

Q1 FY2023 (April 1, 2022 – June 30, 2022) Financial Announcement

August 8, 2022

Agenda:

- 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, 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

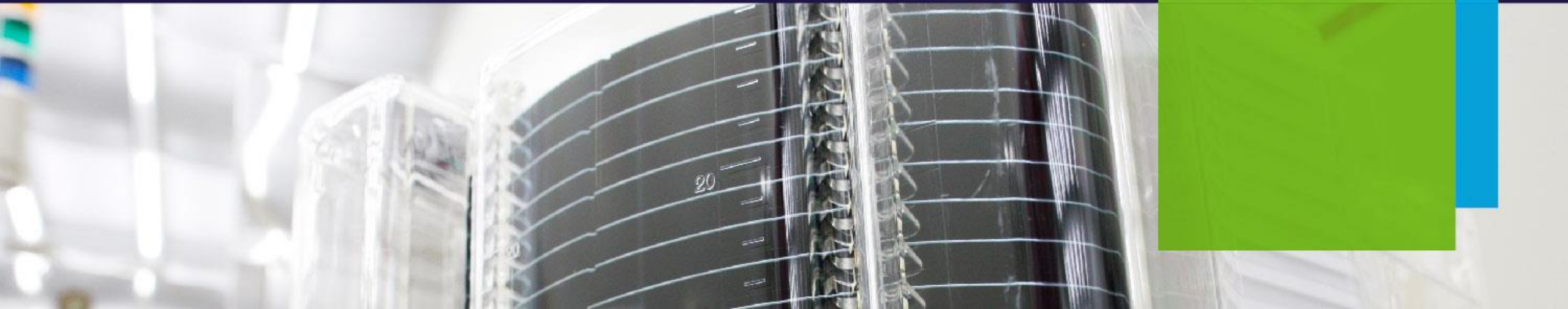
In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. Although some sales and expenses are denominated in foreign currencies, the impact of exchange rate fluctuations on profits is negligible, unless extreme fluctuations occur.

FPD: Flat panel display

Q1 FY2023 Consolidated Financial Summary

August 8, 2022

Hiroshi Kawamoto
Deputy General Manager, Global Business Platform Division
Vice President & General Manager, Finance Unit



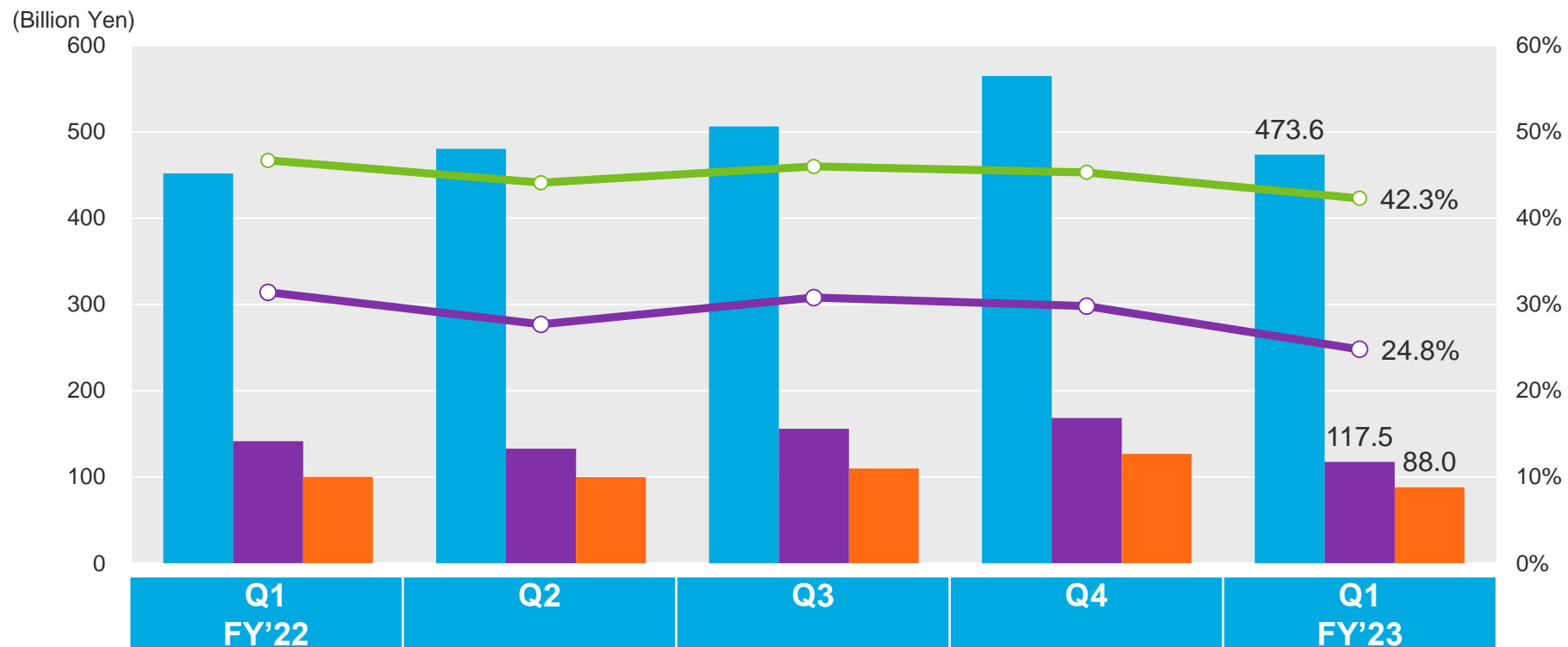
Financial Summary

(Billion Yen)

	FY2022				FY2023	vs. Q4 FY2022
	Q1	Q2	Q3	Q4	Q1	
Net sales	452.0	480.4	506.4	564.8	473.6	-16.1%
SPE	437.9	467.8	488.8	549.2	464.0	-15.5%
FPD	14.0	12.5	17.6	15.5	9.6	-38.0%
Gross profit	210.9	211.9	233.0	255.9	200.5	-21.7%
Gross profit margin	46.7%	44.1%	46.0%	45.3%	42.3%	-3.0pts
SG&A expenses	69.1	79.0	76.9	87.3	83.0	-5.0%
Operating income	141.7	132.8	156.0	168.5	117.5	-30.3%
Operating margin	31.4%	27.7%	30.8%	29.8%	24.8%	-5.0pts
Income before income taxes	138.0	135.0	155.5	168.1	117.6	-30.0%
Net income attributable to owners of parent	100.3	99.8	110.0	126.8	88.0	-30.5%
R&D expenses	34.3	41.1	38.5	44.1	42.1	-4.6%
Capital expenditures	10.6	14.5	17.4	14.7	18.0	+22.9%
Depreciation and amortization	7.9	8.8	9.6	10.2	9.7	-5.3%

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.

