

CEO's Message

New Vision

A company filled with dreams and vitality that contributes to technological innovation in semiconductors



Toshiki Kawai
Representative Director,
President & CEO

Current Business Conditions

I would like to express my sincere gratitude to all stakeholders for your continued support and patronage.

In recent years, industry, society and the lives of the public have been significantly affected by a series of challenges. These include the spread of COVID-19; natural disasters caused by climate change; geopolitical risks—typified by trade frictions and international conflicts—and the human rights issues they engender.

On the other hand, in order to build a strong and resilient society in which economic activities do not stop under such circumstances, various efforts are underway, including the implementation of ICT (information and communication technology) and decarbonization to preserve the global environment.

Meanwhile, the transition to a data-driven society is progressing at an unprecedented speed, and digital technologies are now used furthermore: IoT, AI and 5G are becoming more widespread, industries are growing smarter, autonomous driving is evolving, and the much-hyped metaverse is seeing real-world applications.

For semiconductors, which are supporting the core of this shift, expectations for technological innovations such

as larger capacity, higher speed, higher reliability and lower power consumption are limitless.

The semiconductor market exceeded US\$500 billion for the first time in 2021 and is expected to exceed US\$1 trillion by 2030, more than double the current market.

The semiconductor production equipment market in which we operate was worth approximately US\$90 billion in 2021; this represented a year-on-year increase of 40%, and we expect the market to grow even further.

We formulated our Medium-term Management Plan in May 2019, and have been working to achieve a financial model with net sales of 2 trillion yen, an operating margin of 30% or more and ROE of 30% or more by fiscal 2024. Against that background, the smooth progress of business in our focal fields mean that we have managed to outperform the growth of the market. For fiscal 2022, we achieved net sales of 2,003.8 billion yen, an operating margin of 29.9% and ROE of 37.2%. These are the best results in the history of our company, and mean we have realized our target financial model two years ahead of schedule.

A number of factors contributed to these outstanding results. Despite fluctuating markets, over the past five years we have invested heavily in growth, including investments worth approximately 600 billion yen in research and development. As a result, we have been able to continually create high-value-added products and services. Also, we have cultivated abundant technological capabilities as an industry leader and earned the absolute trust of our customers based on our reliable technical services. Then, we have challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

We would not have been able to achieve our best-ever results without the continued support of all our stakeholders, and I would like to take this opportunity to express my sincerest gratitude.

Further Enhancing Corporate Value

Tokyo Electron celebrates its 60th fiscal year in 2022. In pursuit of further growth, we have formulated a new Vision to become “A company filled with dreams and vitality that contributes to technological innovation in semiconductors.” This Vision incorporates three perspectives, outlined below:

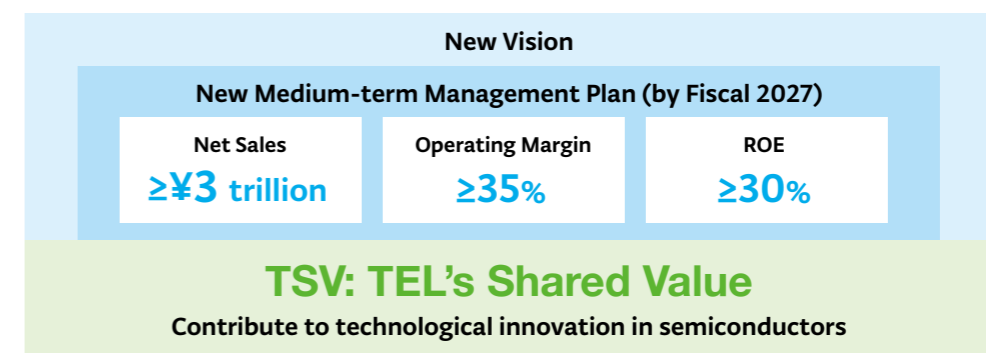
- To pursue technological innovation in semiconductors that supports the sustainable development of the world
- To aim for medium- to long-term profit expansion and continuous corporate value enhancement by utilizing our expertise to continuously create high value-added leading-edge equipment and technical services
- To recognize that “Our corporate growth is enabled by people, and our employees both create and fulfill company values,” and to realize the Vision through engagement with our stakeholders

This new Vision is based on the idea of CSV (Creating Shared Value). The concept behind CSV is that, by using their expertise to resolve social issues, companies can improve corporate value and realize sustainable growth through the creation of social and economic value. We are a semiconductor production equipment manufacturer and so, for us, CSV means contributing to the technological innovation in semiconductors, which are indispensable for the development of a dream-inspiring society. We have termed this TSV (TEL's Shared Value). Through business activities based on TSV, we intend to

contribute both to achieving SDGs—which are goals shared by the world—and to realizing a more abundant future.

