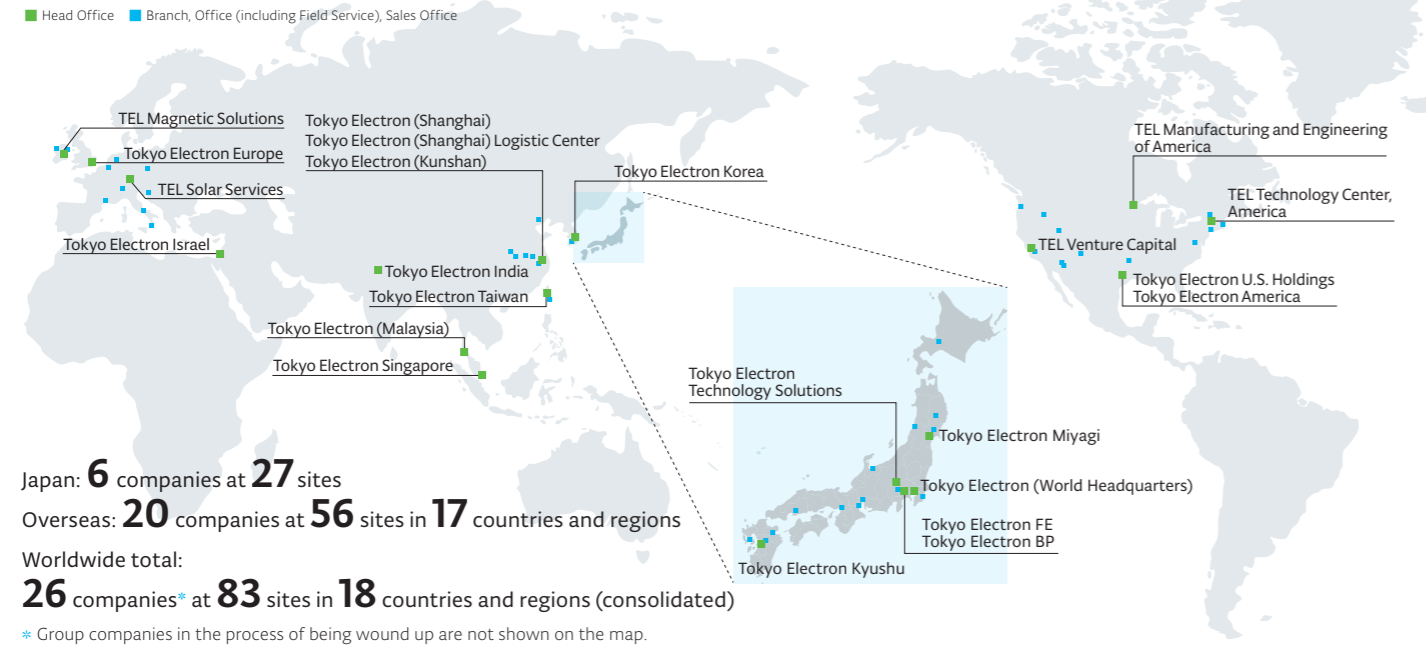


We have established the TEL Values, and we will continue to develop them accordingly in the future.

Company Overview

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

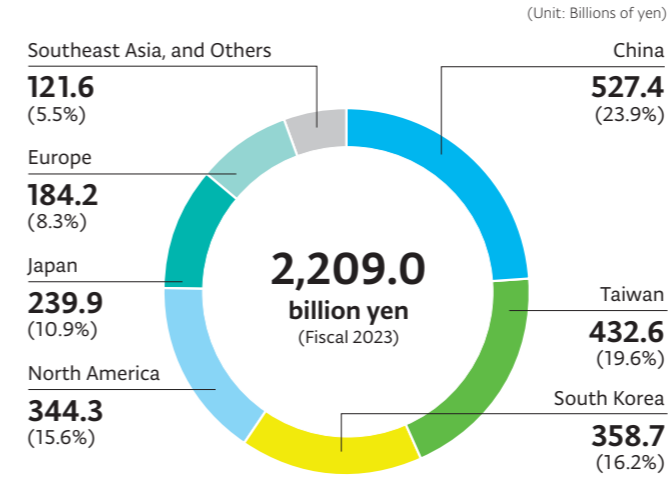
Number of Sites (As of April 1, 2023)