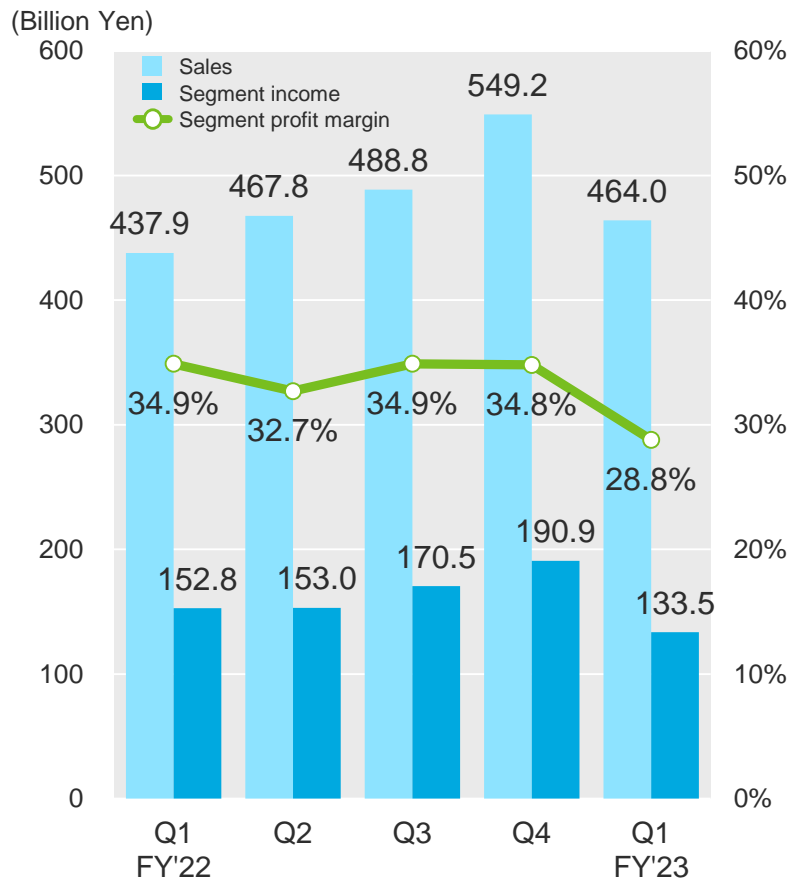
Financial Performance



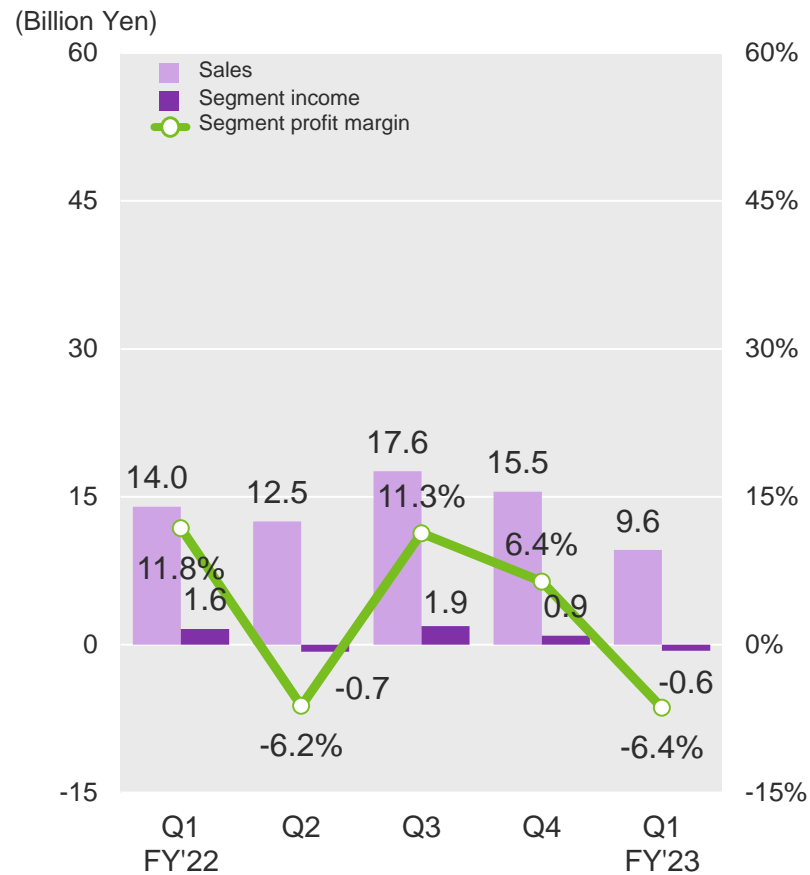
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Gross profit margin	46.7%	44.1%	46.0%	45.3%	42.3%
Operating margin	31.4%	27.7%	30.8%	29.8%	24.8%

