

FY2019 (April 2018 – March 2019) Financial Announcement

April 26, 2019

Agenda:

- FY2019 Consolidated Financial Summary
Ken Sasagawa, Vice President, Accounting Dept.
- Business Environment and Financial Estimates
Toshiki Kawai, Representative Director, President & CEO



Forward Looking Statements

- Disclaimer regarding forward-looking statement

Forecast of TEL's performance and future prospects and other sort of information published are made based on information available at the time of publication. Actual performance and results may differ significantly from the forecast 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, and intellectual property-related risks.

- 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.

- Exchange risk

In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD: Flat panel display



FY2019 Consolidated Financial Summary

[FY2019: April 1, 2018 – March 31, 2019]

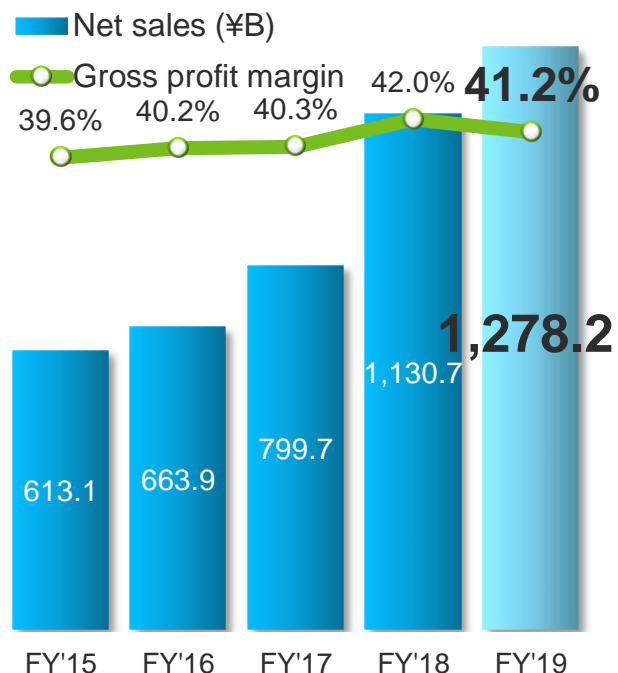
April 26, 2019

Ken Sasagawa
Vice President, Accounting Dept.

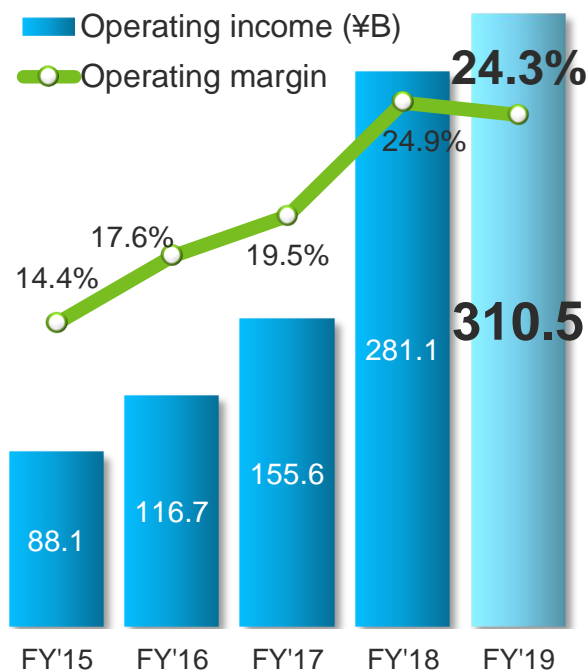


FY2019 (April 2018 – March 2019) Highlights

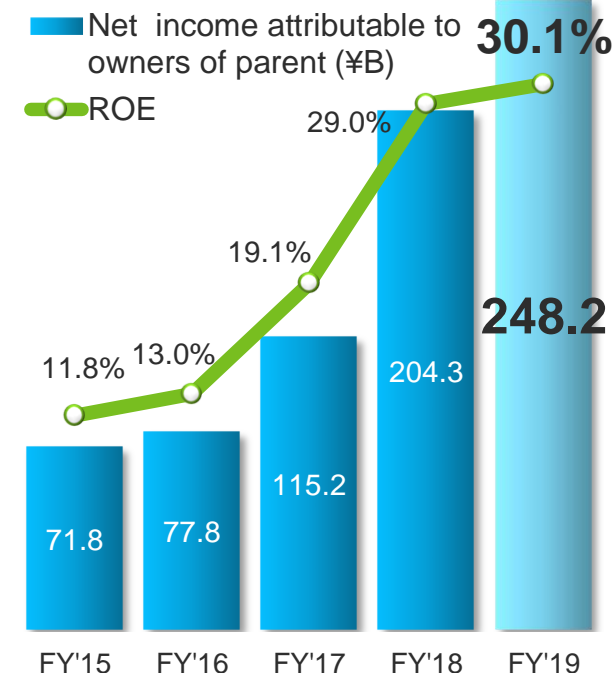
Net Sales and Gross Profit Margin



Operating Income and Operating Margin



Net Income Attributable to Owners of Parent and ROE



- Net sales +13% YoY driven by higher competitiveness in the growing SPE*1 market and expanded share in FPD*2
- New record highs for gross profit, operating income and net income attributable to owners of parent

Financial Summary

(Billion yen)

	FY2018	FY2019	YoY Change	(Reference) FY2019 estimates announced on Oct. 31, 2018
Net sales	1,130.7	1,278.2	+13.0%	1,280.0
SPE	1,055.2	1,166.7	+10.6%	1,169.8
FPD	75.0	111.2	+48.2%	110.0
Gross profit	475.0	526.1	+10.8%	528.0
Gross profit margin	42.0%	41.2%	-0.8pts	41.3%
SG&A expenses	193.8	215.6	+11.2%	219.0
Operating income	281.1	310.5	+10.5%	309.0
Operating margin	24.9%	24.3%	-0.6pts	24.1%
Income before income taxes	275.2	321.5	+16.8%	315.0
Net income attributable to owners of parent	204.3	248.2	+21.5%	237.0
EPS (Yen)	1,245.48	1,513.58	+21.5%	1,445.13
R&D expenses	97.1	113.9	+17.4%	116.0
Capital expenditures	45.6	49.7	+9.1%	51.0
Depreciation and amortization	20.6	24.3	+18.0%	26.0

1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated using full amounts, before rounding.