We have therefore set ourselves the even loftier goals of further growth and world-class profits, and formulated a new Medium-term Management Plan to achieve them. By fiscal 2027, we intend to establish a strong financial footing with net sales of 3 trillion yen or more, an operating margin of 35% or more and ROE of 30% or more. We consider profit to be an important measure of value in our products and services; to this end, we seek to leverage our unique capabilities to create unprecedented technologies with high added value. We will also redouble our efforts to achieve key indicators for continuous corporate value enhancement including ESG.

Achieving the world-class operating margin and ROE detailed above requires our company to shift toward a more aggressive style of management. At the same time, we will continue to focus on safety, quality, compliance, employee engagement, risk management and security. Our efforts on these areas may appear at first glance to be defensive in nature; however, we believe that improving them will help our company become stronger. Going forward, we will continue to engage in a “double-offensive” style of management, in which defensive measures are turned into strengths, with the aim of further corporate value enhancement.



Initiatives for a Double-offensive Management Style

Business Activities Rooted in Material Issues

We have identified the following four material issues for achieving our new Medium-term Management Plan, and we intend to make improvements in each of them.

- **Product Competitiveness**

We are a manufacturer, and we can drive company growth through continuously creating next-generation products with high added value, which will be needed by our customers in the future.

- **Customer Responsiveness**

As the sole strategic partner, we will pursue technological innovation in semiconductors via strong relationship based on our customers' trust.

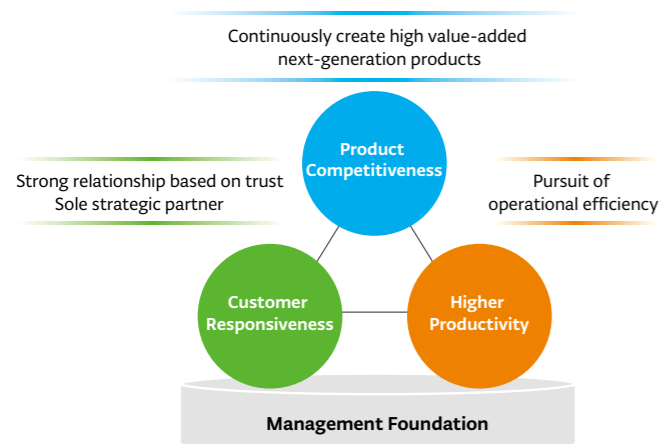
- **Higher Productivity**

The scale of our business is expanding rapidly; we will pursue operational efficiency in all our business activities, including research and development, procurement and manufacturing, sales as well as installation and maintenance services.

- **Management Foundation**

Based on a strong, profit-focused financial base, we will seek to strengthen the management foundation required for the above three material issues; more specifically, this includes governance, risk management, employee engagement, work-life balance and so on.

Four Material Issues



Introduction of a Corporate Officer System

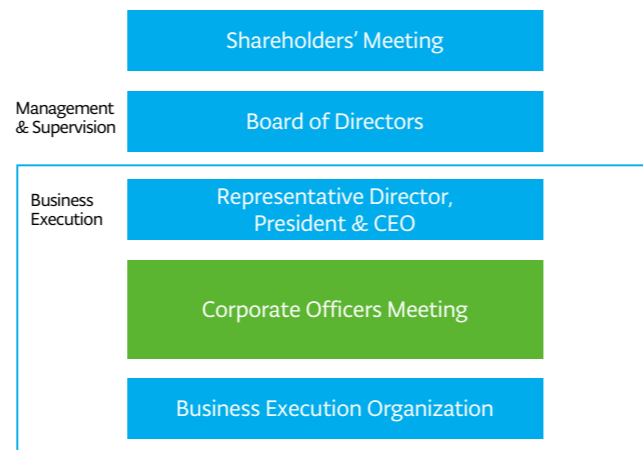
Tokyo Electron is a leading company in the semiconductor production equipment industry, which is characterized by rapid technological innovations and dynamic market changes. Toward our further growth, it is vital that we increasingly accelerate and optimize our decision-making. For this reason, we have introduced a Corporate Officer system, and established the Corporate Officers Meeting as the highest decision-making body on the executive side.

Corporate officers adopt the same perspective as the CEO, and hold responsibility for executing business across the entire Group. Corporate Officers Meetings, which have been properly delegated authority by the Board of Directors, will promote rapid decision making and flexible execution of our business. So that the Board of Directors can properly supervise these activities, corporate officers will attend Board of Directors meetings and provide explanations regarding the business they have executed. In addition, corporate officers will apply the suggestions of the Board to business they execute in an appropriate and speedy manner.

The semiconductor industry will continue to grow, and we expect to expand the scale of our business from 77 sites in 18 countries and regions currently to 100 sites or more in the near future. The adoption of the Corporate Officer system will enable us to promote a more aggressive style of management.

(For further details, refer to Corporate Governance on p. 49)

The Hierarchy of the Corporate Officers Meeting



Advancing E-COMPASS

In June 2021, Tokyo Electron launched an environment-focused initiative entitled E-COMPASS (Environmental Co-creation by Material, Process and Subcomponent Solutions).