Segment Information

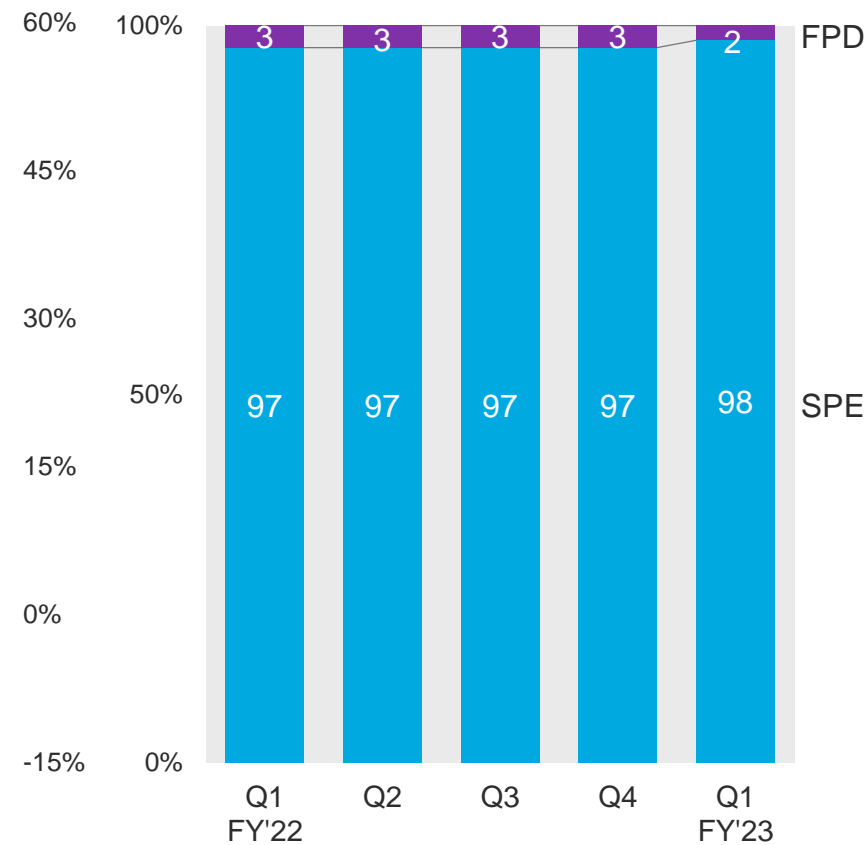
SPE (Semiconductor production equipment)



FPD (Flat panel display production equipment)