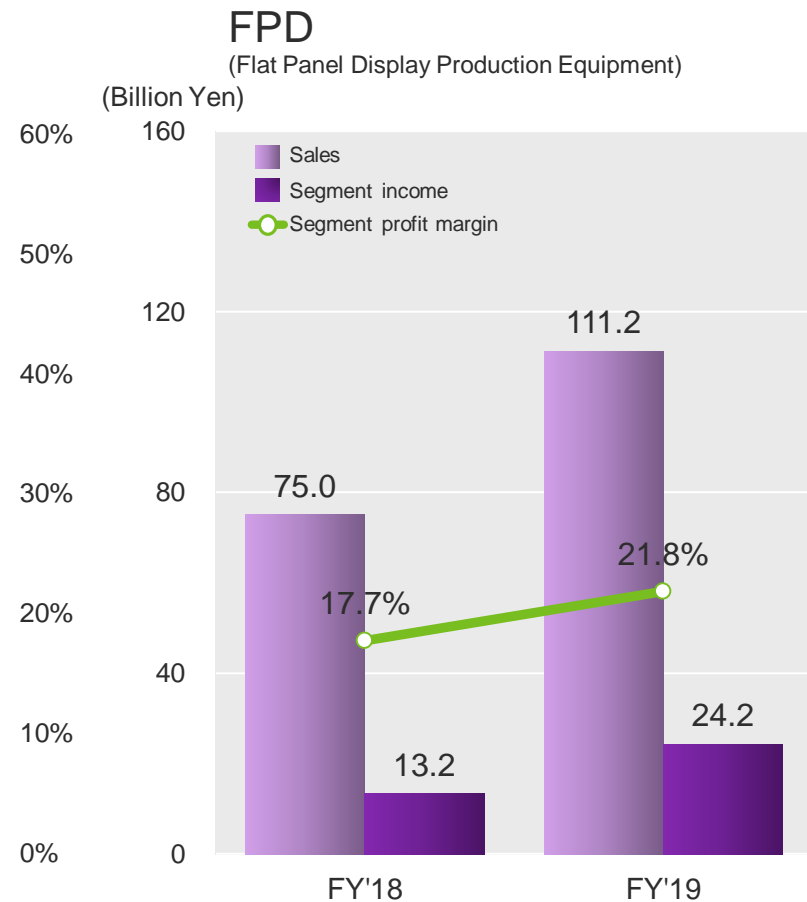
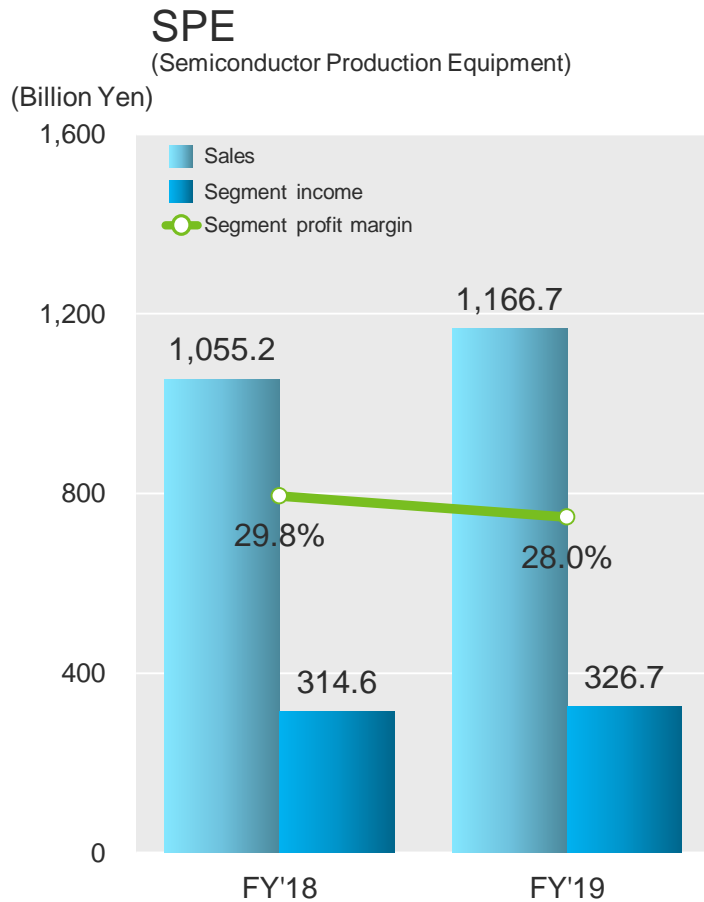
Financial Summary (Quarterly)

(Billion Yen)

	FY2018	FY2019				vs. Q3 FY2019
	Q4	Q1	Q2	Q3	Q4	
Net sales	355.9	295.5	395.4	268.1	319.0	+19.0%
SPE	326.0	280.4	358.0	239.5	288.7	+20.6%
FPD	29.7	15.1	37.3	28.5	30.1	+5.6%
Gross profit	153.5	122.4	161.6	109.7	132.2	+20.5%
Gross profit margin	43.1%	41.4%	40.9%	40.9%	41.5%	+0.6pts
SG&A expenses	53.7	50.0	58.6	51.0	55.8	+9.5%
Operating income	99.7	72.4	103.0	58.7	76.4	+30.1%
Operating margin	28.0%	24.5%	26.0%	21.9%	24.0%	+2.1pts
Income before income taxes	95.6	75.2	105.8	60.5	79.8	+31.7%
Net income attributable to owners of parent	72.9	55.7	79.5	48.8	64.1	+31.3%
R&D expenses	27.0	26.1	31.2	26.5	30.0	+13.3%
Capital expenditures	12.0	9.6	13.2	11.8	14.9	+26.6%
Depreciation and amortization	6.0	5.0	5.6	6.2	7.3	+17.2%