We will work together with our customers and partner companies to promote technological innovation and reduce the environmental impact of semiconductors throughout the entire supply chain from the following three main perspectives.

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

In addition to our medium-term environmental goals for 2030, we set a long-term environmental goal of reducing greenhouse gas emissions to net zero by 2050. We are promoting various initiatives so that we can achieve net zero in Scope 1 and Scope 2 emissions—which are generated by our company—by 2040, and net zero in Scope 3 emission—which are not generated from our Group—by 2050. As a leader in environmental management, we will contribute to the preservation of the global environment through advancing E-COMPASS. (For further details, refer to E-COMPASS on p. 41)

Human Resources Initiatives

We believe that “Our Corporate growth is enabled by people, and our employees both create and fulfill company values.” Accordingly, we intend to promote employee motivation through the five management perspectives below.

1. Awareness that our company and work contributes to society
2. Dreams and expectations of the Company's future
3. Opportunities to take on challenges
4. Fair evaluations that recognize employee efforts and globally competitive rewards
5. Workplace with open atmosphere and positive communication

Based on the aforementioned, we are carrying out the following initiatives:

- Formulating a new Vision and promoting TSV (TEL's Shared Value)
- Setting globally competitive financial targets, based on a new Medium-term Management Plan
- Making plans to invest more than 1 trillion yen in research and development over the next five years
- Executing ESG initiatives aimed at continuous corporate value enhancement
- Implementing a shared, global human resources system and performance-linked compensation
- Creating opportunities for active dialogue between management and employees through employee meetings and workplace visits

We intend to carry out these initiatives in line with TEL Values, which delineate Tokyo Electron's values, the mindset that each employee must possess and the codes of conduct.

To Be a Company that Is Loved and Trusted by All Stakeholders

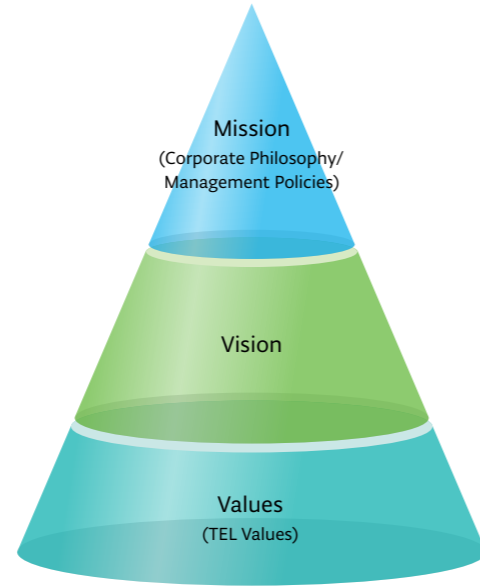
Utilizing our expertise as an equipment manufacturer and our diverse management resources, we will provide society with high-value-added technologies that the world has never seen and only we can accomplish. Going forward, we will continue to take on new challenges and evolve with the aim of becoming No. 1 in the world, and of being loved and highly trusted by all our stakeholders.

We look forward to your continued support and patronage.

Toshiki Kawai
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 Values, from a medium- to long-term perspective.



Vision

The Vision describes Tokyo Electron's medium- to long-term business aspirations and the direction of its near future. It is a summary of top priorities to be addressed to realize the Corporate Philosophy.

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.

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.

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



Management Policies

The Management Policies highlight the management values that Tokyo Electron regards as essential to achieving the objectives defined in its Corporate Philosophy. They express the logic that underscores our eight 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.
- 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.
- Organizations**
 The TEL Group builds optimal organizations that maximize corporate value in which all employees can realize their full potential.
- 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.
- Growth Philosophy**
 We will tirelessly take on the challenges of technological innovation to achieve continuous growth through business expansion and market creation.
- 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.
- 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.

TEL Values

TEL Values clearly defines Tokyo Electron's values as well as the mindset and code of conduct of each employee.

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.

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.

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.

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.

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.