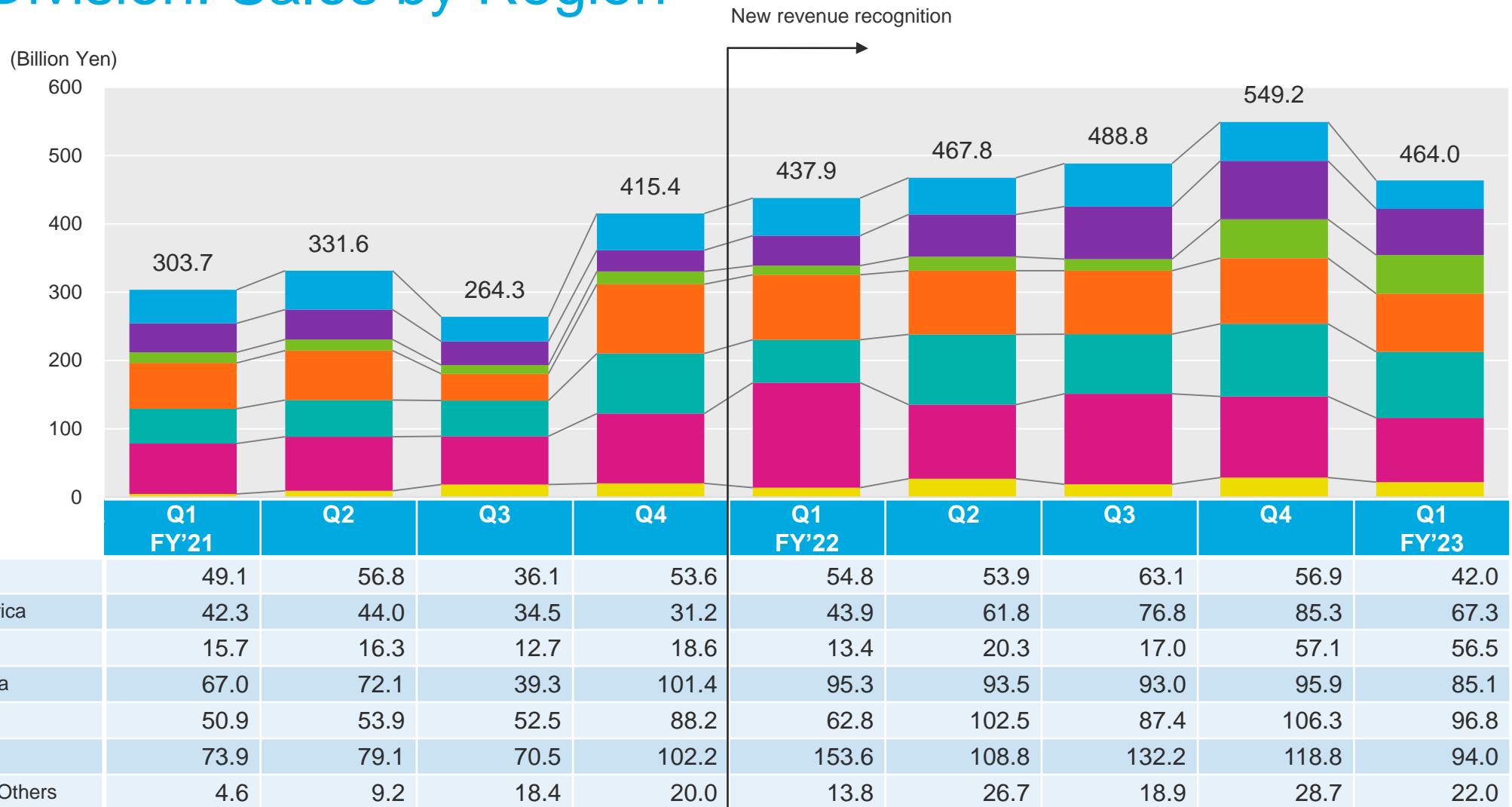


Composition of Net Sales

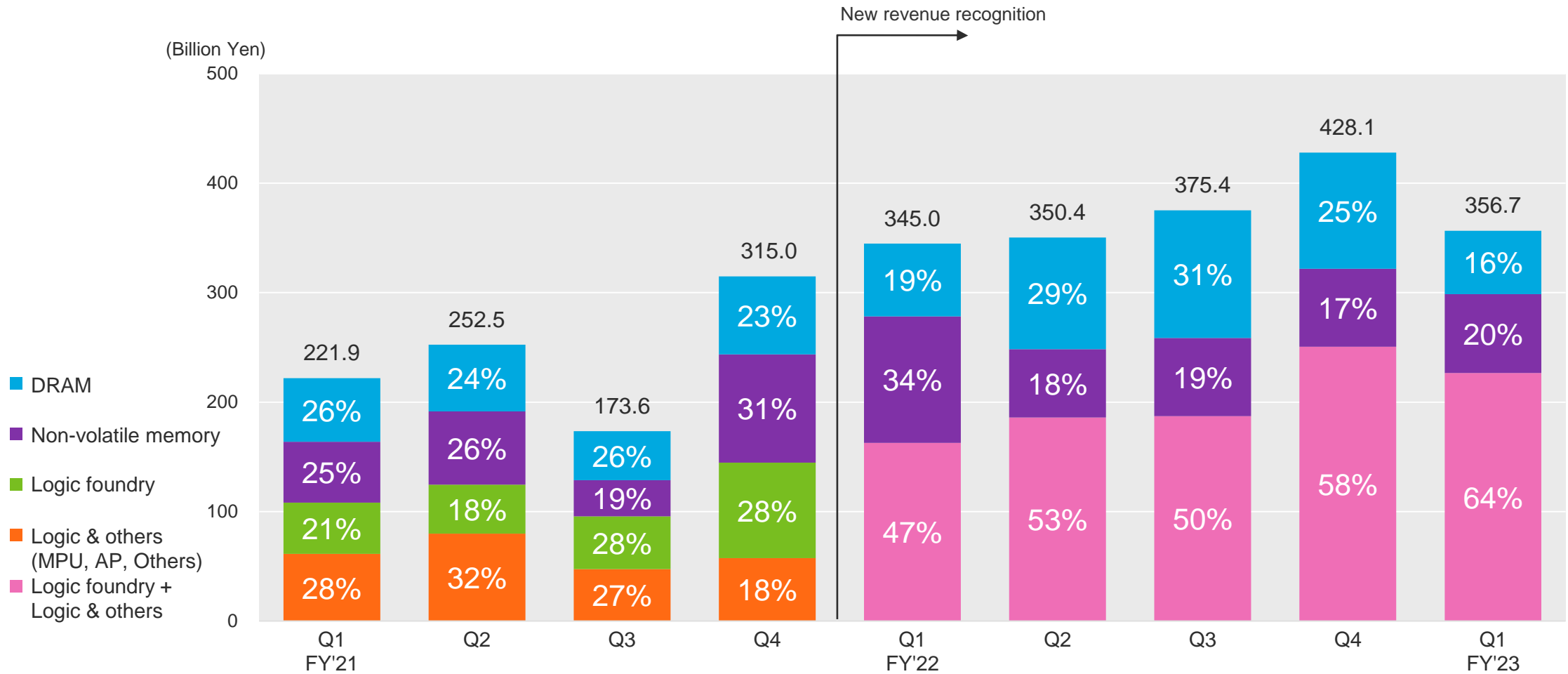


1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research, etc. and other general and administrative expenses are not included in the above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