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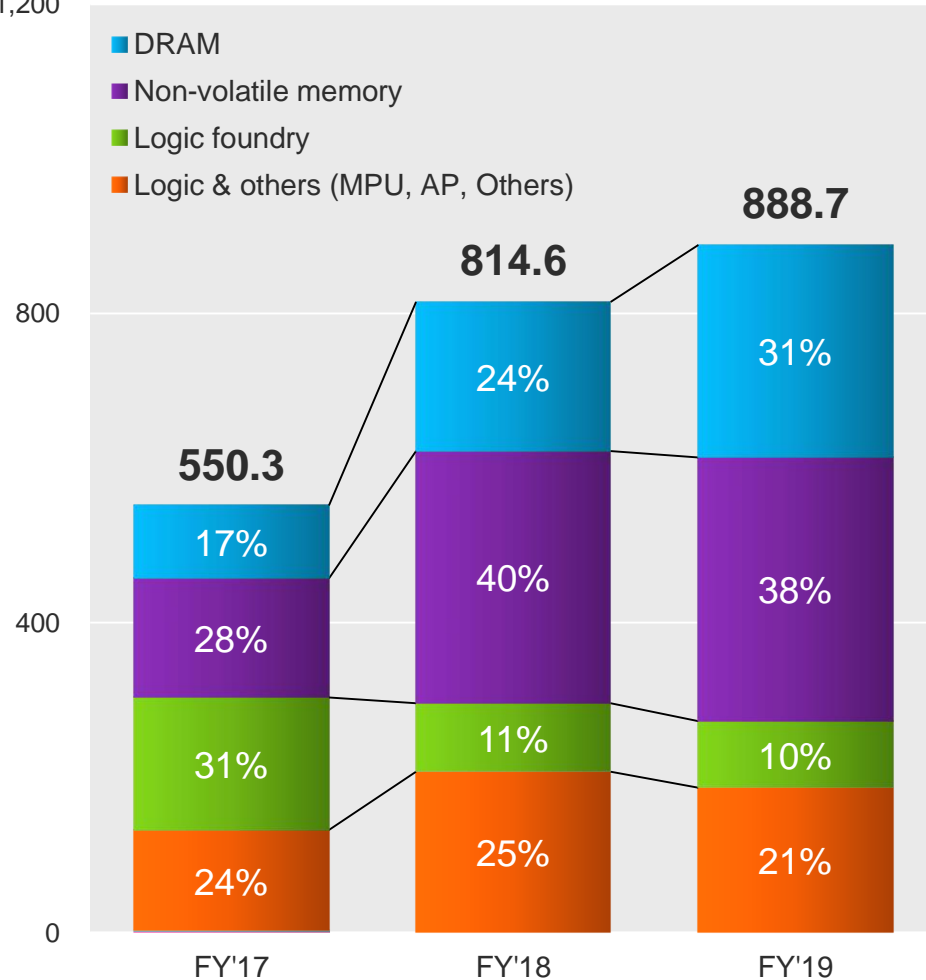
Segment Information



1. Segment income is based on income before income taxes.
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3. Composition of net sales figures is based on the sales to customers.

SPE Division: New Equipment Sales by Application

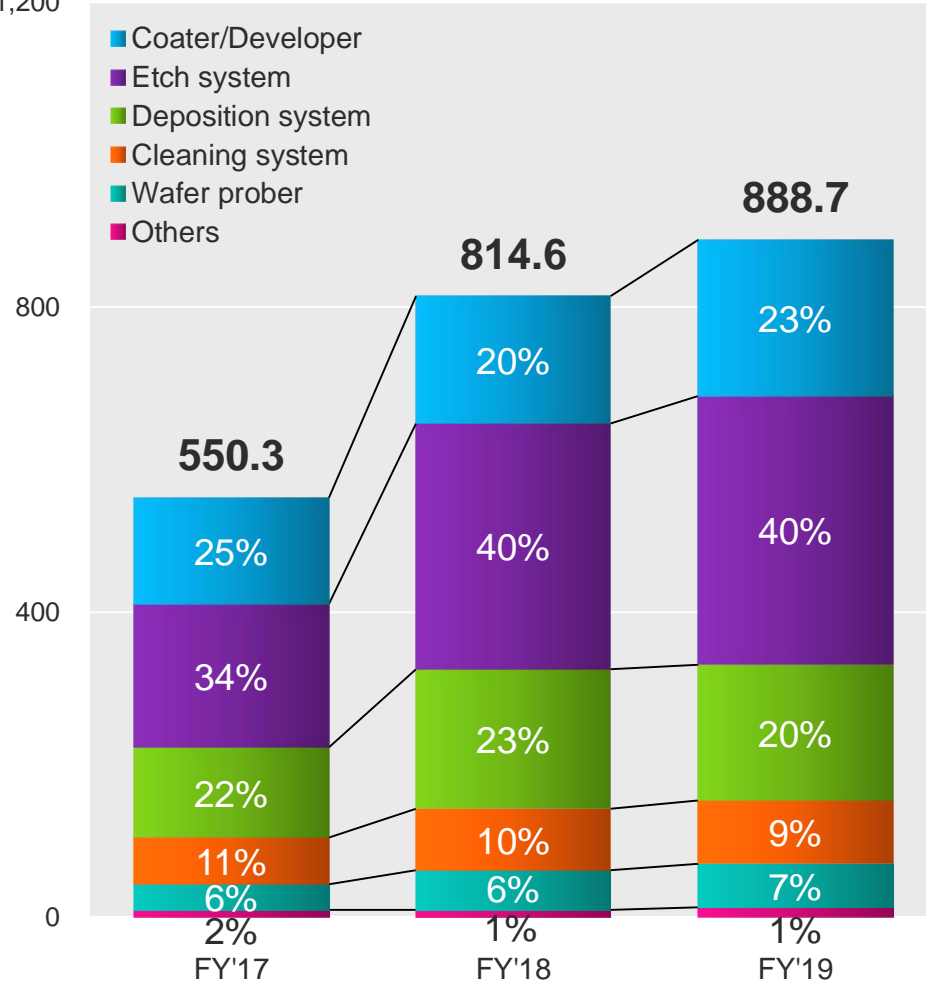
(Billion Yen)
1,200



- In FY2019 in memory, steady investment for increasing production capacity and cutting-edge technologies accompanied strong demand for servers
- In logic/foundry, investment continued for the 14nm and subsequent generations