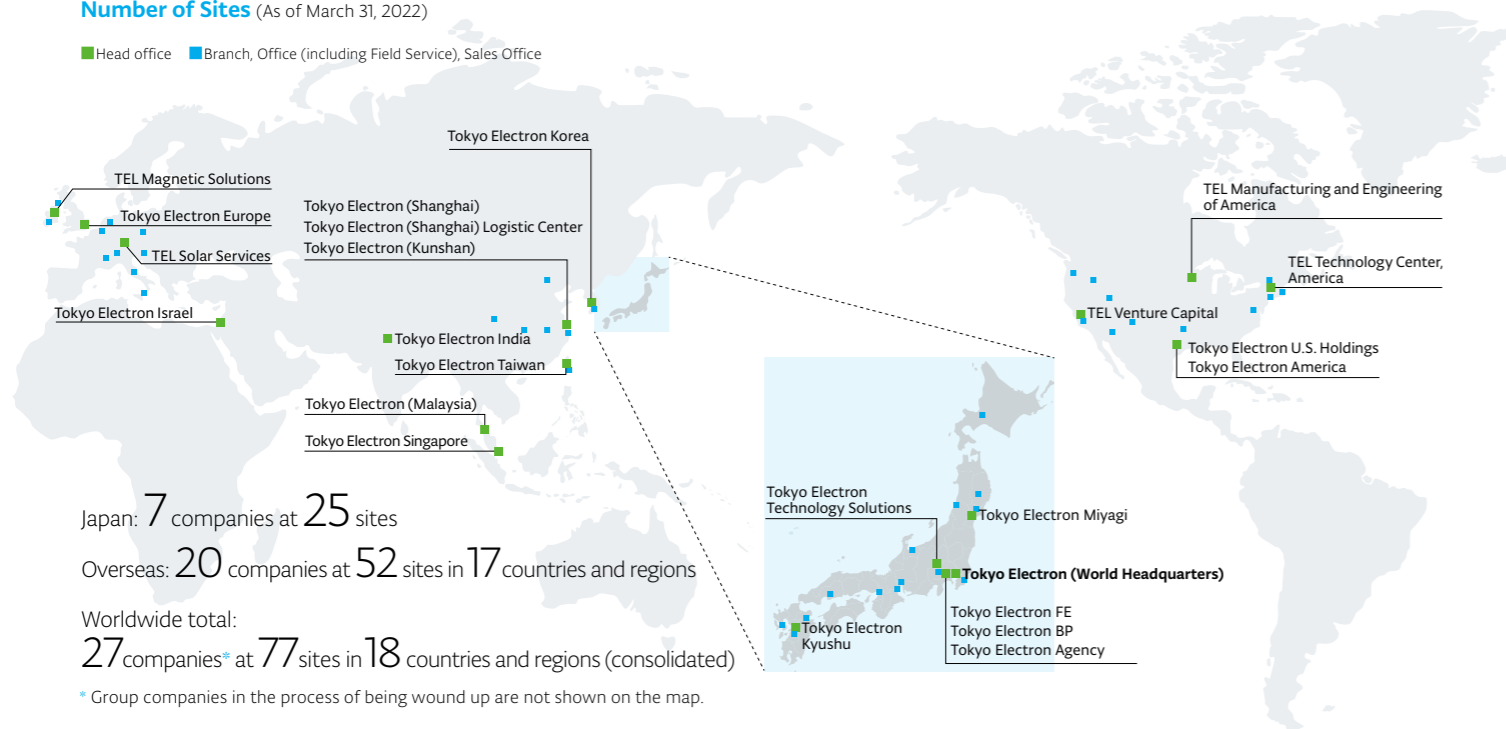
We have established the TEL Values, and we will continue to develop them accordingly in the future.

Company Overview

Tokyo Electron operates worldwide as a leading company in semiconductor production equipment industry. By providing the Best Products and 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 March 31, 2022)

■ Head office ■ Branch, Office (including Field Service), Sales Office



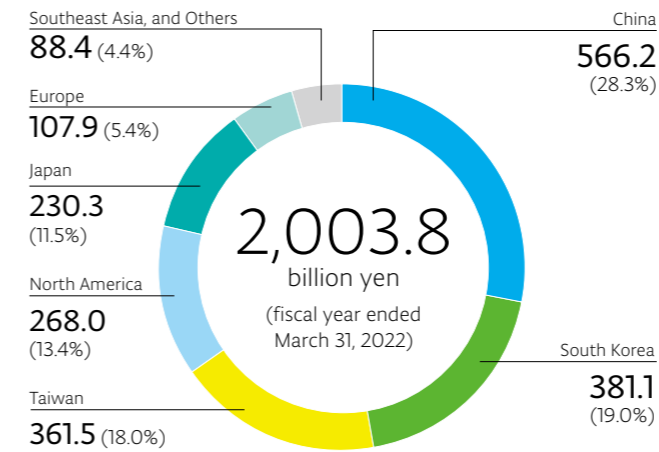
History



<p>1963 Tokyo Electron Laboratories, Inc. is established with capital from Tokyo Broadcasting System, Inc.</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>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</p>	<p>2006 "TEL Values" formulated as code of conduct</p>	<p>2021 Began publishing integrated reports</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>1984 Listed on the First Section of the Tokyo Stock Exchange</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>2007 Established "TEL UNIVERSITY" to strengthen human resource development</p> 	<p>2022 Listed on the Prime Market of the Tokyo Stock Exchange</p> 
<p>1968 TEL-Thermco Engineering Co., Ltd. began domestic production of diffusion furnaces</p> 	<p>1986 Export of semiconductor production equipment begins</p>	<p>1994 Category of industry on the Tokyo Stock Exchange First Section changed from "Wholesale Trade" to "Electric Appliances"</p>	<p>1999 Export of industry on the Tokyo Stock Exchange First Section changed from "Wholesale Trade" to "Electric Appliances"</p>	<p>2015 Establishment of Tokyo Electron Corporate Governance Guidelines</p>	<p>Formulated the new Vision and Medium-term Management Plan</p>
				<p>Re-emergence as the New TEL (Vision, Medium-term Management Plan formulated and new Corporate Logo created)</p>	<p>"Technology Enabling Life" formulated as corporate message</p>
				<p>2019 Formulation of the Medium-term Management Plan to further enhance corporate value</p>	<p>Technology Enabling Life</p>