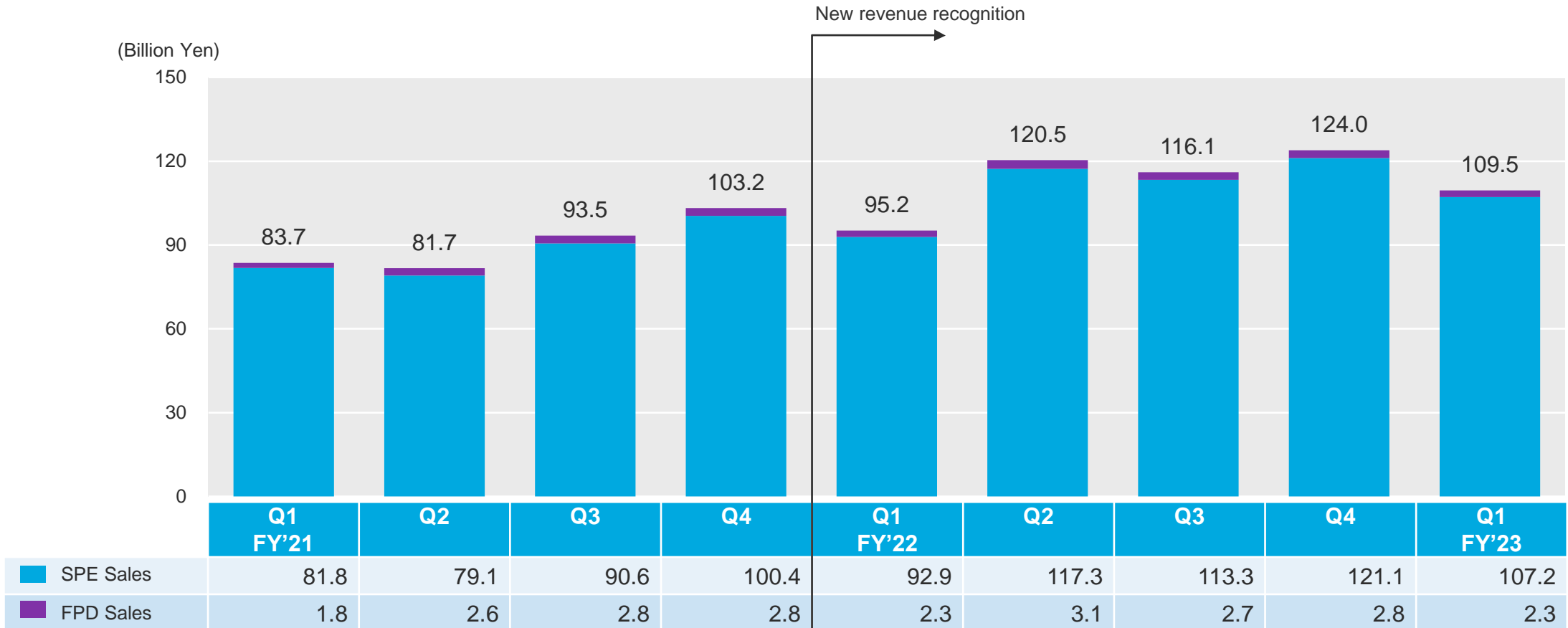
SPE Division: Sales by Region



SPE Division: New Equipment Sales by Application



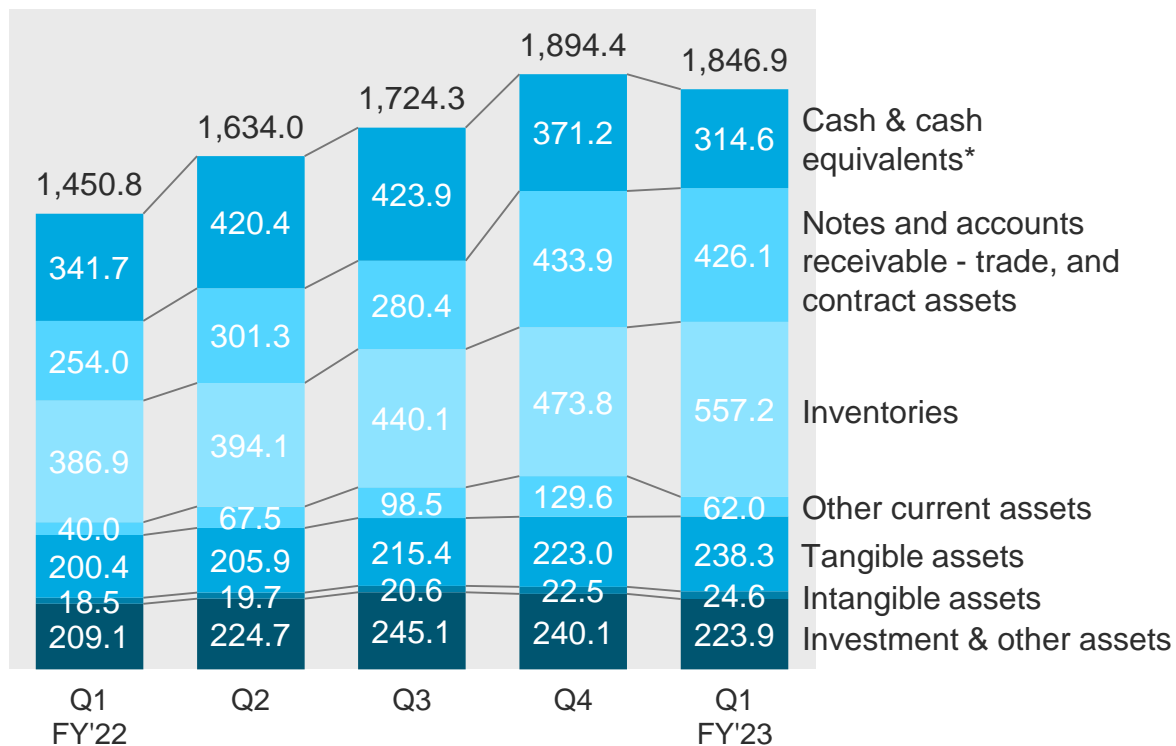
Field Solutions Sales



Balance Sheet

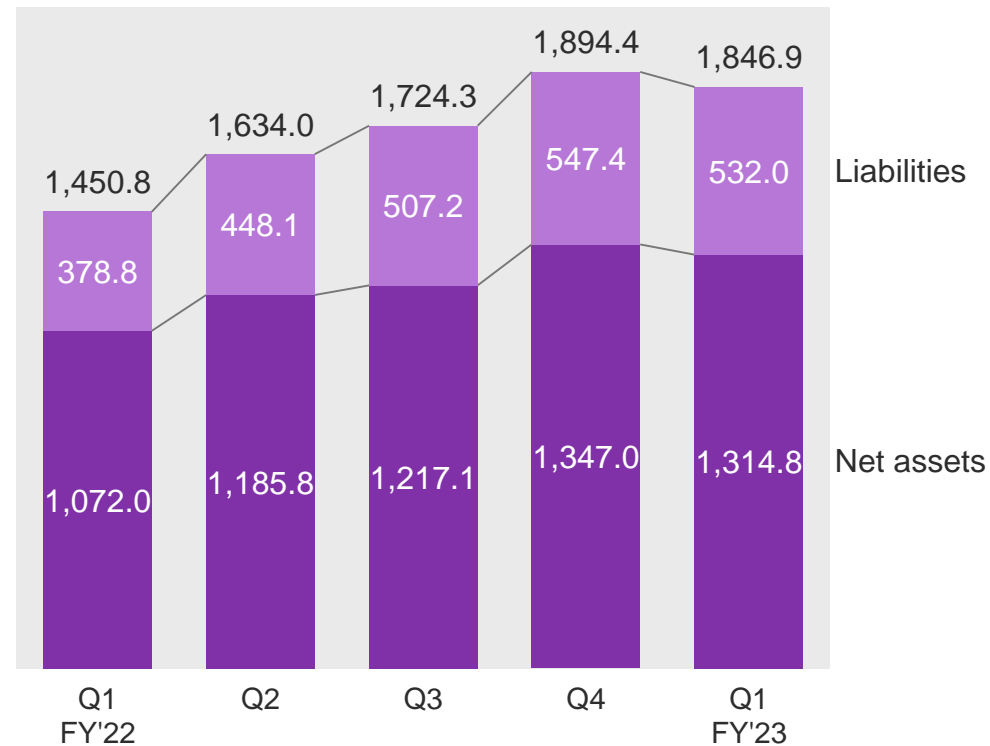
Assets

(Billion Yen)

