

# Q3 FY2023 (October – December 2022) Financial Announcement

February 9, 2023

Agenda:

- Q3 FY2023 Consolidated Financial Summary  
Hiroshi Kawamoto, Vice President & General Manager, Finance Unit
- Business Environment and Financial Estimates  
Toshiki Kawai, Representative Director, President & CEO



# Forward Looking Statements

- Disclaimer regarding forward-looking statements

Forward-looking statements with respect to TEL's business plan, prospects and other such information are based on information available at the time of publication. Actual performance and results may differ significantly from the business plan described here due to changes in various external and internal factors, including the economic situation, geopolitical risk, semiconductor/FPD\* market conditions, intensification of sales competition, safety and product quality management, intellectual property-related risks and impacts from COVID-19.

- Processing of numbers

For the amount listed, because fractions are rounded down, there may be the cases where the total for certain account titles does not correspond to the sum of the respective figures for account titles. Percentages are calculated using full amounts, before rounding.

- Foreign exchange risk

In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. Although some sales and expenses are denominated in foreign currencies, the impact of exchange rate fluctuations on profits is negligible, unless extreme fluctuations occur.

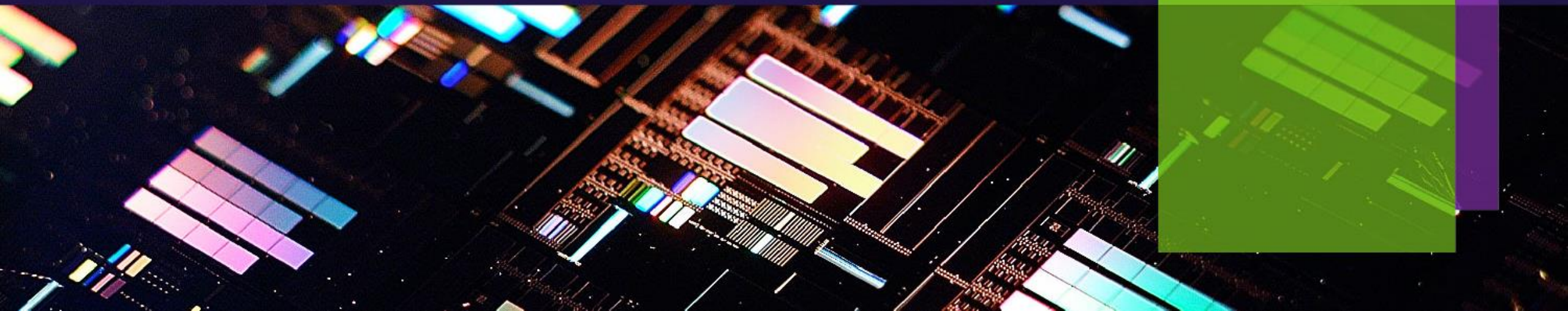
\* FPD: Flat panel display



# Q3 FY2023 Consolidated Financial Summary

February 9, 2023

Hiroshi Kawamoto  
Vice President & General Manager, Finance Unit



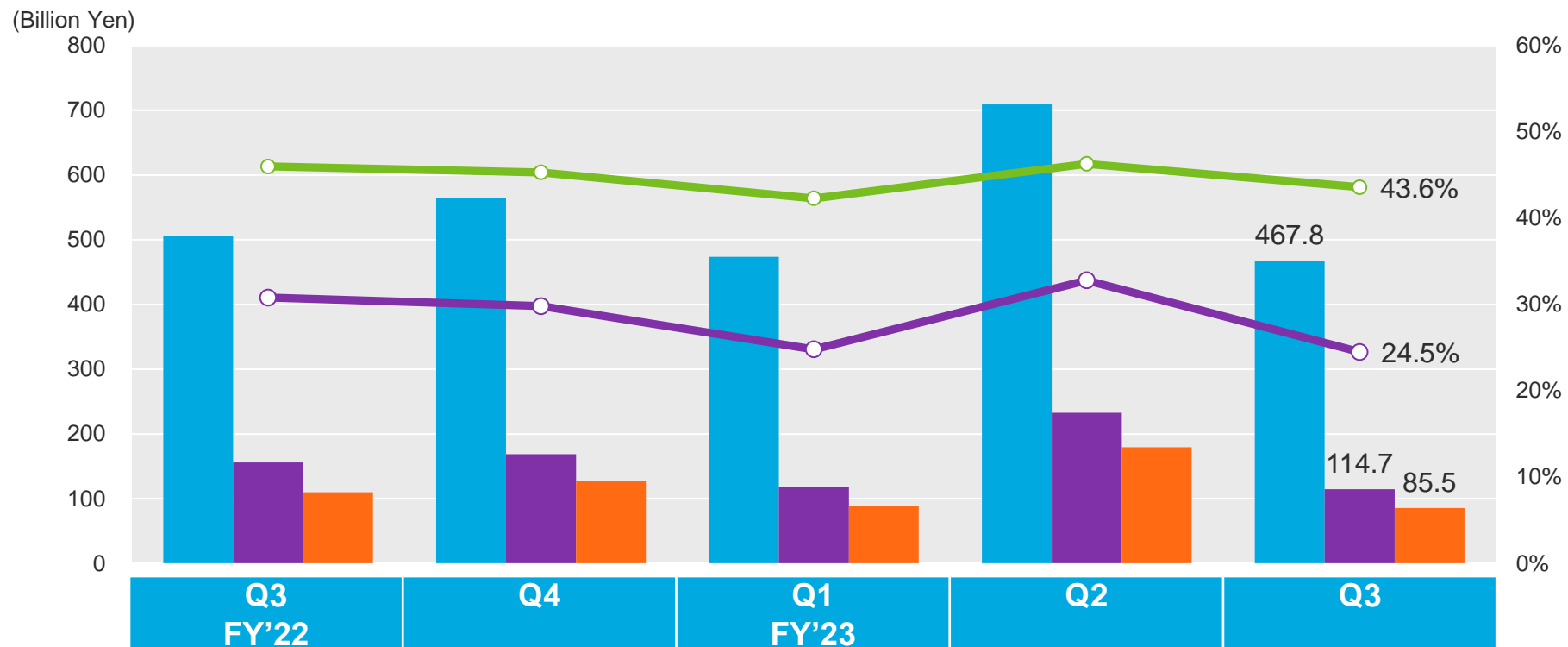
# Financial Summary

(Billion Yen)