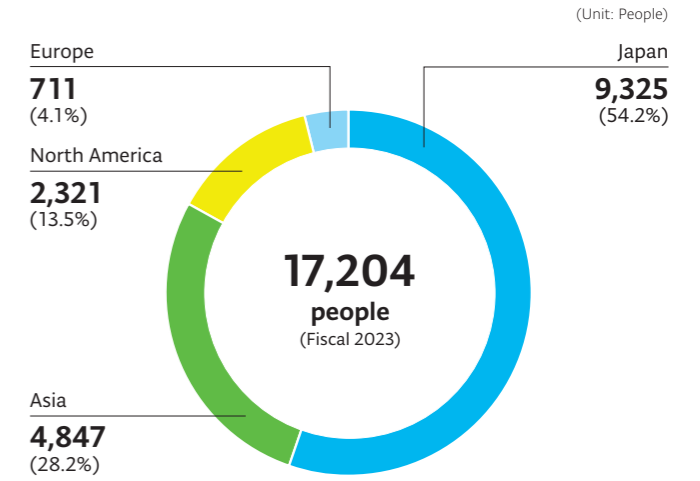
History

1960s-	1980s-	2000s-	2020s-
<p>Transition of Typical Applications of Semiconductors</p> <p>Founded as technical specialized trading company</p>	<p>Mainframe Computer</p> <p>Single Chip Microprocessor</p> <p>Personal Computer</p> <p>Mobile Phone</p> <p>Shifting to a full-scale manufacturer</p>	<p>Digital Consumer Electronics</p> <p>Big Data</p> <p>Aspiration toward innovation and new growth</p>	<p>2021 Began publishing integrated reports</p> <p>2022 Listed on the Prime Market of the Tokyo Stock Exchange</p> <p>2023 60th anniversary of the foundation</p>
<p>1963 Tokyo Electron Laboratories, Inc. is established with capital from Tokyo Broadcasting System, Inc.</p> <p>1964 Tokyo Electron Laboratories acquires importing and selling rights for diffusion furnace manufactured by Thermco Products Corp. (U.S.) and begins sales</p> <p>1968 TEL-Thermco Engineering Co., Ltd. began domestic production of diffusion furnaces</p>	<p>1978 Tokyo Electron Laboratories, Inc. renamed Tokyo Electron Ltd.</p> <p>1980 Listed on the Second Section of the Tokyo Stock Exchange</p> <p>1984 Listed on the First Section of the Tokyo Stock Exchange</p> <p>1986 Export of semiconductor production equipment begins</p>	<p>1990 Enhanced the Group structure in Japan by, for example, establishing service and manufacturing companies, and set up overseas subsidiaries throughout the world to globalize operations</p> <p>1990 Tokyo Electron (TEL) marks a major move into development and marketing of FPD production equipment</p> <p>1994 Started direct sales and support systems overseas</p> <p>1999 Category of industry on the Tokyo Stock Exchange First Section changed from "Wholesale Trade" to "Electric Appliances"</p>	<p>2006 "TEL Values" formulated as code of conduct</p> <p>2007 Established "TEL UNIVERSITY" to strengthen human resource development</p> <p>2015 Establishment of Tokyo Electron Corporate Governance Guidelines</p> <p>2019 Re-emergence as the New TEL (Vision, Medium-term Management Plan formulated and new Corporate Logo created)</p> <p>2021 Formulated the new Vision and Medium-term Management Plan "Technology Enabling Life" formulated as corporate message</p> <p>2022 Formulated the new Vision and Medium-term Management Plan "Technology Enabling Life"</p>