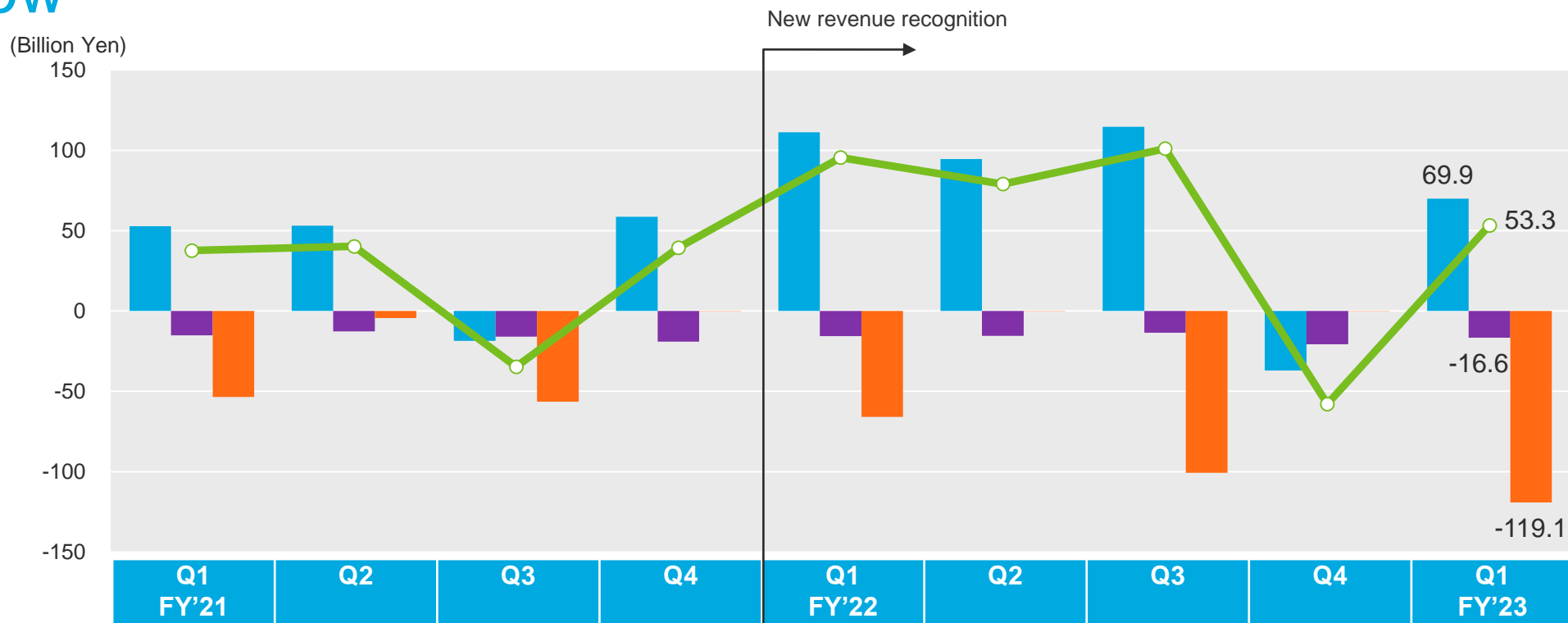


Liabilities & Net Assets

(Billion Yen)



Cash Flow



	Q1 FY'21	Q2	Q3	Q4	Q1 FY'22	Q2	Q3	Q4	Q1 FY'23
Cash flow from operating activities	52.7	53.1	-18.6	58.6	111.2	94.6	114.6	-37.1	69.9
Cash flow from investing activities*1	-15.1	-12.8	-16.0	-19.1	-15.7	-15.5	-13.5	-20.7	-16.6
Cash flow from financing activities	-53.5	-4.4	-56.4	-0.1	-65.9	-0.2	-100.7	-0.2	-119.1
Free cash flow*2	37.6	40.2	-34.7	39.4	95.5	79.0	101.0	-57.9	53.3
Cash on hand*3	322.6	358.9	269.0	311.5	341.7	420.4	423.9	371.2	314.6

*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).

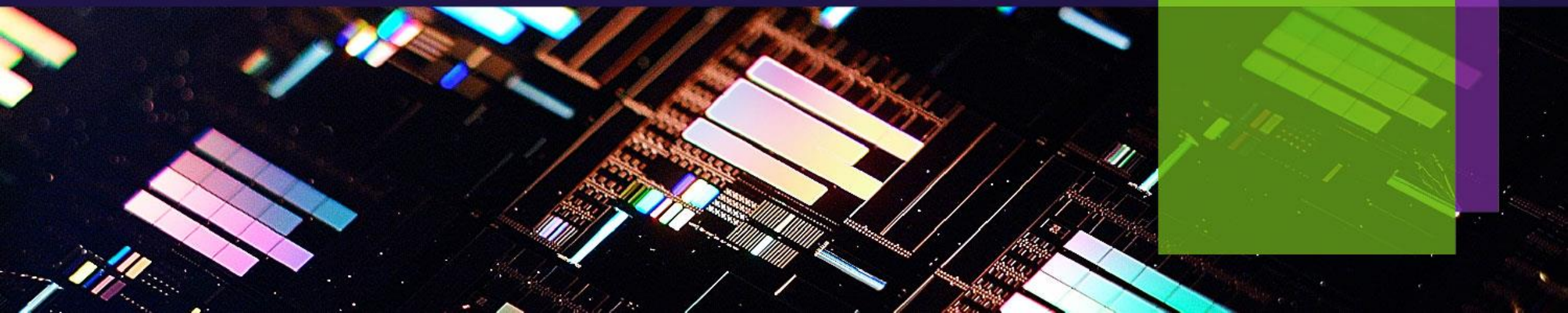
*3 Cash on hand includes cash and cash equivalents + time deposits and short-term investments with original maturities of more than three months.



Business Environment and Financial Estimates

August 8, 2022

Toshiki Kawai
Representative Director, President & CEO



CY2022 Business Environment (Outlook as of August 2022)

- WFE*¹ market

- Expect to grow 5 to 15% YoY.