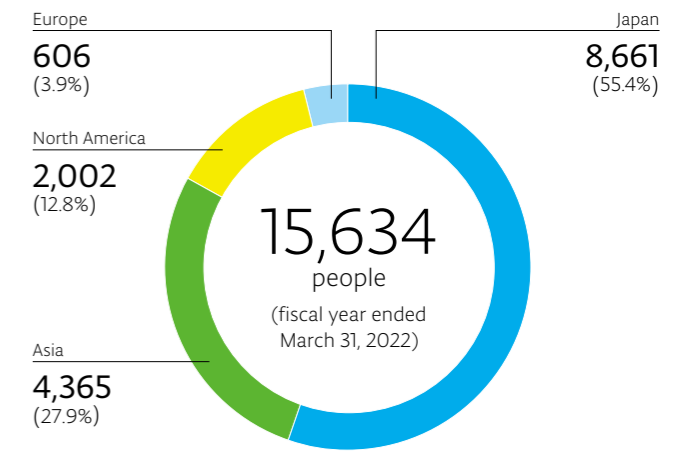
Sales by Region (Consolidated)

(Unit: Billions of yen)



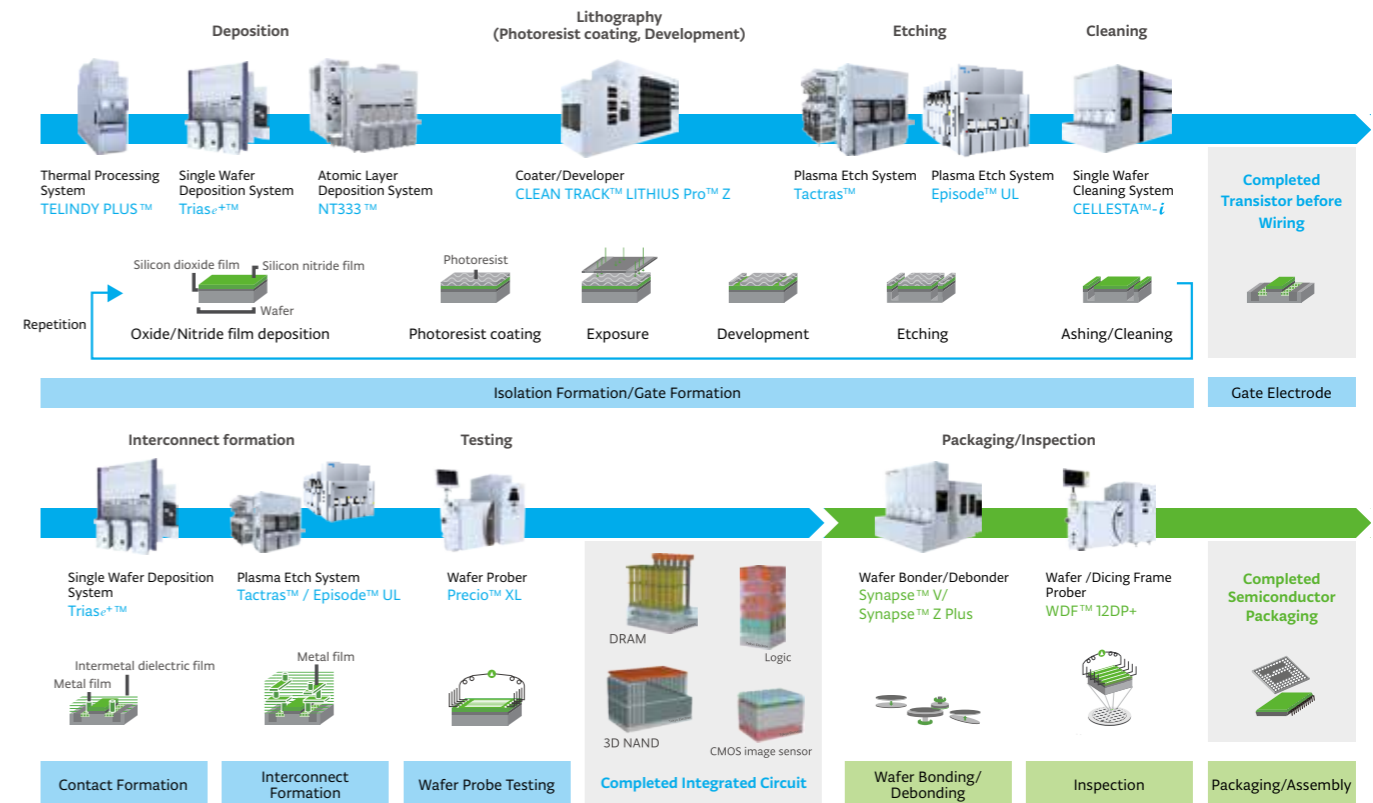
Number of Employees by Region (Consolidated)

