

Highlights of Semiconductor Production Equipment Manufacturers' Financial Results for Fiscal Year Ended March 2026

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2026 (FY2025) and earnings forecasts for FY2026 of three semiconductor production equipment manufacturers (collectively the "three Companies"): DISCO CORPORATION ("DISCO"), SCREEN Holdings Co., Ltd., ("SCREEN") and Tokyo Electron Limited ("Tokyo Electron").

1. Industry Trend

According to Semiconductor Equipment and Materials International ("SEMI") and other data, net sales of semiconductor production equipment ("SPE") for 2025 achieved a record high for two years in a row amounting to USD 135 billion (up 15% year-on-year). Demand for AI related SPE such as advanced logic and DRAM called HBM was strong. In China, promoting local production of semiconductors as a national policy to boost the rate of self-sufficiency, demand for SPE for mature generation semiconductors was steady. Looking at net sales of SPE by region for 2025, while sales were flat compared to the previous year, China became the largest market for six years in a row. Driven by investments of advanced logic foundries, sales surged by 90% year-on-year in Taiwan, securing the second place surpassing Korea for the first time in three years. South Korea, where multiple major DRAM manufactures exist, was in the third place making a 26% year-on-year increase.

In December 2025, SEMI announced the forecast of net sales of SPE reaching USD 145 billion for 2026. SEMI sees AI related investment including advanced logic, memory and introduction of advanced packaging technology will be the drivers. By region, it predicts that China, Taiwan and Korea will maintain the top three positions. It also indicates that China will maintain the top position but the net sales will decrease from the previous year.

In response to rising geopolitical risk and a shortage in semiconductors, which once became a serious issue, in the major regions/countries other than China, moves toward attracting semiconductor factories to their own counties/regions using subsidies have also been expanding. Semiconductors are now positioned as indispensable strategic materials for economic security and their significance has been re-evaluated. They are also drawing attention as key devices to realize digital society and decarbonized society.

2. Financial Results

In this section, JCR primarily mentions the total figures of the three Companies of DISCO, SCREEN and Tokyo Electron. Among the three Companies, the business size of Tokyo Electron is large and the total figures of the three are susceptible to those of Tokyo Electron. That said, Tokyo Electron, one of the world's leading SPE manufacturers, producing a wide range of products mainly in semiconductor front-end process and is a symbol for the domestic SPE industry.

For FY2025, the three Companies' total results show an increase in sales and a decrease in operating income as indicated by net sales of 3,486.1 billion yen (up 1.0% year-on-year) with an operating income of 932.4 billion yen (down 6.7% year-on-year). While net sales achieved a record high for two fiscal years in a row but operating income decreased. As for individual companies, DISCO achieved a record high for net sales and operating income consecutively. Sales of SPE for AI related 2.5 dimensional packaging was brisk for DISCO. This is underpinned by the fact that the added value is in the uptrend in the back-end process of semiconductor field, DISCO's mainstay. On the other hand, SCREEN decreased sales and operating profit. This was attributable to the facts that SCREEN responded to the semiconductor manufacturer's accelerated procurement request for SPE in China in FY2024 and delay in installation of SPE due to the customer's own reason for a large-scale deal in China, for which SCREEN was scheduled to recognize the revenue in FY2025 but was postponed to FY2026. Tokyo Electron increased sales and decreased operating profit. Due in part to the fact that Tokyo Electron responded to a semiconductor manufacturer's accelerated procurement request for SPE in China in FY2024, net sales remained a slight

increase and an increase in R&D expense and other factors lowered the profits. On the other hand, the three Companies' combined performance on a semi-annual basis, the second half surpassed the first half. This trend can be commonly observed in the three Companies.

For FY2025, total operating cash flow for the three Companies remained at a high level, amounting to 765.9 billion yen (down 1.0% year-on-year). Furthermore, total financial structure of the three Companies was extremely good. The equity ratio stood at 72.1% (69.6% a year before) as at the end of FY2025, exceeded 70%. Liquidity on hand increased further, and interest-bearing debt seemed to remain at an extremely low level.

3. Highlights for Rating

Earnings forecast for FY2026 disclosed by the three Companies varied one from another. DISCO disclosed the forecast for the first quarter, SCREEN disclosed the full-year and Tokyo Electron for the first 6 months period (the first half). Although the performance forecast disclosure period of the three Companies is not uniform but all three project increased revenue and operating profit, showing robust figures.

As in the past, DISCO only discloses the performance forecast for one quarter ahead. For the first quarter of FY2026, it projects net sales and operating income to increase 18.0% and 21.8% respectively from a year before. DISCO has adopted the accounting policy of revenue recognition based on the inspection and acceptance, and the performance will sway by the inspection status. For this reason, it also discloses forecast for the amount of shipments, which is useful for gauging customers' investment appetite. For the first quarter of FY2026, the amount of shipments is projected to increase 18.8% from a year before, expecting a record high on a quarterly basis. DISCO generates a large portion of sales in foreign currency, and JCR additionally mentions that one of the factors pushing up the forecasts of performance and shipment amount is that it assumes a weaker yen against the dollar compared to that of a year before. As with the previous, SCREEN disclosed the full year performance forecast. For the full year performance of FY2026, it expects to achieve a record high for net sales and operating income as indicated that the former is expected to increase 19.7% and latter for 22.4% both from a year before. On a semi-annual basis, it places emphasis on the second half. It indicates that strong order intake for the fourth quarter of FY2025 and onward will contribute to the performance towards the second half. Tokyo Electron stopped disclosing the full year performance forecast from this time. Instead, it discloses only the first half. It indicates the reason being that investment scale of some customers has become extremely large and an impact of the investment trend on Tokyo Electron's performance has become relatively large. For the performance of the first half of FY2026, both net sales and operating profit are expected achieve a record high on a semi-annual basis, as indicated by an increase of 33.1% and 42.2% from a year before respectively. For the second half, Tokyo Electron indicates that it will show strong growth surpassing the first half centering on DRAM and advanced logic.