	FY2022		FY2023			vs. Q2 FY2023
	Q3	Q4	Q1	Q2	Q3	
Net sales	506.4	564.8	473.6	709.2	467.8	-34.0%
SPE	488.8	549.2	464.0	689.0	458.8	-33.4%
FPD	17.6	15.5	9.6	20.1	8.9	-55.4%
Gross profit	233.0	255.9	200.5	328.2	203.9	-37.9%
Gross profit margin	46.0%	45.3%	42.3%	46.3%	43.6%	-2.7pts
SG&A expenses	76.9	87.3	83.0	95.6	89.1	-6.8%
Operating income	156.0	168.5	117.5	232.6	114.7	-50.7%
Operating margin	30.8%	29.8%	24.8%	32.8%	24.5%	-8.3pts
Income before income taxes	155.5	168.1	117.6	235.2	116.3	-50.6%
Net income attributable to owners of parent	110.0	126.8	88.0	179.2	85.5	-52.3%
R&D expenses	38.5	44.1	42.1	49.1	46.1	-6.3%
Capital expenditures	17.4	14.7	18.0	17.3	12.5	-27.6%
Depreciation and amortization	9.6	10.2	9.7	9.8	11.2	+13.8%

1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. Although some sales and expenses are denominated in foreign currencies, the impact of exchange rate fluctuations on profits is negligible, unless extreme fluctuations occur.
2. Profit ratios are calculated using full amounts, before rounding.

# Financial Performance

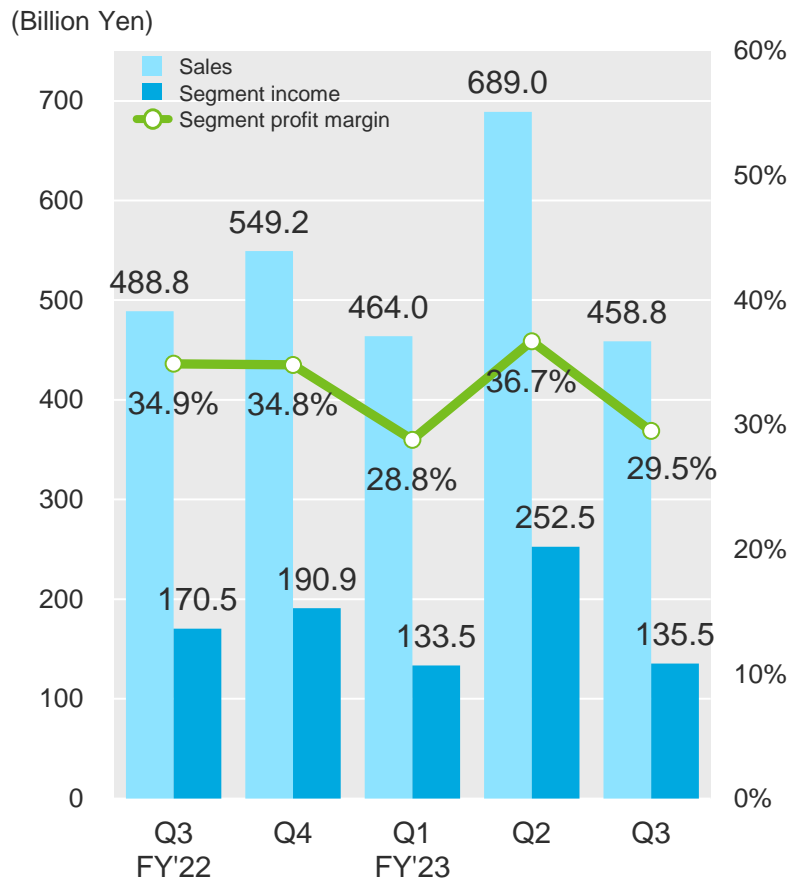


Net sales	506.4	564.8	473.6	709.2	467.8
Operating income	156.0	168.5	117.5	232.6	114.7
Net income attributable to owners of parent	110.0	126.8	88.0	179.2	85.5
Gross profit margin	46.0%	45.3%	42.3%	46.3%	43.6%
Operating margin	30.8%	29.8%	24.8%	32.8%	24.5%