(Unit: People)

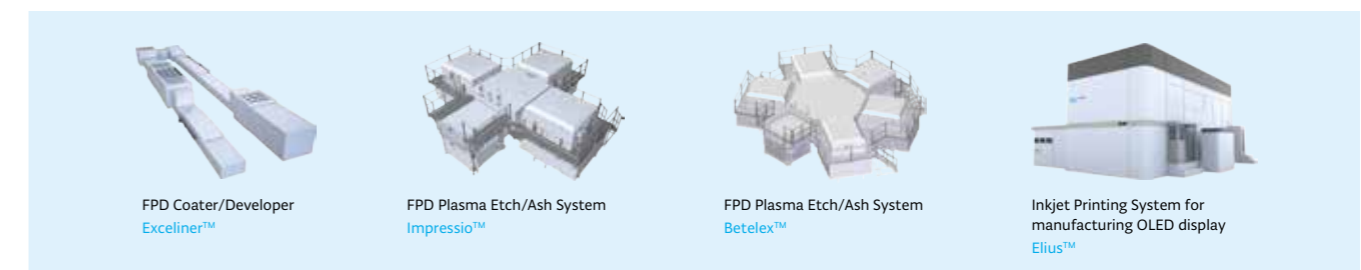


Semiconductor Manufacturing Process and Our Main Products

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



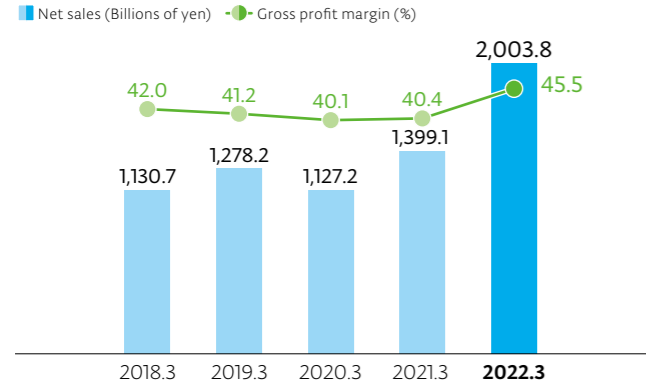
Flat Panel Display (FPD) Production Equipment



Highlights of Key Indicators for Continuous Corporate Value Enhancement

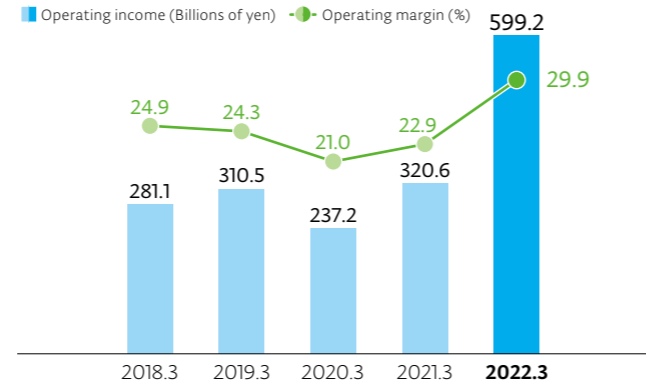
At Tokyo Electron, policy decisions and various judgments are made in our business activities by clarifying management indicators, which are important for medium- to long-term profit expansion and continuous corporate value enhancement, as well as conducting monitoring and analysis.

Net Sales and Gross Profit Margin



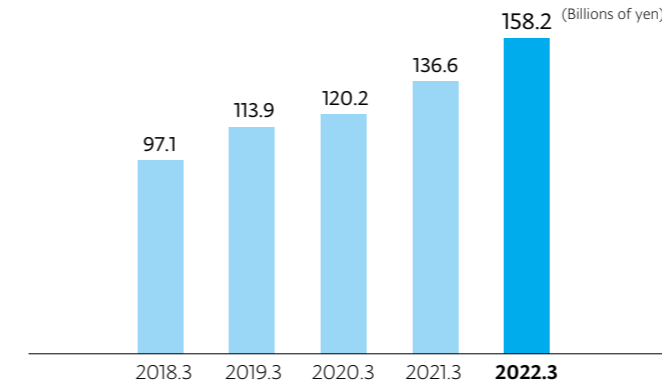
Net sales reached a record high due to the rapid expansion of the semiconductor production equipment market and an increase in market share. Gross profit margin also reached a record high due to sales contributions from newly acquired processes as well as an increase in net sales.