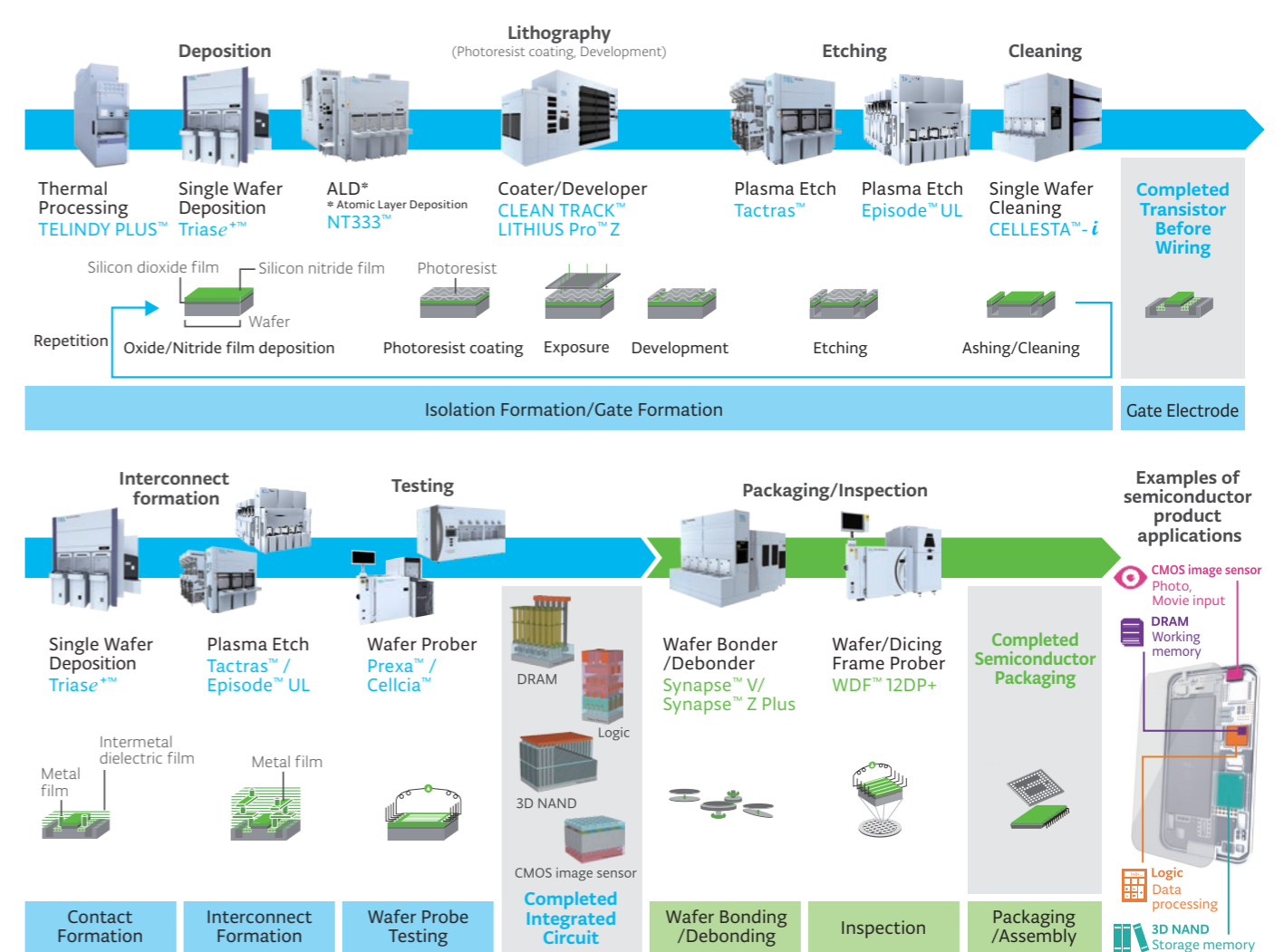
Sales by Region (Consolidated)



Number of Employees by Region (Consolidated)