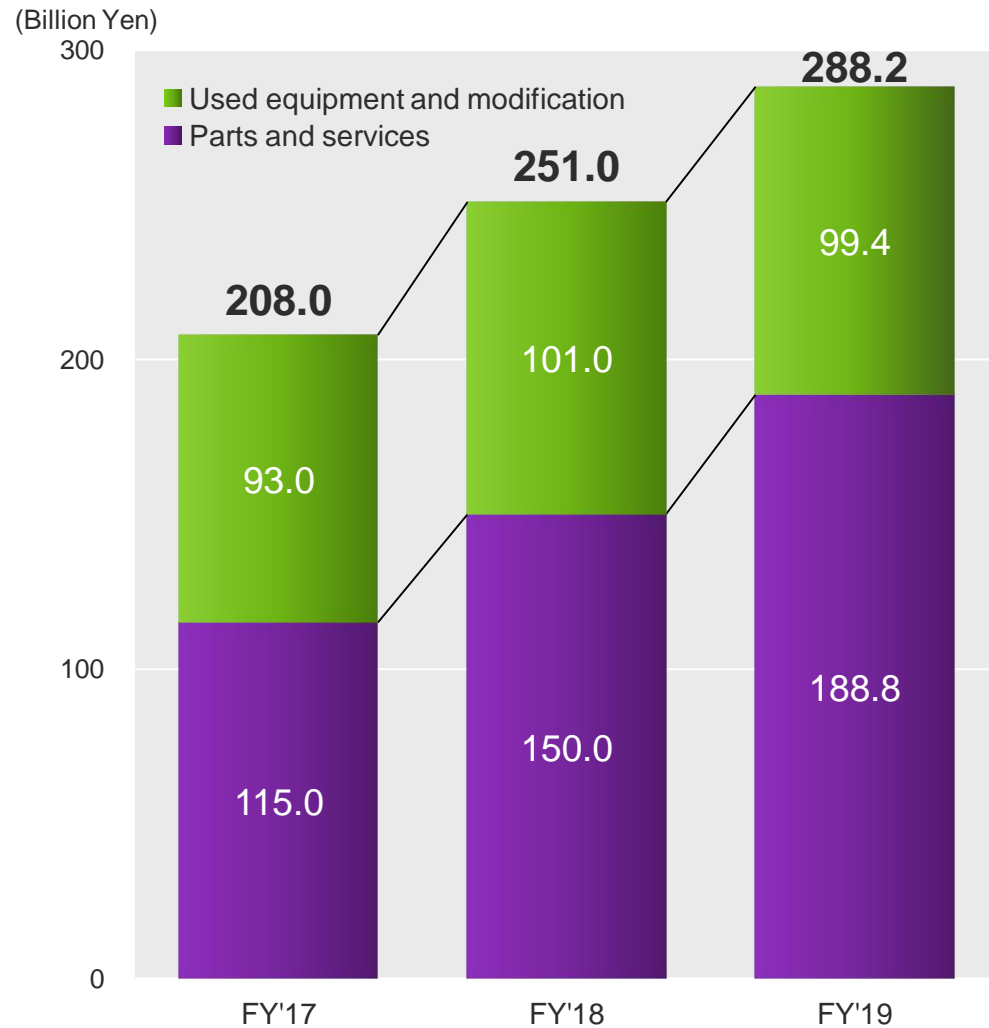
SPE Division: New Equipment Sales by Product