Operating Income and Operating Margin



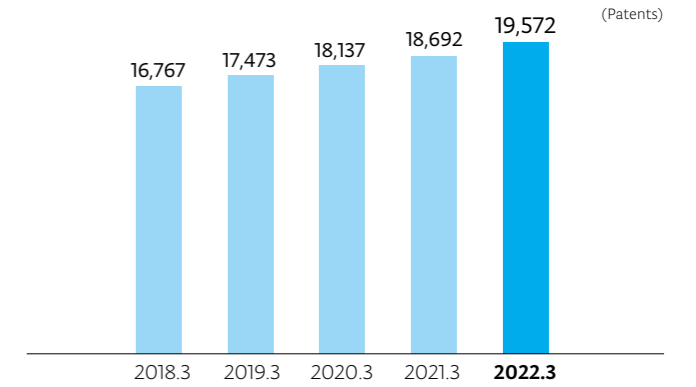
Net sales increased significantly as a result of steady response to the sudden increased demand for semiconductor production equipment. The fixed cost ratio declined and both operating income and operating margin reached record highs.

R&D Expenses



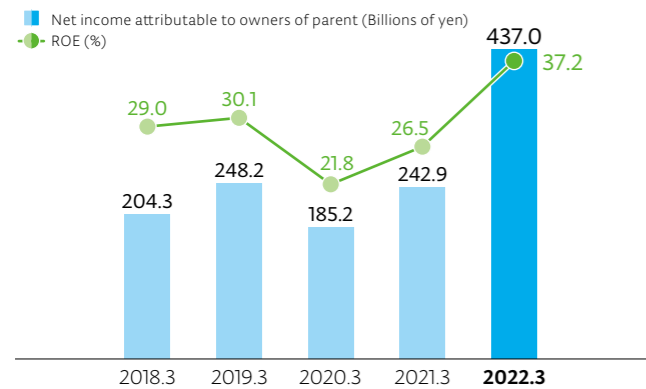
A record 158.2 billion yen was invested in R&D in fiscal 2022 to maintain and improve world-leading technological innovation. The investment plan of approximately 600 billion yen over 5 years starting in fiscal 2018 was executed.

Patents Owned



No.1 in the semiconductor equipment industry with 19,572 patents owned as of March 31, 2022. Our worldwide advantage in the area of intellectual property has been sustained, contributing to maintaining and increasing product competitiveness.

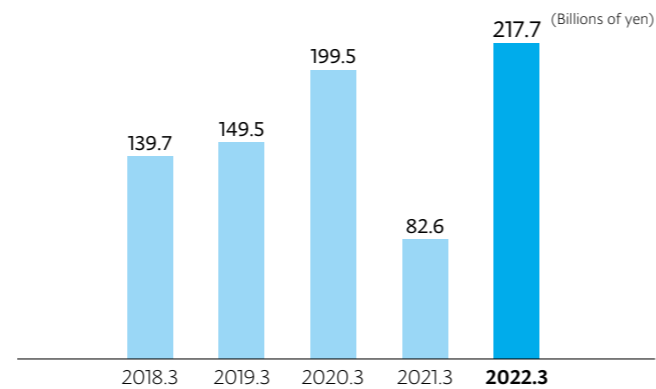
Net Income Attributable to Owners of Parent and ROE¹



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

Net income attributable to owners of parent reached a record high in line with a significant increase in operating income. ROE also reached a record high as a result of the significant increase in net income attributable to owners of parent in relation to net assets.

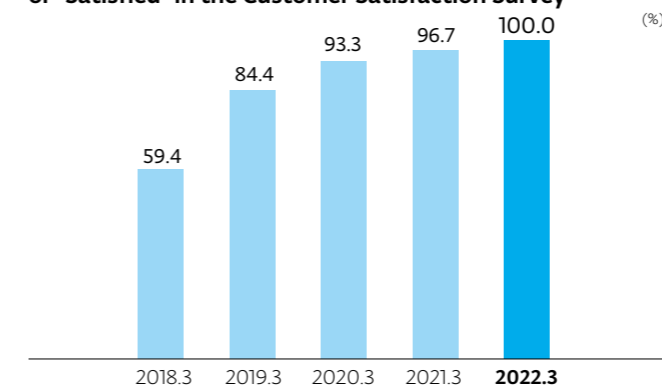
Free Cash Flow²



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

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

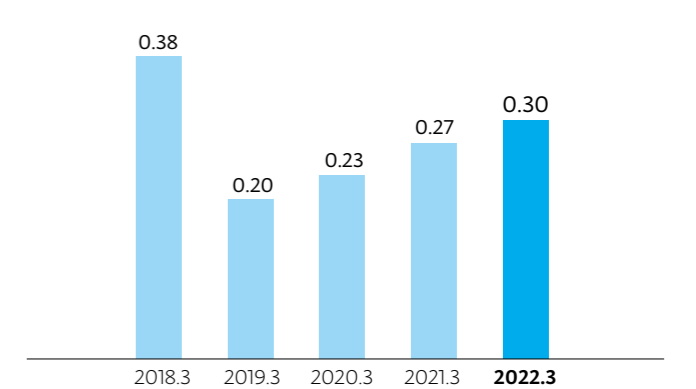
Percentage of Respondents who Selected "Very Satisfied" or "Satisfied" in the Customer Satisfaction Survey³



³ For each question, average score is calculated for all customers who responded

The percentage of respondents who gave evaluations of "Very Satisfied" or "Satisfied" reached 100% in fiscal 2022. We are building a solid relationship of mutual trust with customers by further enhancing customer satisfaction, which we have valued highly since our founding.