Recent strong demand for SPE has been supported by the capital investment in mature generation in China and AI-related capital investment. Of these, the capital investment in China has entered a lull, but the AI-related capital investment has been gaining momentum. Sales of SPE to new customers in China seem to be relatively highly profitable and change in regional mix can possibly be a negative factor. On the other hand, business environment has obviously become better mainly for AI-related fields since around the end of the last year. Therefore, it is highly likely that the performance of respective companies for FY2026 will remain strong. At present, the impact of the Middle East situation on customers' capital investment plan appears to be limited. That said, as for the impacts of difficulties in component procurement and energy issues stemming from these rising geopolitical risks on customers' capital investment plans, it is necessary to monitor. Furthermore, there are some movements of the U.S. intending to tighten export controls on SPE to China, and certain attention also need to be paid to the impacts of this.

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(Chart 1) Business Performance

(Unit: Yen in 100 mn)

		FY2024			FY2025			FY2026		
		Actual	1st half	2nd half	Actual	1st half	2nd half	Forecast	1st half	2nd half
DISCO (Security code: 6146)	Net Sales	3,933	1,790	2,142	4,368	1,945	2,423	-	-	-
	Operating Income	1,668	759	908	1,849	788	1,061	-	-	-
	Operating Income Margin(%)	42.4	42.4	42.4	42.3	40.5	43.8	-	-	-
	Net Income	1,238	534	704	1,355	559	796	-	-	-
SCREEN (Security code: 7735)	Net Sales	6,252	2,773	3,478	6,057	2,742	3,314	7,250	3,170	4,080
	Operating Income	1,356	582	774	1,225	464	760	1,500	560	940
	Operating Income Margin(%)	21.7	21.0	22.3	20.2	16.9	23.0	20.7	17.7	23.0
	Net Income	994	388	606	920	318	601	1,100	375	725
Tokyo Electron (Security code: 8035)	Net Sales	24,315	11,216	13,099	24,435	11,796	12,638	-	15,700	-
	Operating Income	6,973	3,139	3,834	6,249	3,031	3,217	-	4,310	-
	Operating Income Margin(%)	28.7	28.0	29.3	25.6	25.7	25.5	-	27.5	-
	Net Income	5,441	2,439	3,002	5,744	2,416	3,328	-	3,280	-
Total of the three Companies	Net Sales	34,501	15,780	18,720	34,861	16,485	18,376	-	-	-
	Operating Income	9,998	4,480	5,517	9,324	4,284	5,039	-	-	-
	Operating Income Margin(%)	29.0	28.4	29.5	26.7	26.0	27.4	-	-	-
	Net Income	7,674	3,361	4,313	8,019	3,293	4,725	-	-	-

(Source: Prepared by JCR based on the financial materials of the above companies)

(Chart 2) Cash Flows & Financial Conditions

(Unit: Yen in 100 mn)

		End-FY2024	End-FY2025
DISCO	Operating Cash Flow	1,203	1,335
	Interest-bearing Debt	0	N.A.
	Ready Liquidity	2,291	2,845
	Equity Capital	4,911	5,865
	Equity Ratio (%)	75.1	78.9
	D/E Ratio (times)	0.00	N.A.
SCREEN	Operating Cash Flow	712	927
	Interest-bearing Debt	45	60
	Ready Liquidity	2,003	2,273
	Equity Capital	4,206	4,865
	Equity Ratio (%)	62.7	67.4
	D/E Ratio (times)	0.01	0.01
Tokyo Electron	Operating Cash Flow	5,821	5,397
	Interest-bearing Debt	214	N.A.
	Ready Liquidity	4,962	5,062
	Equity Capital	18,399	20,462
	Equity Ratio (%)	70.1	71.5
	D/E Ratio (times)	0.01	N.A.
Total of the three Companies	Operating Cash Flow	7,737	7,659
	Interest-bearing Debt	259	N.A.
	Ready Liquidity	9,258	10,181
	Equity Capital	27,517	31,194
	Equity Ratio (%)	69.6	72.1
	D/E Ratio (times)	0.01	N.A.

(Note) Assuming DISCO and Tokyo Electron did not have any outstanding balance of bonds and loans as of end-FY2025
(Source: Prepared by JCR based on the financial materials of the above companies)

<Reference>

Issuer: DISCO CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

Issuer: SCREEN Holdings Co., Ltd.

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: Tokyo Electron Limited

Long-term Issuer Rating: AA+ Outlook: Stable

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