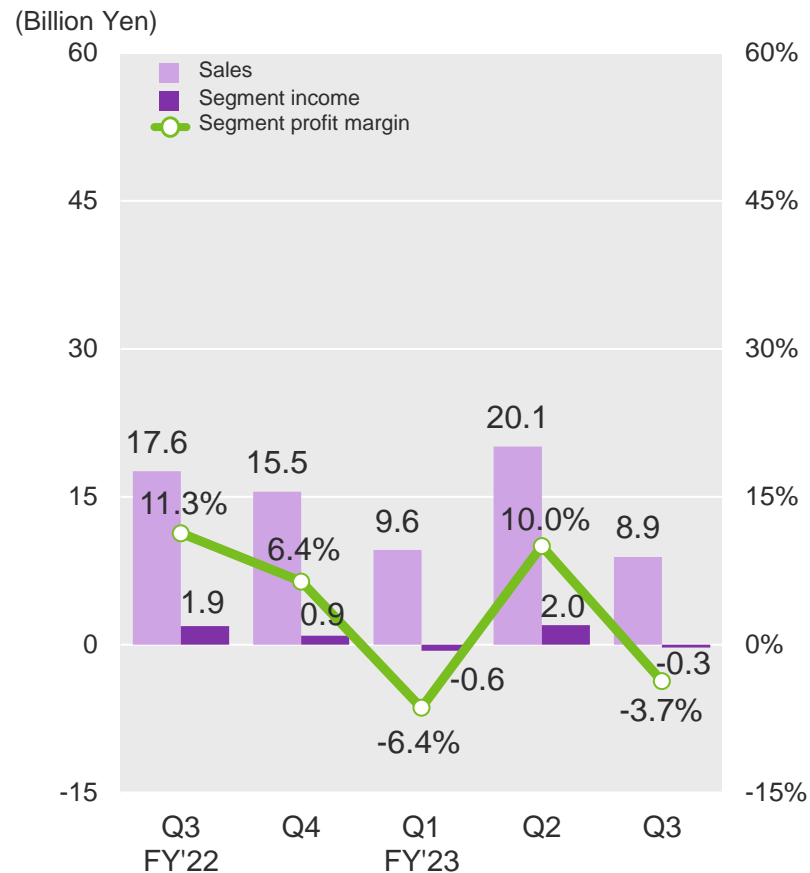


# Segment Information

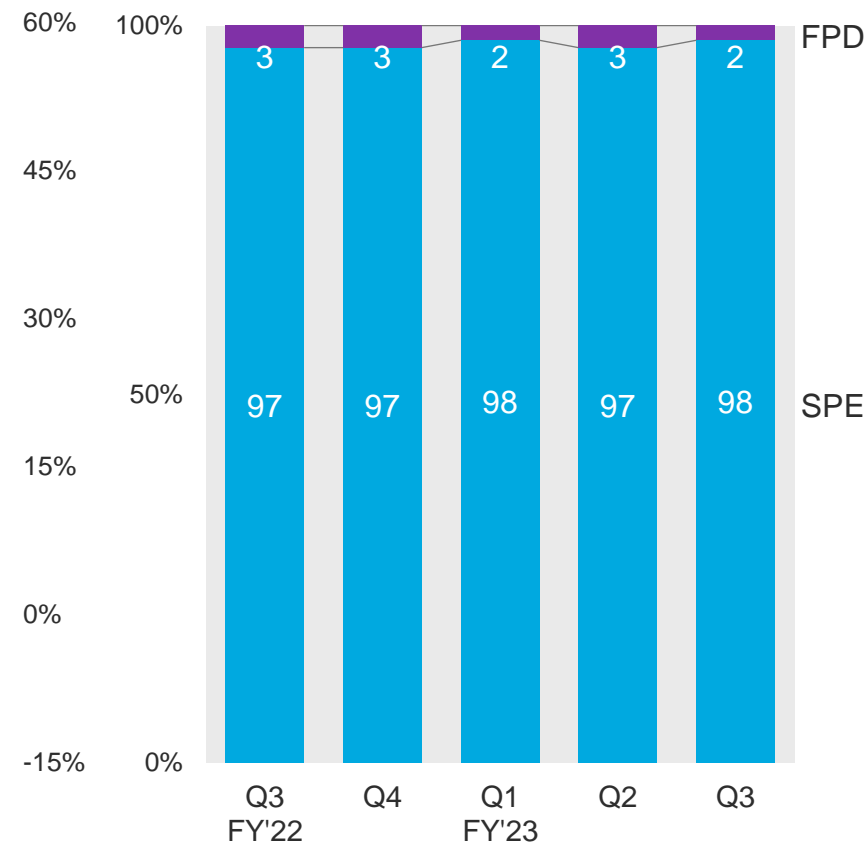
## SPE (Semiconductor production equipment)