- Revised our view of the market for CY2022 in light of concerns over macroeconomic slowdown, impact from components shortages and logistics disruptions, and significant currency fluctuations.

- No change to expected the medium- to long-term market growth driven by ongoing digital shift in society

- FPD production equipment market (TFT array process*²)

- Expect to increase slightly.

- Increased investment accompanying adoption of new applications in automotive, etc., and new technologies for mobile. The transition from LCD to OLED progressing from small panels, expected to expand to large panels.

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

CY2022 WFE Market by Application

- Logic/Foundry: 10 to 20% increase YoY
 - Drive WFE market with continued proactive investment on expanded applications accompanying advances in ICT*
 - Progress in technology development including GAA/Nanosheet, Backside PDN
- DRAM: Approx. 5% decrease YoY
 - Changed view in light of short-term adjustment phase for PC and smartphones
 - Expansion of DDR5 on release of high-speed CPU for servers, progress in scaling
- Non-volatile memory: Approx. 10% increase YoY
 - Continued firm investment driven by progressing adoption of SSDs and rising memory contents
 - Progress in 200-layer level scaling toward low cost and large capacity

FY2023 Q1 Business Progress

- Announced the new Medium-term Management Plan (~FY2027).
Aiming to raise short-, medium-, and long-term profit and enhance continuous corporate value
 - New financial targets: Net sales \geq 3 trillion yen, OP margin \geq 35%, ROE \geq 30%
 - New vision: “A company filled with dreams and vitality that contributes to technological innovation in semiconductors”
 - New medium-term environmental targets: Reducing greenhouse gas emissions to net zero (Scope1, 2 = by 2040, Scope3 = by 2050)
 - Aggressive investment on R&D: Planning to invest more than 1 trillion yen over 5 years.
- Steady progress in acquiring POR* driven by strategic products

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

FY2023 Financial Estimates

FY2023 Financial Estimates

(Billion yen)

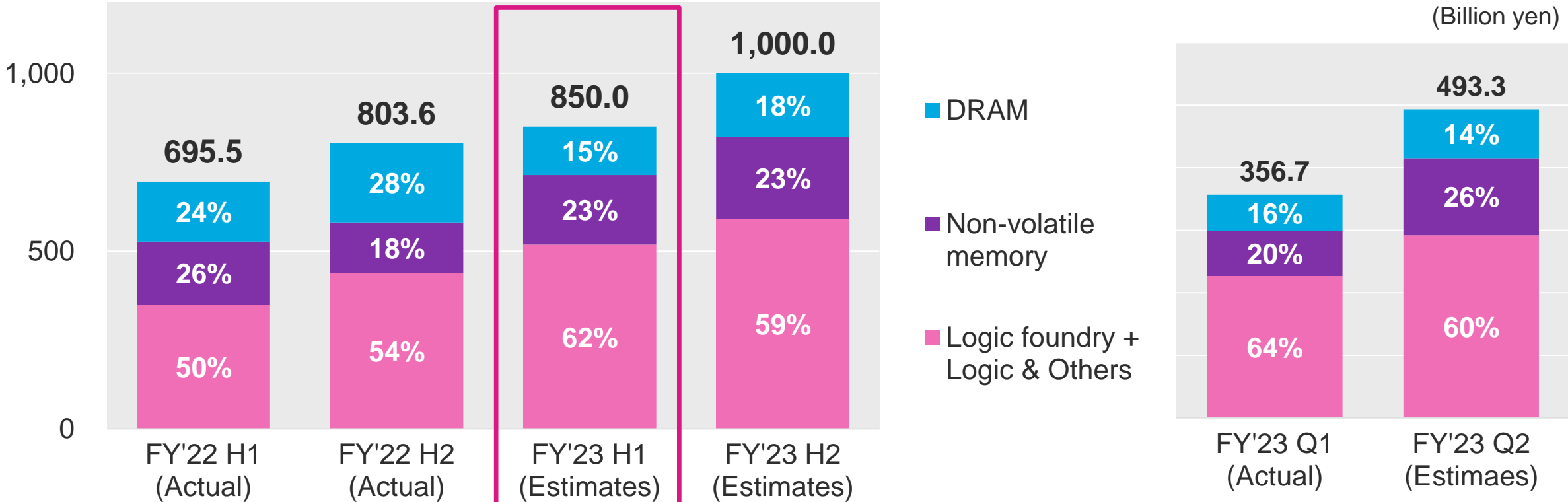
	FY2022 (Actual)	FY2023 (Estimate)			
		H1	H2	Full Year	Full Year YoY change
Net sales	2,003.8	1,100.0	1,250.0	2,350.0	+17.3%
SPE	1,943.8	1,070.0	1,225.0	2,295.0	+18.1%
FPD	59.8	30.0	25.0	55.0	-8.1%
Gross profit	911.8	495.0	580.0	1,075.0	+17.9%
Gross profit margin	45.5%	45.0%	46.4%	45.7%	+0.2pts
SG&A expenses	312.5	176.0	183.0	359.0	+14.9%
Operating income	599.2	319.0	397.0	716.0	+19.5%
Operating margin	29.9%	29.0%	31.8%	30.5%	+0.6pts
Income before income taxes	596.6	319.0	397.0	716.0	+20.0%
Net income attributable to owners of parent	437.0	234.0	289.0	523.0	+19.7%
Net income per share (Yen)	2,807.84	1,502.29	-	3,357.63	+549.79

Financial estimate unchanged. Continuing to closely monitor the market environment