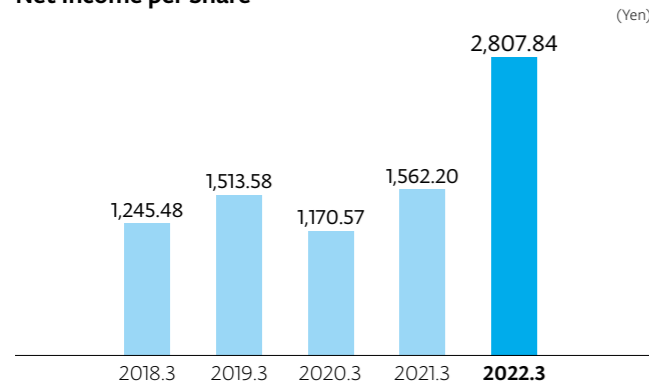
Workplace Incidents per 200,000 Work Hours (TCIR⁴)



⁴ TCIR: Total Case Incident Rate

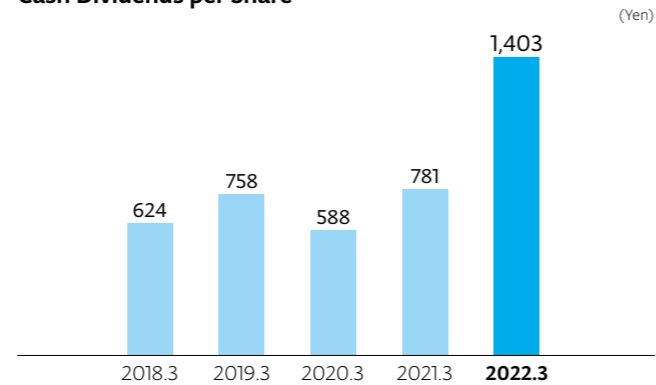
Achieved 0.30 for fiscal 2022. With our slogan "Safety First" as a manufacturer, we will continue to promote thorough safety awareness and continuous improvement activities while maintaining world-class standards.

Net Income per Share



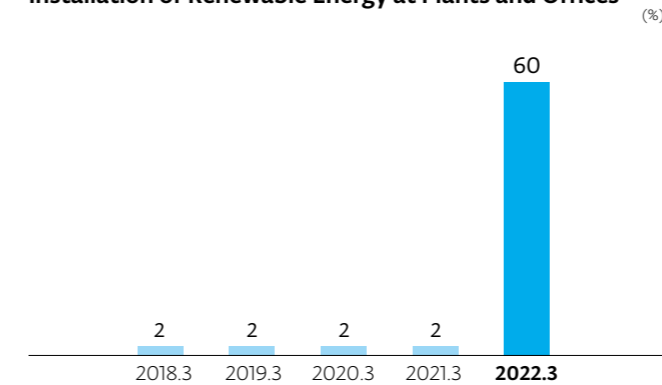
Net income per share also increased due to the increase in net income attributable to owners of parent.

Cash Dividends per Share



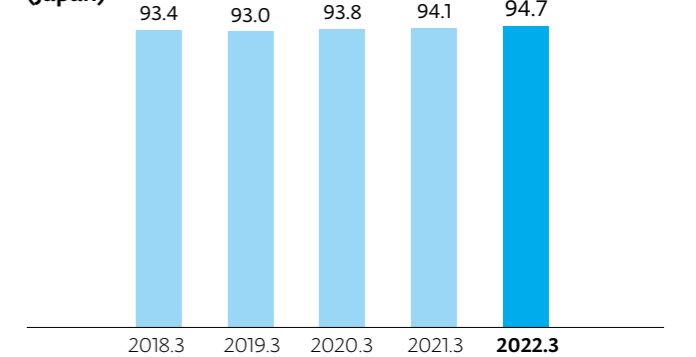
A dividend of 50% of net income attributable to owners of parent was distributed in accordance with the shareholder return policy. Cash dividends per share reached a record high.

Installation of Renewable Energy at Plants and Offices



Completed 60% of installations in fiscal 2022. Initiatives are being promoted at a company-wide level to achieve a 70% reduction in CO₂ emissions by fiscal 2031 (compared to fiscal 2019) and to achieve the further goal of net zero emissions.

Retention After Three Years of Joining the Company⁵ (Japan)



⁵ Average in recent five years

Based on the recognition that employees both create and fulfill company values, a high retention rate of 94.7% was maintained in fiscal 2022 through continuous initiatives to improve employee engagement.