## FPD (Flat panel display production equipment)

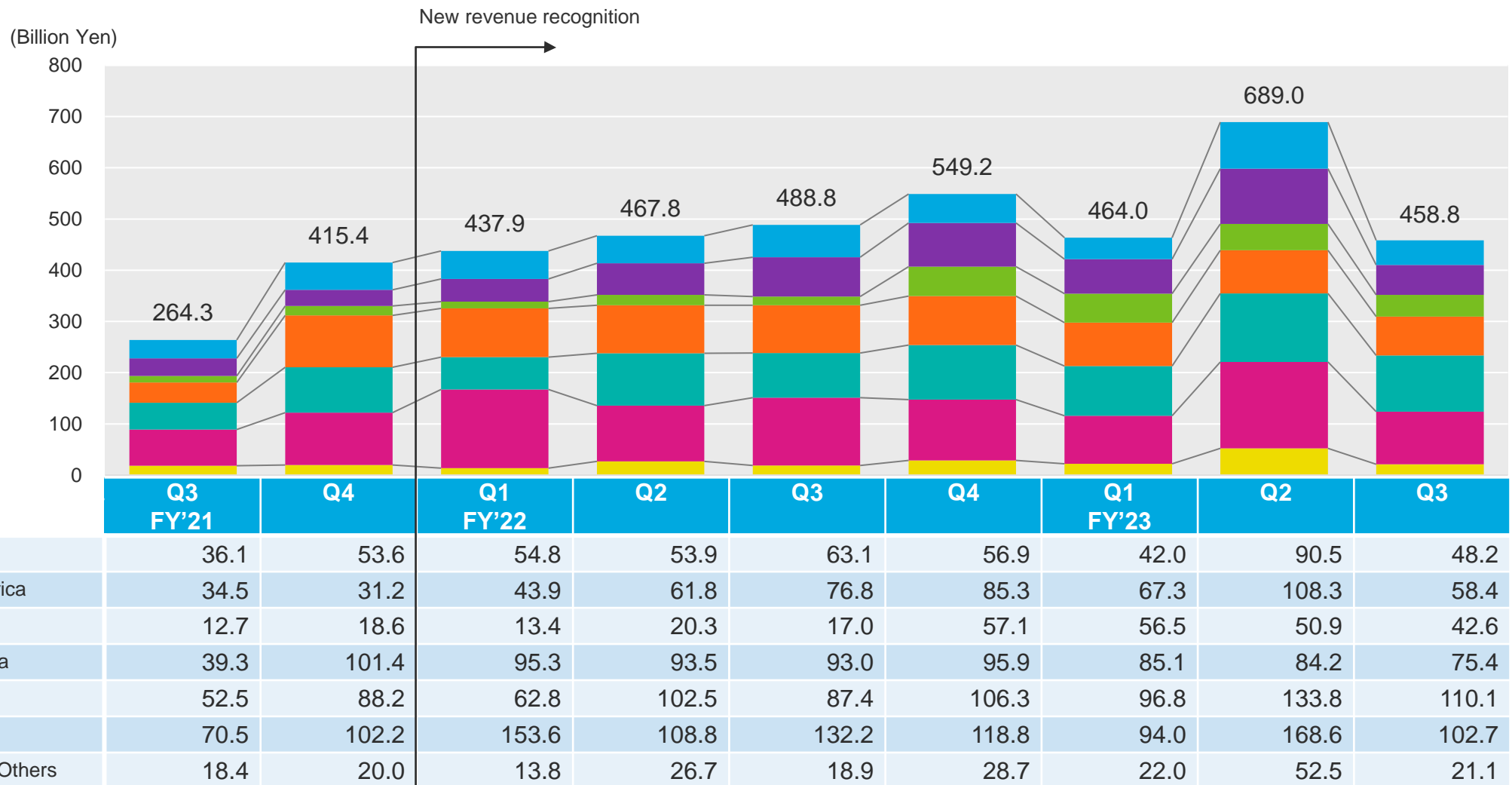


## Composition of Net Sales

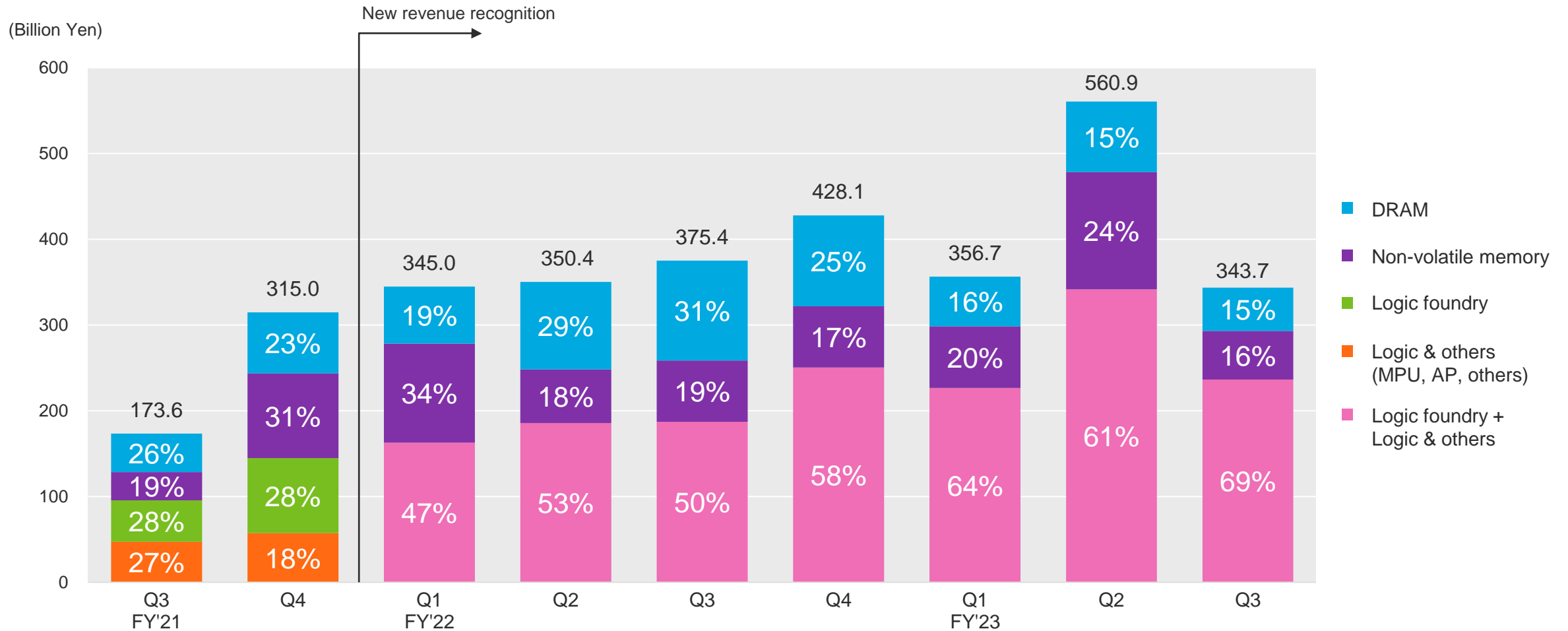


1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research, etc. and other general and administrative expenses are not included in the above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

# SPE Division: Sales by Region



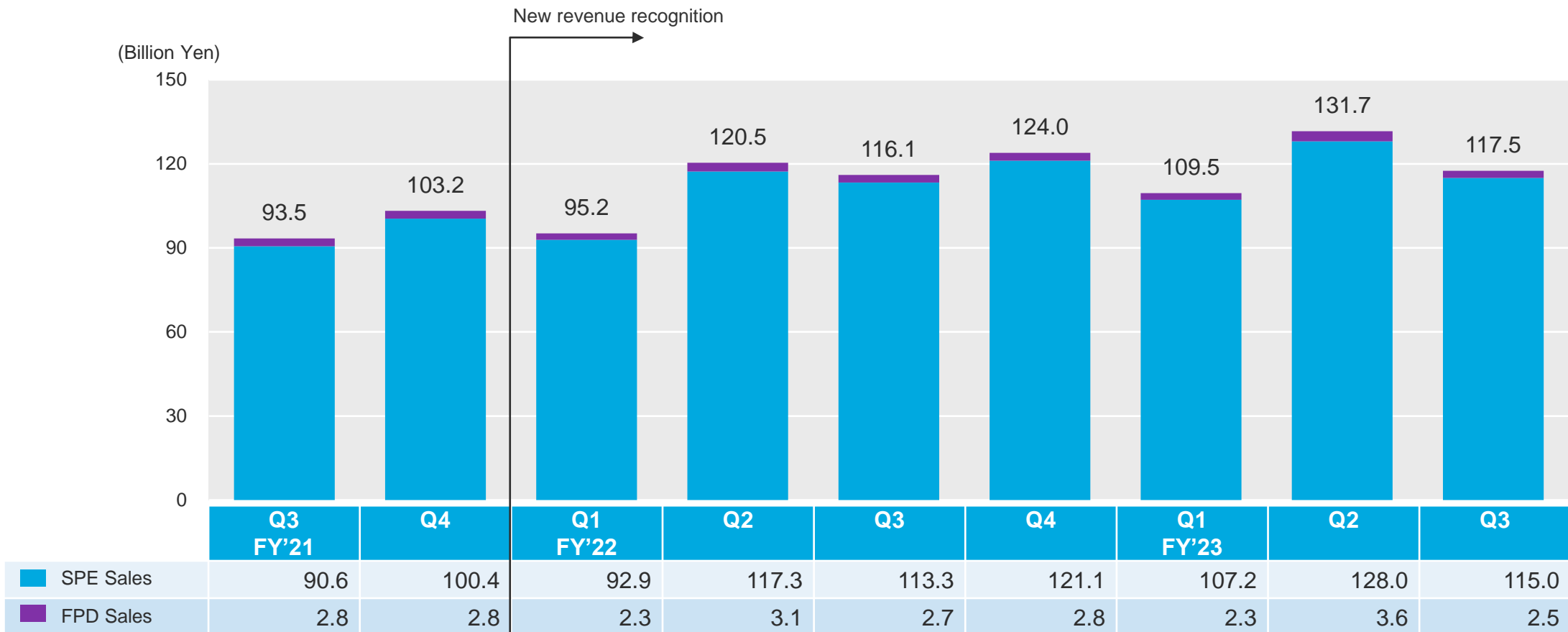
# SPE Division: New Equipment Sales by Application



Percentages on the graph show the composition ratio of new equipment sales. Field Solutions sales are not included.