FY2023 SPE Division New Equipment Sales Forecast

Sales by application

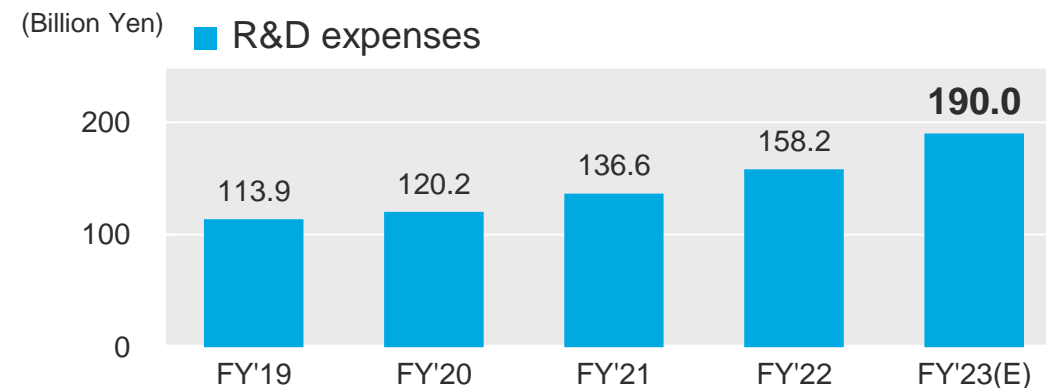
(Billion yen)



No change in half-year estimates despite the shift in shipment timing for some equipment

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)

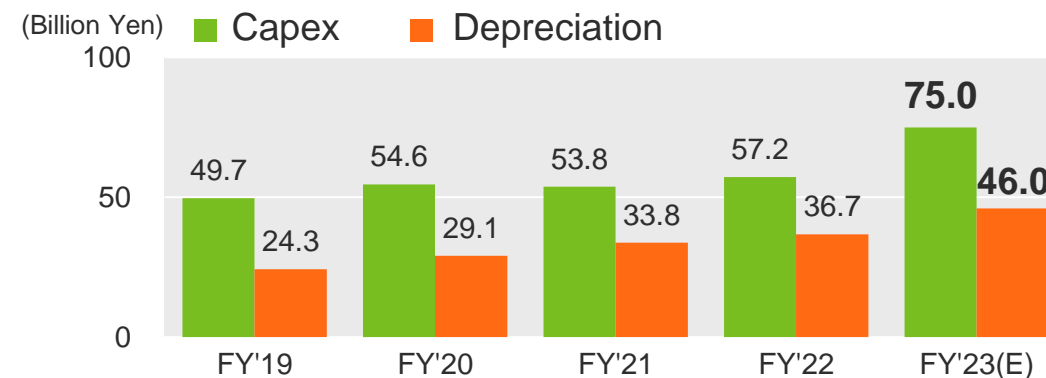


Koshi-city, Kumamoto Prefecture:
approx. ¥30.0B construction cost
(Completion scheduled for fall 2024)

New development building
(Etch systems)

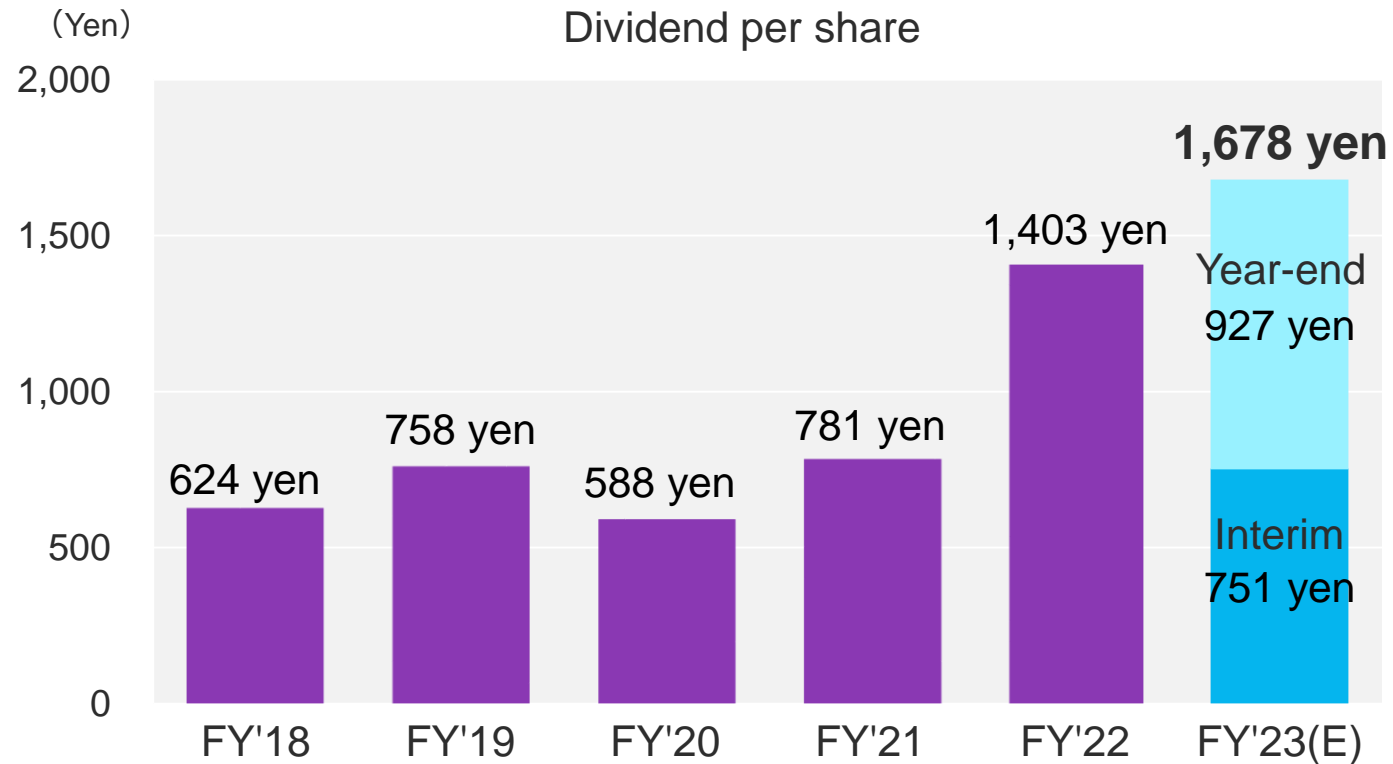


Taiwa-cho, Miyagi Prefecture:
approx. ¥47.0B construction cost
(Completion scheduled for spring 2025)



Accelerate investment in R&D and capex in view of growing market and diversification of new technology needs

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 1,678 yen

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