(Billion Yen)
1,200



- Sales grew in FY2019 in coater/developer and etch systems

Field Solutions Sales

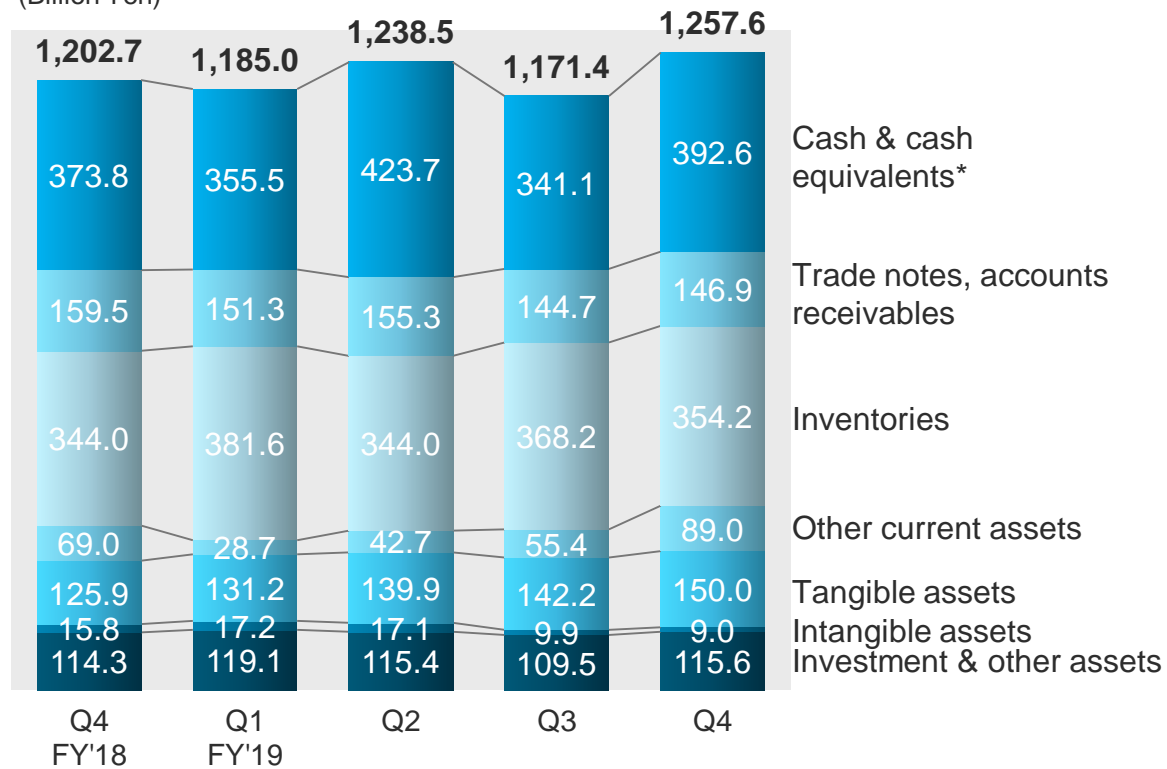


- FY2019 sales were ¥288.2 billion, +15% YoY. Parts sales especially grew due to an increase in installed base and comprehensive service contracts

Balance Sheet (Quarterly)

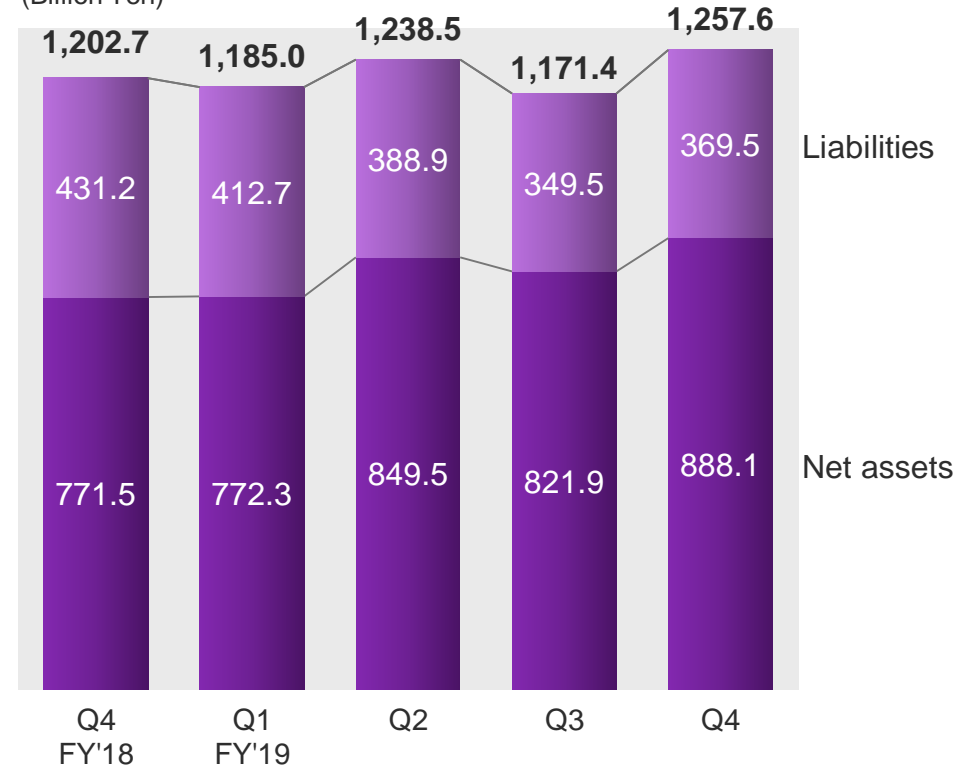
Assets

(Billion Yen)



Liabilities & Net Assets

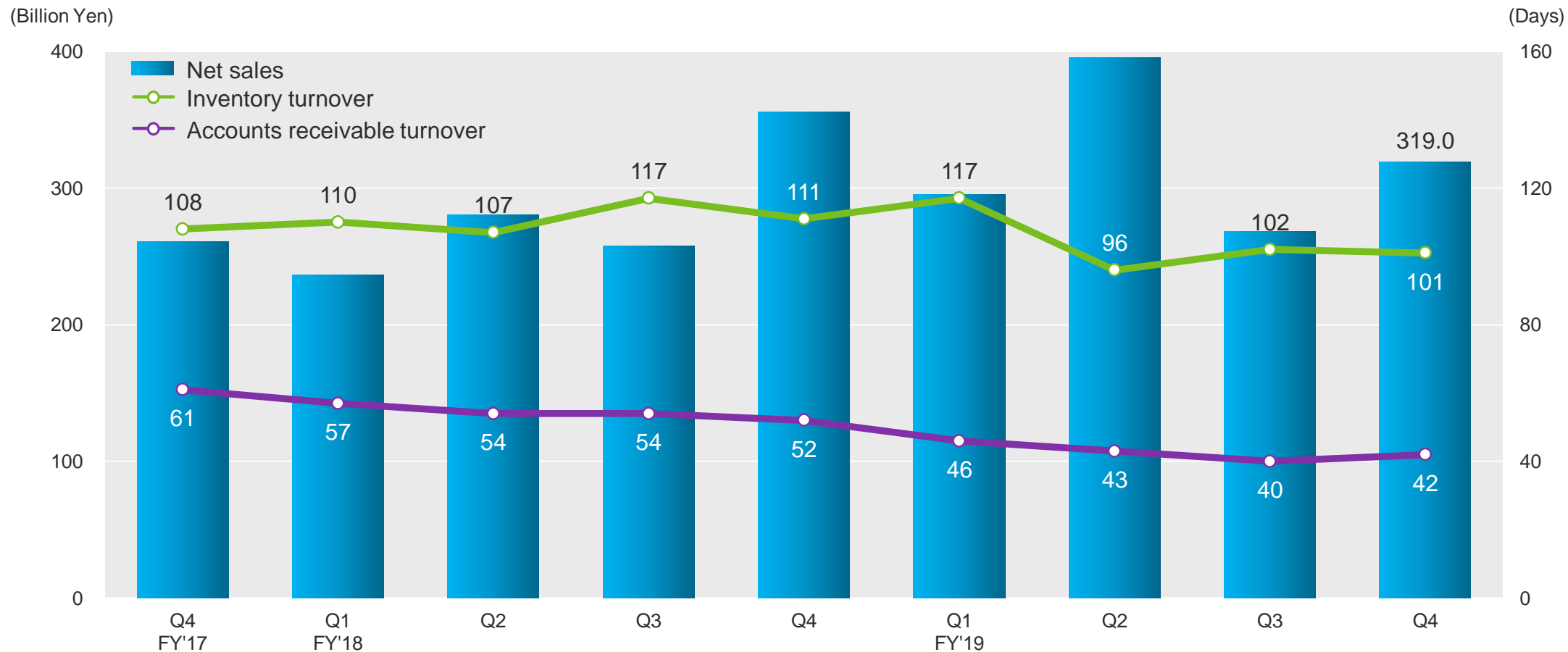
(Billion Yen)