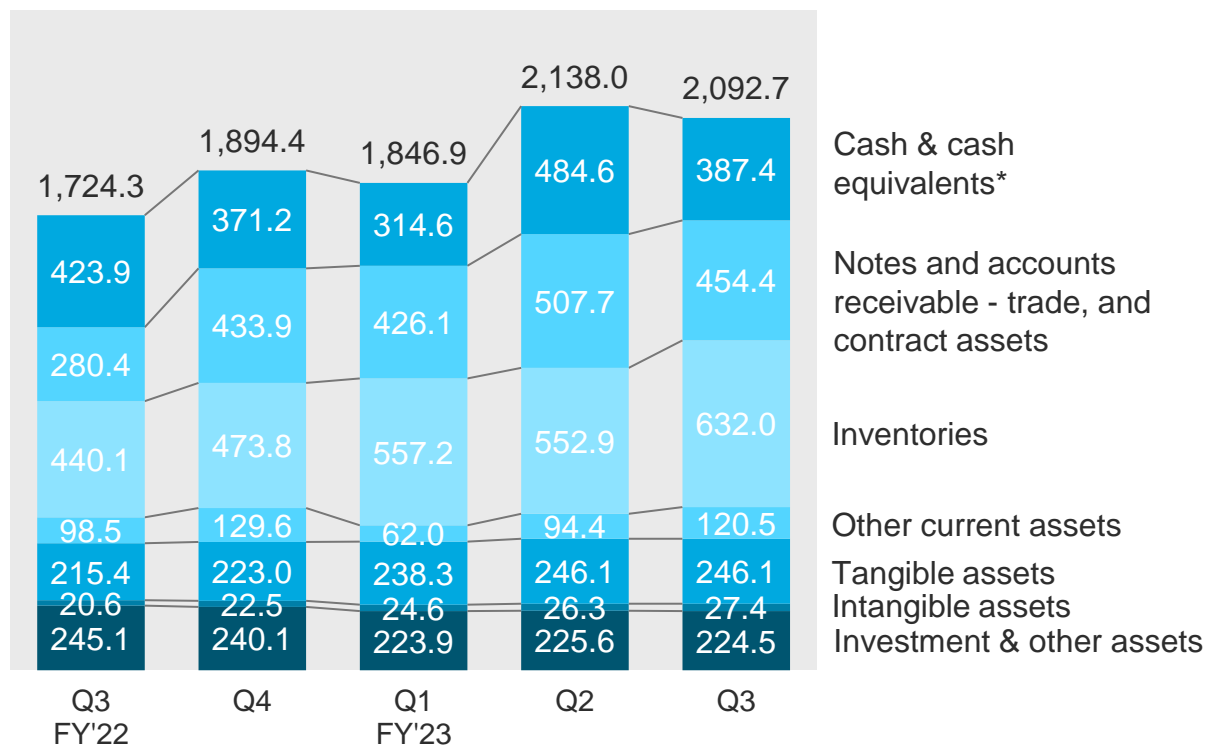
# Field Solutions Sales



# Balance Sheet

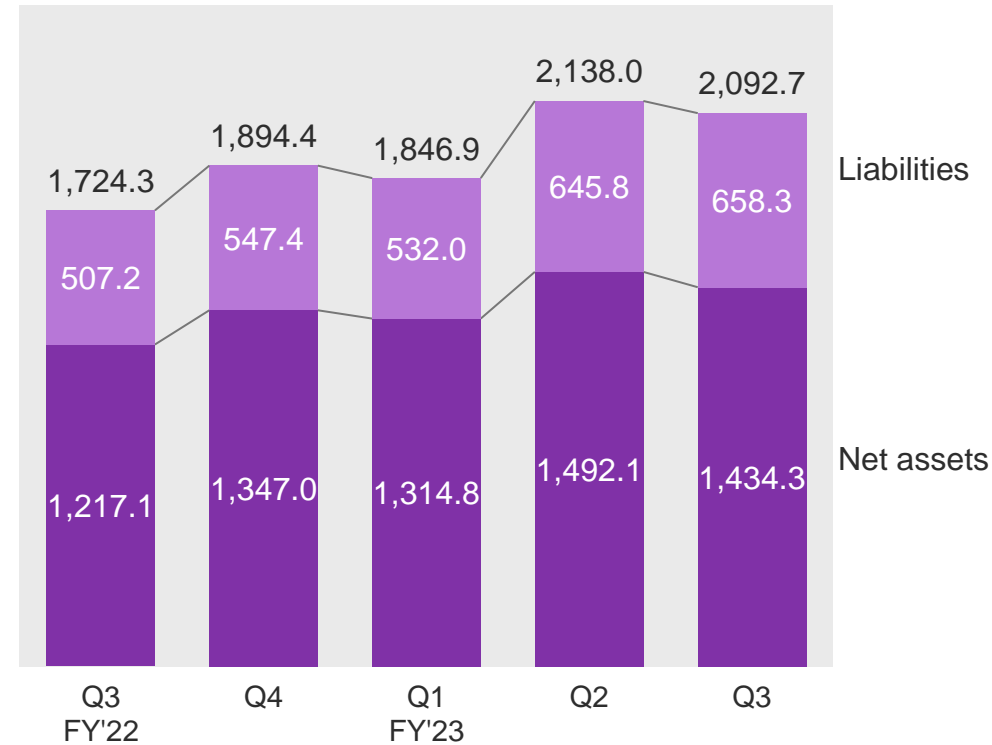
## Assets

(Billion Yen)