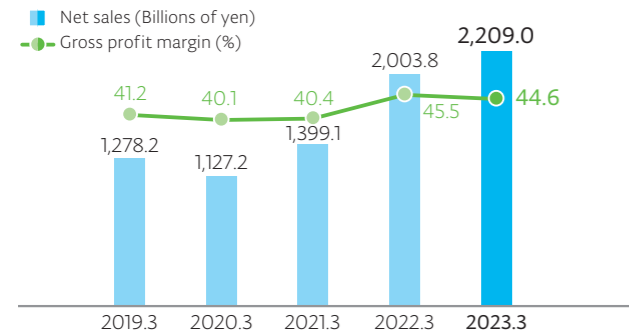
Semiconductor Manufacturing Process and Our Main Products



Highlights of Key Indicators for Continuous Corporate Value Enhancement

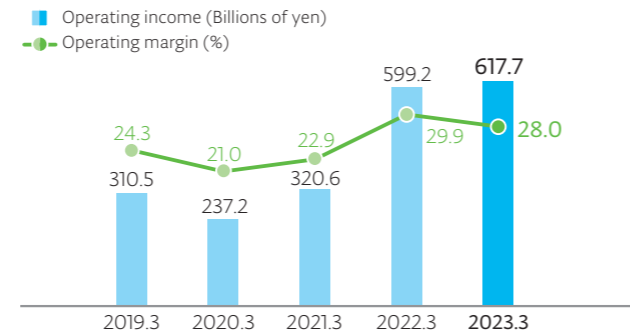
At Tokyo Electron, policy decisions and various judgments are made for our business activities by clarifying management indicators, which are important for medium- to long-term profit expansion and continuous corporate value enhancement, as well as conducting monitoring and analysis.

Net Sales and Gross Profit Margin



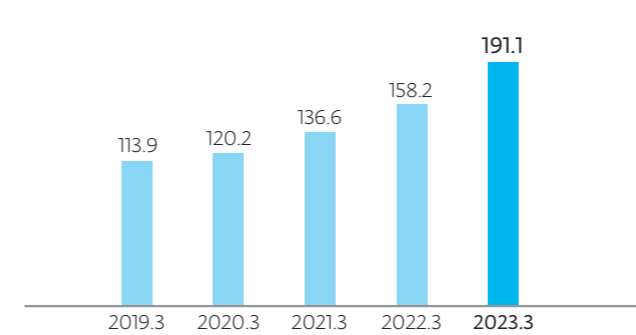
Due to the expansion of the semiconductor production equipment market, we achieved record-breaking net sales. However, the gross profit margin decreased compared to the previous year due to the soaring cost of components and inflation.

Operating Income and Operating Margin



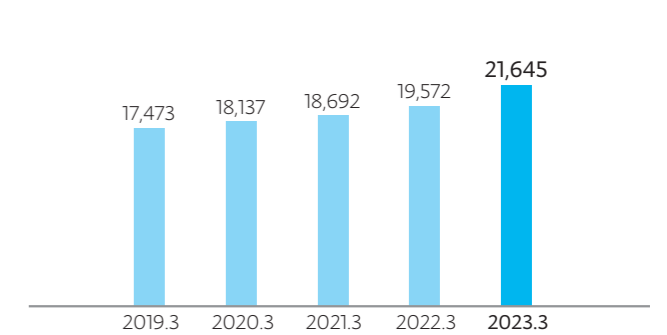
By reliably meeting the growing demand for semiconductor production equipment, our net sales increased, and we achieved record-breaking operating income. However, the operating margin decreased compared to the previous year due to factors such as increased R&D expenses for growth.

R&D Expenses



To continuously create high value-added next-generation products, we made an R&D investment of 191.1 billion yen in fiscal 2023. We plan to invest over 1 trillion yen over the five years until fiscal 2027.

