May 19, 2025

Highlights of Semiconductor Production Equipment Manufacturers' Financial Results for Fiscal Year Ended March 2025

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 2025 (FY2024) and earnings forecasts for FY2025 of three semiconductor production equipment manufacturers (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 2024 made an upturn to USD 117.1 billion (up 10% year-on-year) and achieved a record high. Appetite for SPE was extremely strong in China, which is advancing domestic production of semiconductors as a national policy to increase the rate of self-sufficiency. In October 2022, the U.S. tightened the export restrictions on China (after this, Japan also substantively followed the U.S.), but China continued to make capital investment in mature nodes, which were out of scope of the restrictions. Looking at net sales of SPE by region for 2024, China made a large increase of 35% from the previous year, and became the largest market for five years in a row. Korea, in which multiple leading DRAM manufactures operate, made an upturn for the first time in 3 years with a year-on-year increase of 3%. This was because capital investment in DRAM for generative AI called HBM seemed to be activated. In 2024, demand for production equipment related to generative AI, including HBM, rapidly rose up.

In December 2024, SEMI announced the forecast indicating net sales of SPE reaching USD 121 billion for 2025. By field, SEMI sees memory field would be the driver, and a growth rate of NAND flash memory would be particularly high. By region, it sees capital investment would increase in almost all regions except China. Although the amount would decrease in China, but continue to maintain the position of the largest market.

In response to a rise in geopolitical risk, and a shortage of semiconductors, which once became a serious issue, in the major regions/countries other than China, moves toward attracting semiconductor factories using subsidies to their own counties/regions have also been expanded. Semiconductors are now positioned as indispensable strategic materials for economic security and their significance has been recognized again. They are also drawing attention as a key device toward realizing a 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 FY2024, the three Companies' total net sales were 3,450.1 billion yen (up 30.5% year-on-year) with an operating income of 999.8 billion yen (up 48.8% year-on-year), both turning into increase and achieved record highs. This was mainly because of turnaround in the business environment mentioned above. As for individual companies, any of the three, DISCO, SCREEN and Tokyo Electron, achieved record highs for net sales and operating income. DISCO has many foreign-currency-denominated net sales, thus weaker yen boosted the performance in some part. On the other hand, total performance of the three Companies combined on a semi-annual basis, it hit the lowest for the first half of FY2023 and had been expanding toward the second half of FY2024. On the individual company basis, this trend can also be commonly recognized in the three Companies by and large.

For FY2024, total operating cash flow for the three Companies expanded to 773.7 billion yen (up 23.1% year-on-year). Furthermore, total financial structure of the three Companies also continues to be favorable. The equity ratio has been in the 60% range since the end of FY2007, and it rose to 69.6% as at the end of FY2024 from 68.4% as at the end of the previous fiscal year. Liquidity on hand increased further, and interest-bearing debt seemed to be maintained at an extremely low level. By company, this ratio for SCREEN as at the end of FY2024 exceeded 60% for the first time.

3. Highlights for Rating

As for Tokyo Electron, which disclosed full-year earnings forecast for FY2025, it projects growth in sales and operating income to achieve a record high for net sales and operating income for two fiscal years in a row. In contrast, SCREEN projects a decrease in sales and operating income. The main factor causing the difference seemed to be the way of incorporating the impact of the U.S. tariff policy in the performance forecast. Tokyo Electron indicated that it did not incorporate the impact of the U.S. tariff in the forecast, but SCREEN reflected the impacts of the U.S. tariff including direct ones in the Graphic Arts Equipment handling the printing-related equipment. Examining the performance forecast on a semi-annual basis, for the first half, both Tokyo Electron and SCREEN increase sales and decrease operating income from a year before, indicating a sense of pause. As for the first half, the both mentioned the impacts of receiving early delivery requests of equipment from the generative AI-related fields and customers in China in FY2024, but they would continue to invest in research and development for the future growth and others. Due to this, semi-annual performance, continuing to expand after hitting the lowest for the first half of FY2023, is expected to pass the peak for the second half of FY2024. On the other hand, as for the second half performance, Tokyo Electron forecasts an increase in sales and operating income from a year before assuming that customers' capital investments will become active toward the market growth in 2026. Against this, SCREEN formulates a totally opposite forecast for the second half indicating the expectation of decrease in sales and operating income from a year before. Considering the impact of the U.S. tariff, SCREEN formed the performance forecast for the second half in a more feasible manner.

As in the past, DISCO only discloses the performance forecast for one quarter ahead. For the first quarter of FY2025, it projects a decrease in sales and operating income from a year before, with decreases of 9.4% for net sales and 28.7% for operating income. DISCO has adopted the accounting policy of revenue recognition based on the inspection and acceptance, and the performance will sway by the inspection status. Meanwhile, DISCO has also disclosed forecast for the amount of shipments, which is useful for gauging customers' investment appetite, in the similar way. For the first quarter of FY2025, the amount of shipments is projected to increase 0.9% from a year before. DISCO has assumed a substantial appreciation of yen compared to that of a year before (from 1 USD = JPY 158.2 to 1 USD = JPY135.0), and this has become the factor placing downward pressure on the performance forecast and amount of shipments. DISCO has disclosed that the exchange rate sensitivity is approximately 1.6 billion yen per year for 1 yen fluctuation. In light of these factors, the amount of shipments for the first quarter of FY2025 will actually appear to remain strong. As for the impact of the U.S. tariff, it did not reflect it in the performance forecast for the first quarter and others.