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

From the beginning of the FY2019 Q1 accounting period the Accounting Standards Board of Japan's "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revision on February 16, 2018) has been applied. FY2018 results have been restated in the graphs in accordance with the revised accounting standard.

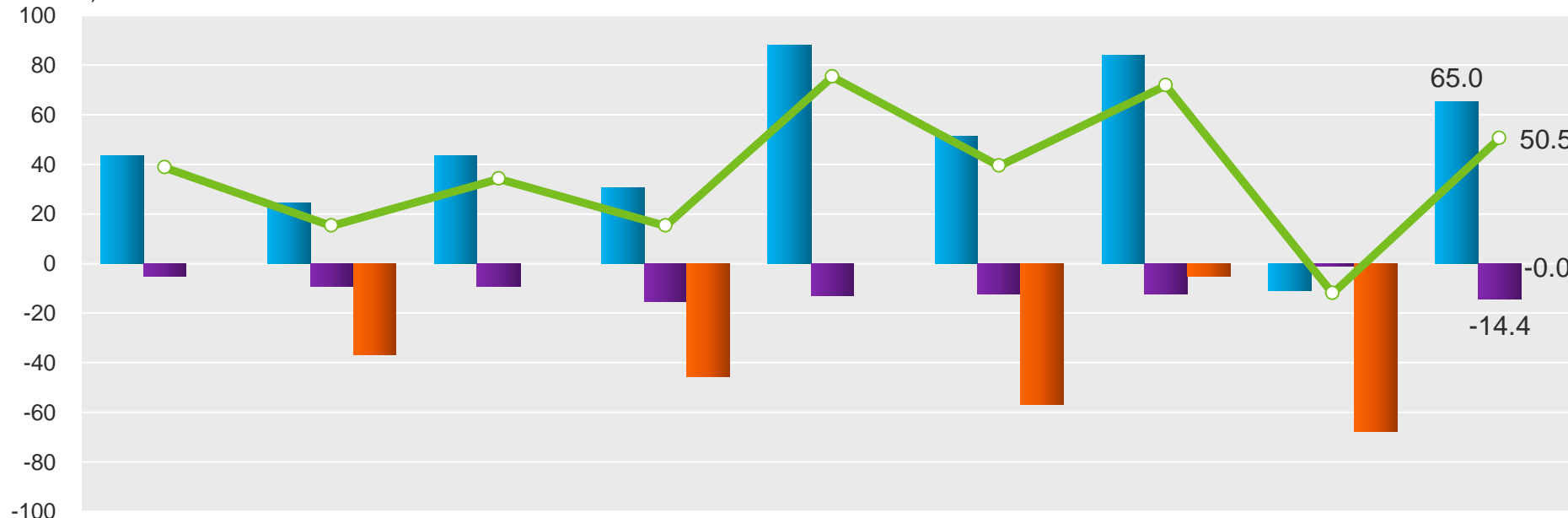
Inventory Turnover and Accounts Receivable Turnover (Quarterly)



Turnover days = inventory or accounts receivable at the end of each quarter / last 12 months sales x 365

Cash Flow (Quarterly)

(Billion Yen)



	Q4 FY'17	Q1 FY'18	Q2	Q3	Q4	Q1 FY'19	Q2	Q3	Q4
Cash flow from operating activities	43.6	24.4	43.4	30.4	88.1	51.4	84.0	-11.0	65.0
Cash flow from investing activities*	-4.9	-9.3	-9.4	-15.2	-12.8	-12.1	-12.2	-1.1	-14.4
Cash flow from financing activities	-0.0	-36.8	-0.0	-45.7	-0.0	-56.9	-5.0	-67.8	-0.0
Free cash flow**	38.7	15.1	34.0	15.1	75.3	39.3	71.7	-12.1	50.5
Cash on hand***	315.3	294.6	329.9	301.2	373.8	355.5	423.7	341.1	392.6

*1 Cash flow from investing activities excludes changes in deposits with periods to maturity of over 3 months.

*2 Free cash flow = cash flow from operating activities + cash flow from investing activities excluding changes in deposits with periods to maturity of over 3 months.