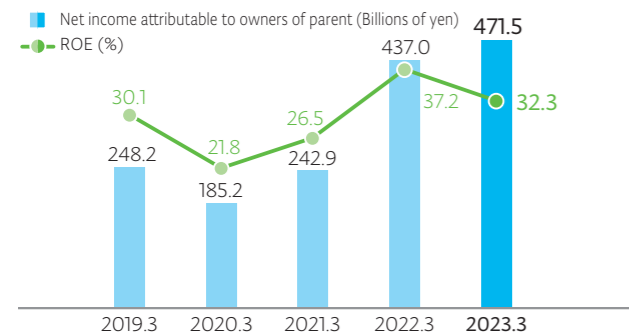
Patents Owned⁴



No.1 in the semiconductor production equipment industry with 21,645 patents owned as of March 31, 2023. 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.

⁴ The figures for fiscal 2019 to 2022 are based on our database, and the figure for fiscal 2023 is based on LexisNexis®PatentSight® database.

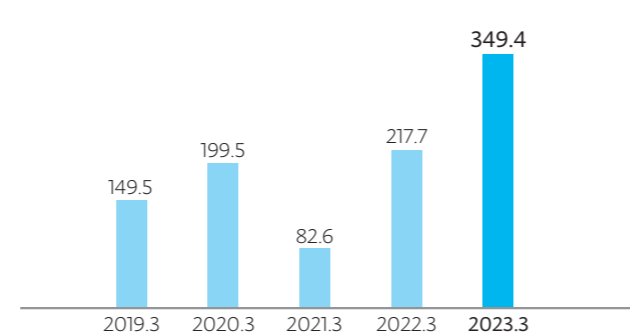
Net Income Attributable to Owners of Parent and ROE¹



With the increase in operating income, net income attributable to owners of parent also reached a record high. We maintained an ROE of over 30%, one of our Medium-term Management Plan goals.

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

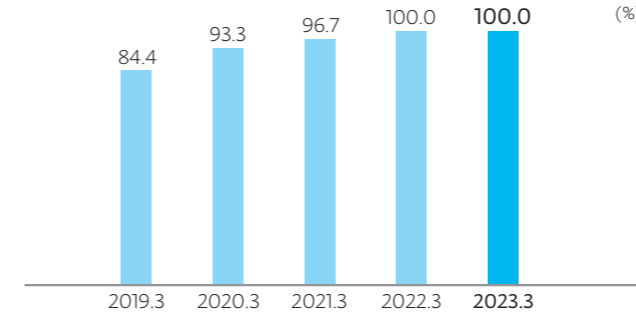
Free Cash Flow²



Free cash flow increased from the previous fiscal year due to an increase in net sales, despite the increase in procurement volume and inventory to respond quickly to market growth

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

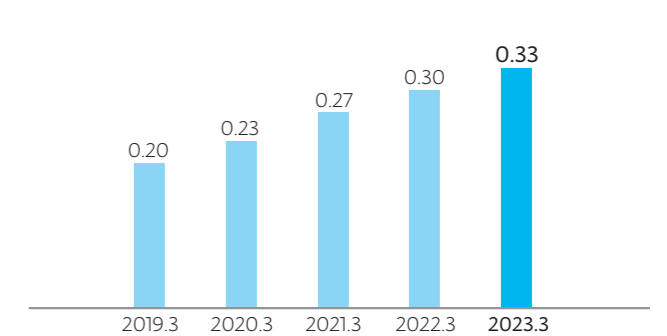
Percentage of Respondents Who Selected “Very Satisfied” or “Satisfied” in the Customer Satisfaction Survey⁵



The percentage of respondents who gave evaluations of “Very Satisfied” or “Satisfied” reached 100% in fiscal 2023 continuing from the previous year. Striving to further improve customer satisfaction, a key theme since our founding, we aim to be the sole strategic partner for our customers.

⁵ For each question, average score is calculated for all customers who responded.