Recent demand for equipment has been supported by strong appetite for capital investment in China and generative AI-related capital investment. Demand for semiconductors for smartphones and personal computers has been slow, and strong demand for power semiconductors has lost a momentum due to the slowdown in vehicle electrification. As mentioned, demand structure for semiconductors is distorted at the moment. Under such circumstances, it has become consensus that strong demand for equipment in China will pass the peak because it will go into the factory start-up phase. Furthermore, the impact of the U.S. tariff is also a matter to be concerned. Sales to North America account for a certain percentage as shown by the sales composition ratio of each company to this region for FY2024 is as follows: approximately 10% for Tokyo Electron, approximately 10% for SCREEN, and approximately 14% for DISCO. The three Companies are producing SPE only in Japan, and exports the finished products to North America. On the other hand, for example, Tokyo Electron has a near monopoly in the coater-developer market, and it is assumed that any company wishes to build an advanced semiconductor manufacturing line in the U.S., it has to purchase Tokyo Electron's coater-developers. The U.S. is currently considering tariff on SPE outside of a framework for the reciprocal tariff, and JCR will closely monitor the developments. The three Companies mentioned that there were no particular changes in customers' investment plans at the time of performance announcement for FY2024, but indirect negative impacts may arise on demand for SPE through softening demand for finished products with semiconductors where concerns over slowing down of the global economy will become stronger due to the reciprocal tariff. In addition to this, a certain attention needs to be paid to the possibilities of further tightening the U.S. export restrictions on China, which is one of the concerns from the past. JCR will continue to pay attention to the future trend in demand for equipment in China and continuity of demand for generative AI-related equipment.

Akihisa Motonishi, Hiroaki Sekiguchi

(Chart 1) Business Performance

(Unit: Yen in 100 mn)

		FY2023			FY2024			FY2025		
		Actual	1st half	2nd half	Actual	1st half	2nd half	Forecast	1st half	2nd half
DISCO	Net Sales	3,075	1,262	1,812	3,933	1,790	2,142	-	-	-
(Security code: 6146)	Operating Income	1,214	450	764	1,668	759	908	-	-	-
	Operating Income Margin(%)	39.5	35.6	42.2	42.4	42.4	42.4	-	-	-
	Net Income	842	327	514	1,238	534	704	-	-	-
SCREEN	Net Sales	5,049	2,232	2,816	6,252	2,773	3,478	6,210	2,995	3,215
(Security code: 7735)	Operating Income	941	385	556	1,356	582	774	1,170	545	625
	Operating Income Margin(%)	18.6	17.3	19.7	21.7	21.0	22.3	18.8	18.2	19.4
	Net Income	705	263	442	994	388	606	880	385	495
Tokyo Electron	Net Sales	18,305	8,195	10,109	24,315	11,216	13,099	26,000	11,500	14,500
(Security code: 8035)	Operating Income	4,562	1,785	2,776	6,973	3,139	3,834	7,270	2,880	4,390
	Operating Income Margin(%)	24.9	21.8	27.5	28.7	28.0	29.3	28.0	25.0	30.3
	Net Income	3,639	1,374	2,264	5,441	2,439	3,002	5,660	2,240	3,420
Total of the three Companies	Net Sales	26,429	11,690	14,739	34,501	15,780	18,720	-	-	-
	Operating Income	6,719	2,621	4,097	9,998	4,480	5,517	-	-	-
	Operating Income Margin(%)	25.4	22.4	27.8	29.0	28.4	29.5	-	-	-
	Net Income	5,187	1,965	3,222	7,674	3,361	4,313	-	-	-

(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-FY2023	End-FY2024
DISCO	Operating Cash Flow	975	1,203
	Interest-bearing Debt	0	N.A.
	Ready Liquidity	2,154	2,291
	Equity Capital	4,052	4,911
	Equity Ratio (%)	72.9	75.1
	D/E Ratio (times)	0.00	N.A.
SCREEN	Operating Cash Flow	962	712
	Interest-bearing Debt	71	45
	Ready Liquidity	1,972	2,003
	Equity Capital	3,718	4,206
	Equity Ratio (%)	54.9	62.7
	D/E Ratio (times)	0.02	0.01
Tokyo Electron	Operating Cash Flow	4,347	5,821
	Interest-bearing Debt	133	N.A.
	Ready Liquidity	4,725	4,962
	Equity Capital	17,468	18,399
	Equity Ratio (%)	71.1	70.1
	D/E Ratio (times)	0.01	N.A.
Total of the three Companies	Operating Cash Flow	6,284	7,737
	Interest-bearing Debt	205	N.A.
	Ready Liquidity	8,853	9,258
	Equity Capital	25,239	27,517
	Equity Ratio (%)	68.4	69.6
	D/E Ratio (times)	0.01	N.A.

(Note 1) Assuming DISCO and Tokyo Electron did not have any outstanding balance of bonds and loans as of end-FY2024
(Source: Prepared by JCR based on the financial materials of the above companies)

<Reference>

Issuer: DISCO CORPORATION
Long-term Issuer Rating: AA- Outlook: Positive

Issuer: SCREEN Holdings Co., Ltd.
Long-term Issuer Rating: A+ Outlook: Stable

Issuer: Tokyo Electron Limited
Long-term Issuer Rating: AA+ Outlook: Stable

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026