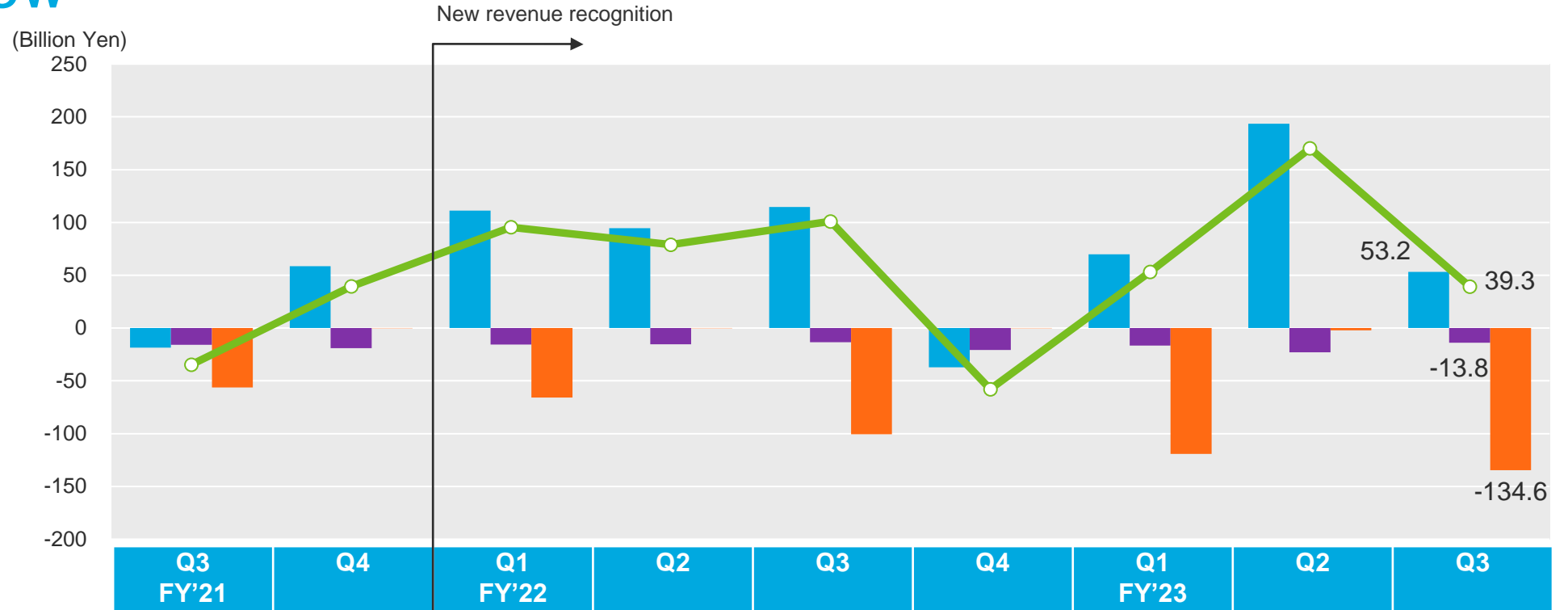
## Liabilities & Net Assets

(Billion Yen)



\* Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

# Cash Flow



\*1 Cash flow from investing activities excludes changes in time deposits and short-term investments.

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

\*3 Cash on hand includes cash and cash equivalents + time deposits and short-term investments with original maturities of more than three months.

# Notice of Stock Split

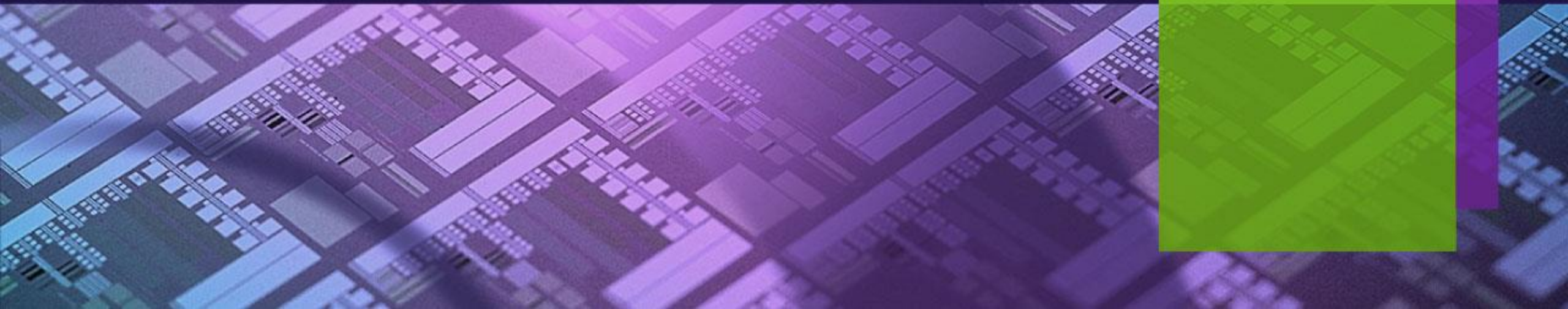
Purpose	By implementing a stock split to lower the minimum investment, we intend to make shares more affordable for investors, with a view to expanding the investor base.
Split Method	The Company will split the shares of common stock owned by all recorded shareholders as of March 31, 2023, in the proportion of 1 share into 3 shares.
Schedule	Date of public notice of record date : March 16, 2023 Record date : March 31, 2023 Effective date : April 1, 2023
Dividends	Year-end dividends for the fiscal year ending March 2023, with a record date of March 31, 2023, will be implemented based on the number of shares issued prior to the stock split.



# Business Environment and Financial Estimates

February 9, 2023

Toshiki Kawai  
Representative Director, President & CEO



# Business Environment (Outlook as of February 2023)

- WFE\*<sup>1</sup> market to enter next phase of its growth on advancing digitalization
  - \$65B market size in CY2020 rose to \$92B in CY2021 and is forecast to reach around \$100 in CY2022
- Although WFE market is now in an adjustment phase, it is expected to gradually recover in CY2023 H2 and be approx. \$80B for the full year
- Semiconductor and WFE markets will grow strongly from CY2024 towards a further stage of growth
  - Drivers will include data center upgrades on adoption of new CPUs and energy efficient semiconductors, the expected launch of full-scale services on the metaverse from CY2025, the widespread adoption of EVs and a recovery in demand for smartphones
  - Support from governments for semiconductor capital investment and reacceleration of DX\*<sup>2</sup> /GX\*<sup>3</sup> policies will be tailwinds

\*1 WFE (Wafer fab equipment): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. Wafer fab equipment refers to the production equipment used in front-end production and in wafer-level packaging production.

\*2 DX: Digital transformation

\*3 GX: Green transformation



# FY2023 Q3 Business Progress

- SPE business progressing in-line with plan
  - CY2022 saw net sales of ¥2,161.1B, new equipment sales increased 22% YoY. Outperformed WFE market growth rate (+8% YoY)
    - Our strong supply chain responded to continuing instability with procurement
  - Steady progress in acquiring POR\*, driven by strategic products, and selection of new development equipment to ensure future growth
- Released the CELLESTA™ MS2 single wafer cleaning system. Achieves higher productivity with double-sided processing
- Decided to conduct reorganization to further expand business opportunities



CELLESTA™ MS2

\*POR (Process of record): Certification of the adoption of equipment in customers' semiconductor production processes

# M

# A

# G

# I

# C

Metaverse

Autonomous  
Mobility

Green  
Energy

IoT &  
Information

Communications

Power Device  
(Si/SiC/GaN)

Waveguide

$\mu$ LED

Si  
Photonics

CIS

Displays

RF

# Reorganization to Further Expand Business Opportunities



Metaverse   Autonomous mobility   Green energy   IoT & information   Communication