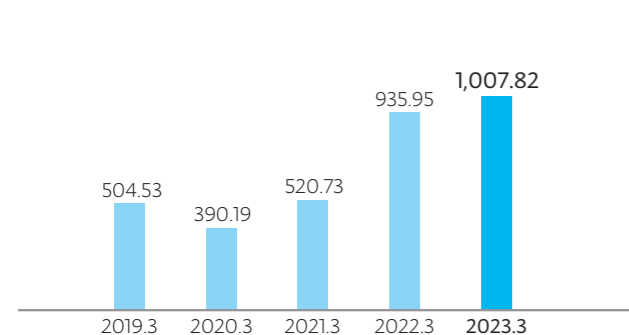
Workplace Incidents per 200,000 Work Hours (TCIR⁶)



In fiscal 2023, we maintained an industry-leading position among semiconductor production equipment manufacturers with 0.33. With “Safety First” as our slogan, we are committed to promoting thorough safety awareness and continuous improvement activities towards achieving our Medium-term Management Plan goals.

⁶ TCIR: Total Case Incident Rate

Net Income per Share³

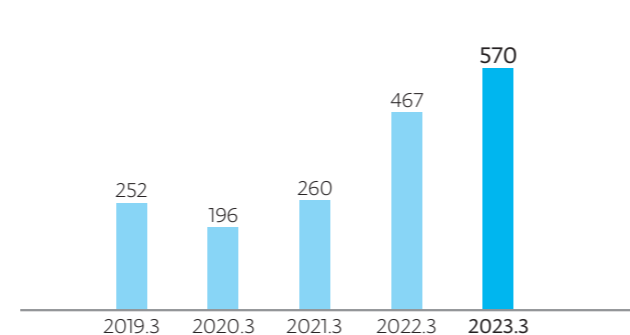


Net income per share also increased due to the increase in net income attributable to owners of parent

³ A 3-for-1 stock split was conducted on April 1, 2023.

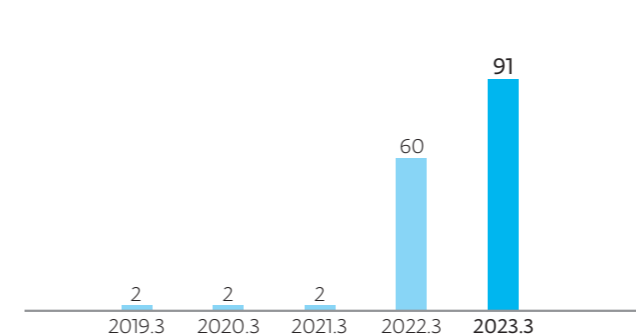
We calculated the “net income per share” and “cash dividends per share” assuming this stock split was implemented from fiscal 2019.

Cash Dividends per Share³



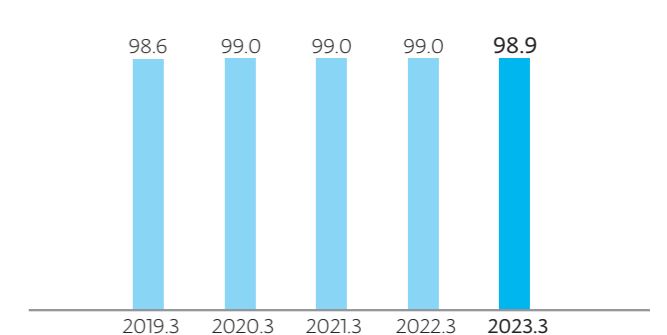
Based on our shareholder return policy, 50% of the net income attributable to owners of parent was distributed as dividends. Including our 60th commemorative dividend, cash dividends per share reached a record high.

Installation of Renewable Energy at Plants and Offices (%)



As of fiscal 2023, we completed 91% of global installation (100% for Japan). Due in part to energy-saving activities, we reduced total CO₂ emissions from our plants and offices by 76% compared to fiscal 2019, achieving the goal of a 70% reduction by fiscal 2031 ahead of schedule.

Employee Retention Rates⁷ (Japan)



Recognizing that our employees both create and fulfill company values, our continuous efforts to further improve employee engagement allowed us to maintain a high retention rate of 98.9% in fiscal 2023.

⁷ Calculated using data on turnover rate