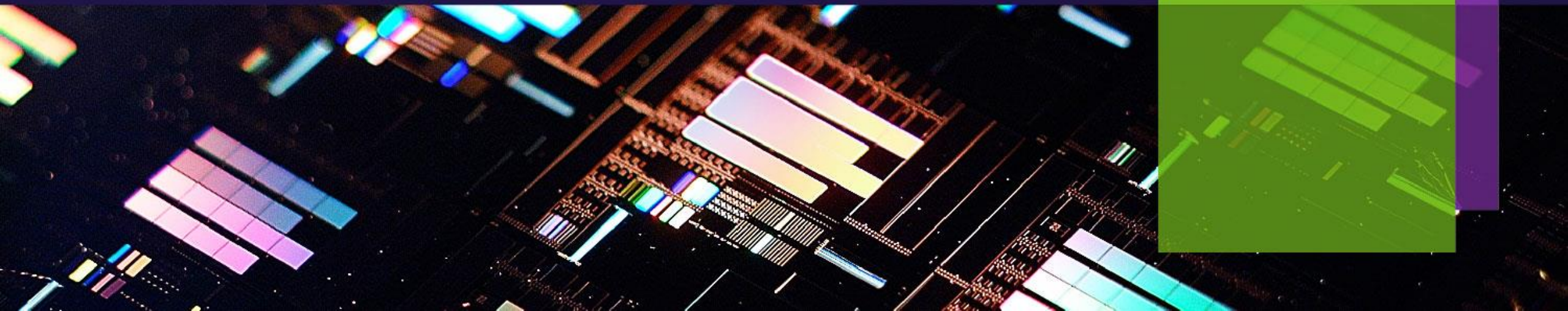
*3 Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.



Business Environment and Financial Estimates

April 26, 2019

Toshiki Kawai
Representative Director, President & CEO



FY2019 SPE Business Highlights

Coater/Developer

- Achieved 88% share
- 100% share in HVM EUV



Etch System

- 3D NAND slit process
- Achieved 30% of medium-term plan share target (+4pts vs. CY'17)
- Began operations at new logistics and development buildings at Miyagi plant

Cleaning System

- Maintained share established in CY'17, which had been a significant increase on CY'16 (+5pts)
- High accolades from market for bevel clean and pattern collapse prevention technologies



Deposition System

- Grew share (+2pts vs. CY'17)
- Began construction of new production buildings at Yamanashi and Tohoku plants

Wafer Prober

- No. 1 share in probers for second straight year

Focused on growth areas, achieved highest-ever WFE share of 15%

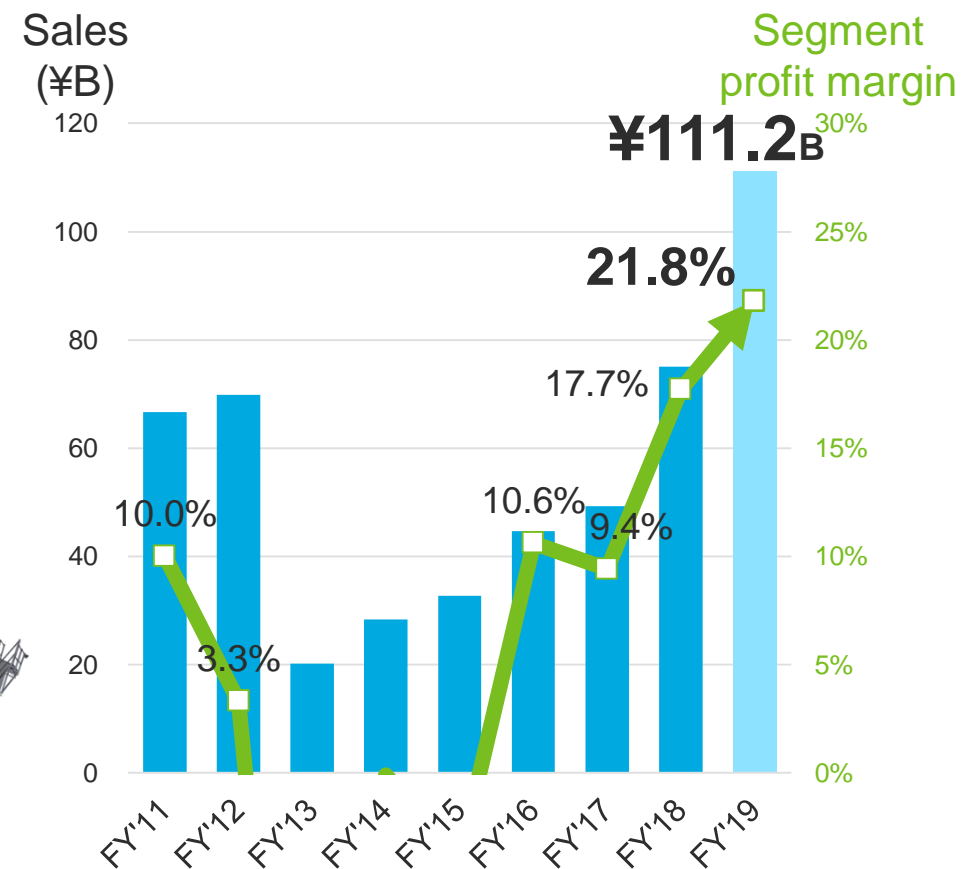
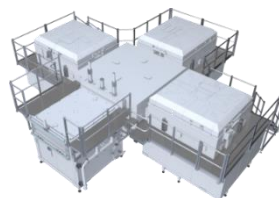
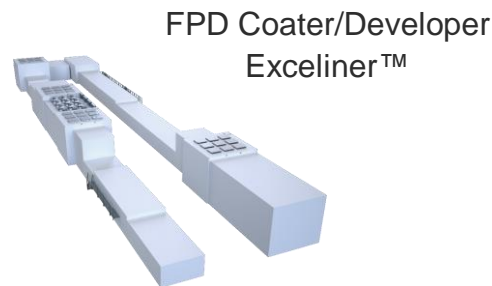
FY2019 FPD Business Highlights

- Achieved record-high sales and operating profit. Accomplished medium-term plan target operating margin of 20%

- Grew sales of equipment for G10.5. Contributed to higher sales and profit margin