**DSS BU**  
Diverse Systems and Solutions

- Concentrate resources in growth areas
- Integrate FS\* BU and FPD BU
- Strengthen capabilities to “MAGIC” market

# FPD Business

- FPD production equipment market for TFT array process\* is experiencing a lull in large investments.  
It is expected to decrease 30-40% YoY in CY2023
- Integrate segments, advance selection and concentration
  - Merge FS BU and FPD BU into the DSS (Diverse Systems and Solutions) BU.  
Establish new target market “MAGIC” with the aim of enhancing corporate value
  - Suspend development projects for inkjet printing systems
  - Reallocate resources to production equipment for “MAGIC” which is a growth area
  - Specialize FPD production equipment in high value-added areas such as etching
- From FY2024, the single segment “SPE” will be disclosed

\* TFT array process: The processes of manufacturing the substrates with the electric circuit functions that drive displays

# FY2023 Financial Estimates



# FY2023 Financial Estimates

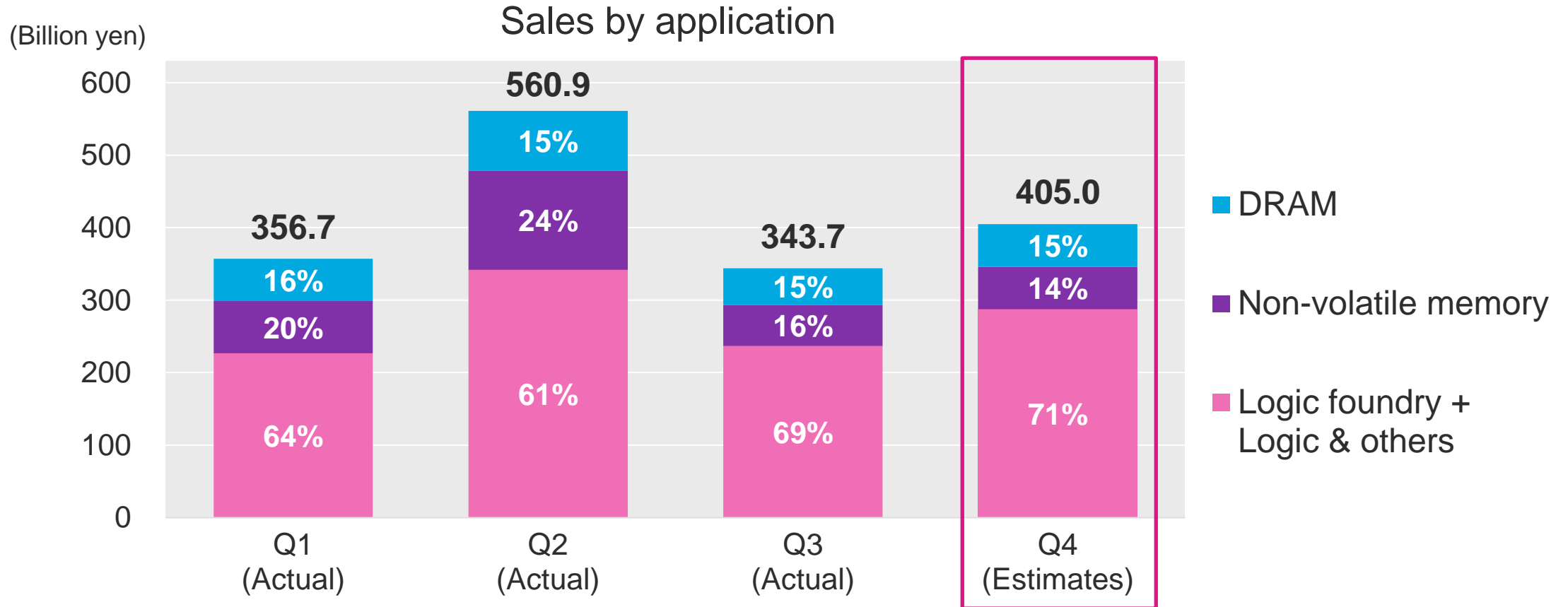
(Billion yen)

	FY2022	FY2023			
	Actual	Actual	New estimates		Adjustments*
	Full Year	H1	H2	Full Year	Full Year
Net sales	2,003.8	1,182.8	987.2	2,170.0	+70.0
SPE	1,943.8	1,153.0	965.0	2,118.0	+72.0
FPD	59.8	29.7	22.3	52.0	-2.0
Gross profit	911.8	528.8	417.2	946.0	+36.0
Gross profit margin	45.5%	44.7%	42.3%	43.6%	+0.3pts
SF&A expenses	312.5	178.6	187.4	366.0	+2.0
Operating income	599.2	350.1	229.9	580.0	+34.0
Operating margin	29.9%	29.6%	23.3%	26.7%	+0.7pts
Income before income taxes	596.6	352.9	231.1	584.0	+35.0
Net income attributable to owners of parent	437.0	267.3	165.7	433.0	+33.0
Net income per share (Yen)	2,807.84	1,715.27	-	2,776.15	+211.22

Revised financial estimate to reflect Q3 results and Q4 forecast



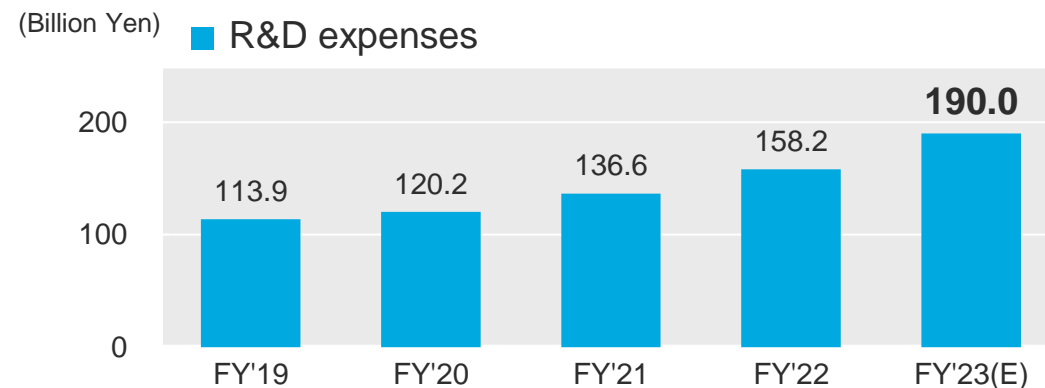
# FY2023 SPE Division New Equipment Sales Forecast



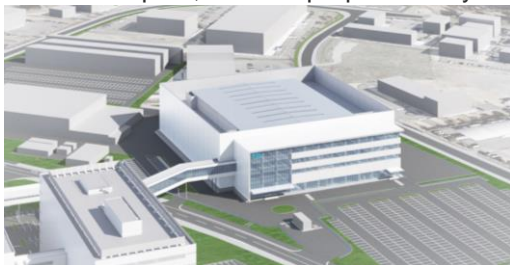
On a CY basis, we achieved growth of 22%.  
 On an FY basis, we expect growth of 11% compared to  
 the record high achieved in the previous fiscal year

# FY2023 R&D Expenses, Capex Plan

- R&D Expenses    ¥190.0B
  - Continue investing based on focus areas and sustainable growth
- Capex                    ¥75.0B
  - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation            ¥46.0B



New development building  
(Coater/Developers, Surface preparation systems)

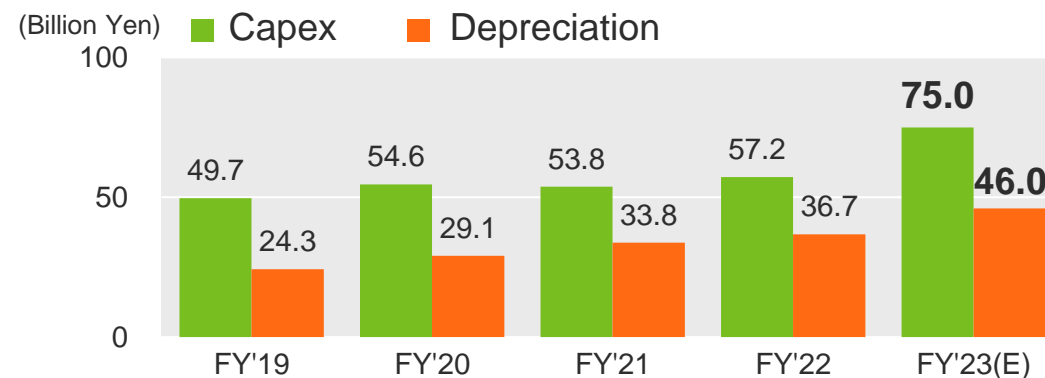


Koshi-city, Kumamoto Prefecture:  
approx. ¥30.0B construction cost  
(Completion scheduled for fall 2024)

New development building  
(Etch systems)

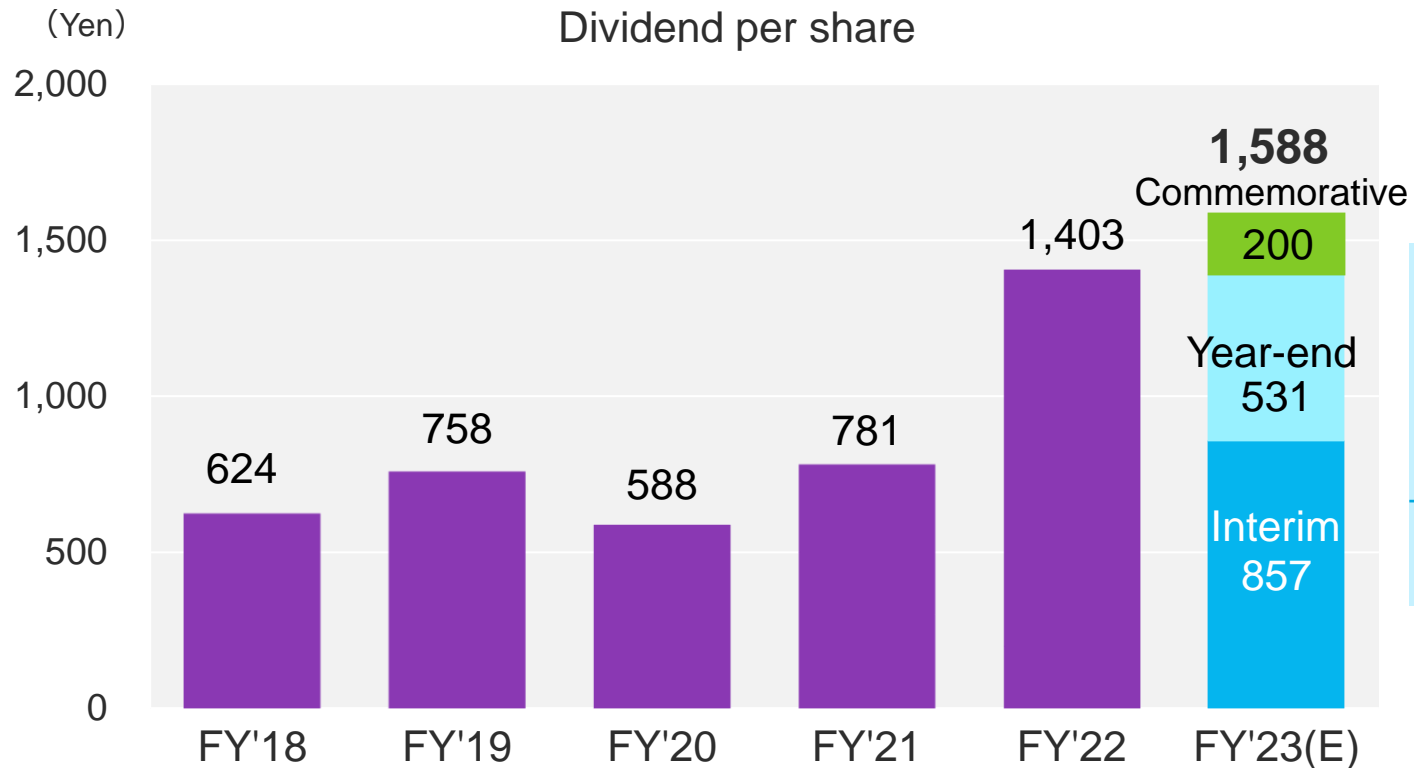


Taiwa-cho, Miyagi Prefecture:  
approx. ¥47.0B construction cost  
(Completion scheduled for spring 2025)



To improve production efficiency for further growth, R&D expenses are expected to exceed 1 trillion yen and CAPEX 400 billion yen over the next 5 years

# FY2023 Dividend Forecast



## TEL shareholder return policy

**Dividend payout ratio: 50%**

**Annual DPS of not less than 150 yen**

We will review our dividend policy if the company does not generate net income for two consecutive fiscal years

**We will flexibly consider share buybacks**

Expect to pay annual DPS of 1,588 yen,  
including the 60<sup>th</sup> anniversary commemorative dividend of 200 yen

TEL | 60<sup>↑</sup> years