- Launched new products

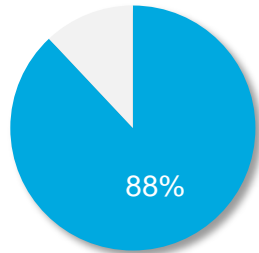
- Impressio™ 3300 PICP*™ G10.5 plasma etch system for high definition FPD
- Elius™ 1000 G4.5 inkjet printing system for manufacturing OLED panels



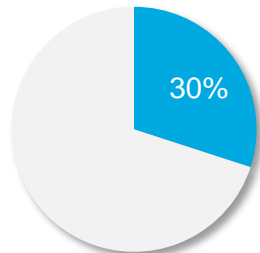
Achieved record-high sales and significantly improved profit margin

TEL Main Products World Market Share (CY2018)

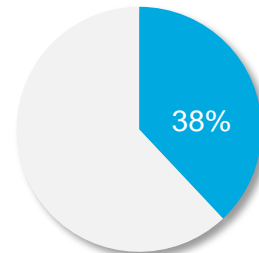
Semiconductor Production Equipment



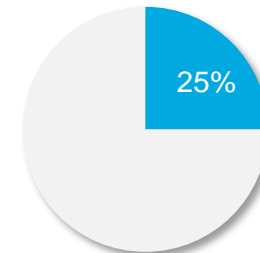
Coater/Developer



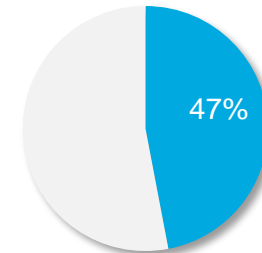
Dry Etch System



Deposition System

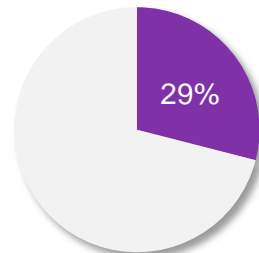


Cleaning System

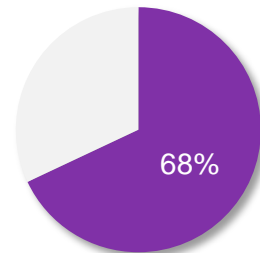


Wafer Prober*

FPD Production Equipment (FY2019)

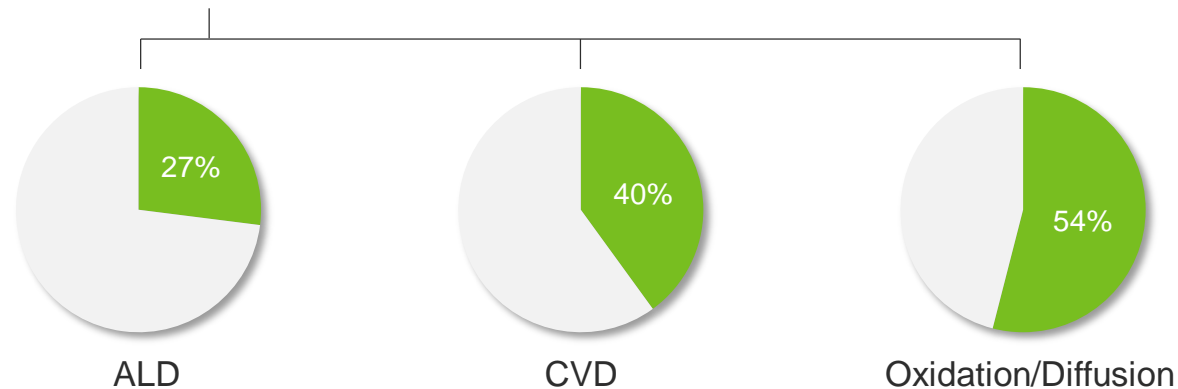


FPD Coater/Developer



FPD Etcher/Asher

Source (FPD) : TEL survey



Source

SPE (excluding Wafer Prober) : Gartner, "Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2018", Bob Johnson, Gaurav Gupta et al, 24 April 2019

Charts/graphics created by Tokyo Electron based on Gartner research.

Coater/Developer: Photoresist processing (Track), Dry Etch System: Dry etch, Deposition System: Tube CVD + Atomic layer deposition tools + Oxidation/diffusion furnaces + Nontube LPCVD, ALD: Atomic layer deposition tools, CVD: Tube CVD + Nontube LPCVD, Oxidation/Diffusion Furnaces : Oxidation/diffusion, Cleaning System: Single Wafer Processors + Wet stations +Batch Spray processors + Other clean process

* SPE (Wafer Prober) : VLSI Research, April 2019

Charts/graphics created by Tokyo Electron based on VLSI Research

Business Environment (Outlook as of April 2019)

▶ WFE*¹ capex

We expect CY2019 investment to decrease 15-20% YoY.

Despite solid investment for logic/foundry, we expect a temporary adjustment in memory investment on a softening in demand.

However, inventory adjustments are proceeding steadily and there are emerging signs of recoveries in NAND from the second half of the year and in DRAM from early CY2020

▶ FPD production equipment capex for TFT array process*²

In 2019, we expect capex for OLED panels in mobile applications to be soft, and investment in large panels is undergoing a temporary adjustment.

Full-year capex is forecast to decrease 30% YoY, but a recovery is expected from H2

*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

CY'19 WFE Market and Business Opportunities by Application

- **Logic/Foundry:** Forecasting market growth of approx. 25% YoY
 - Market environment: Increased capex on generation change. 10nm and beyond generation to comprise 50%
 - Opportunities: Business expansion in more complex patterning processes
- **DRAM:** Approx. 30% decrease YoY. Expect a recovery from early CY2020
 - Market environment: 1Y/1Znm generations to comprise over 60% of capex
 - Opportunities: Combined patterning in latest generation
- **Non-volatile memory:** Approx. 50% decrease YoY. Signs of a recovery in H2
 - Market environment: Making adjustments in investment for increasing production capacity due to improved yield, but inventories are steadily declining. 9X/12X generations to comprise over 80% of capex.
 - Opportunities: Differentiation through high value-added etch and clean

FY2020 Financial Estimates

FY2020 Financial Estimates

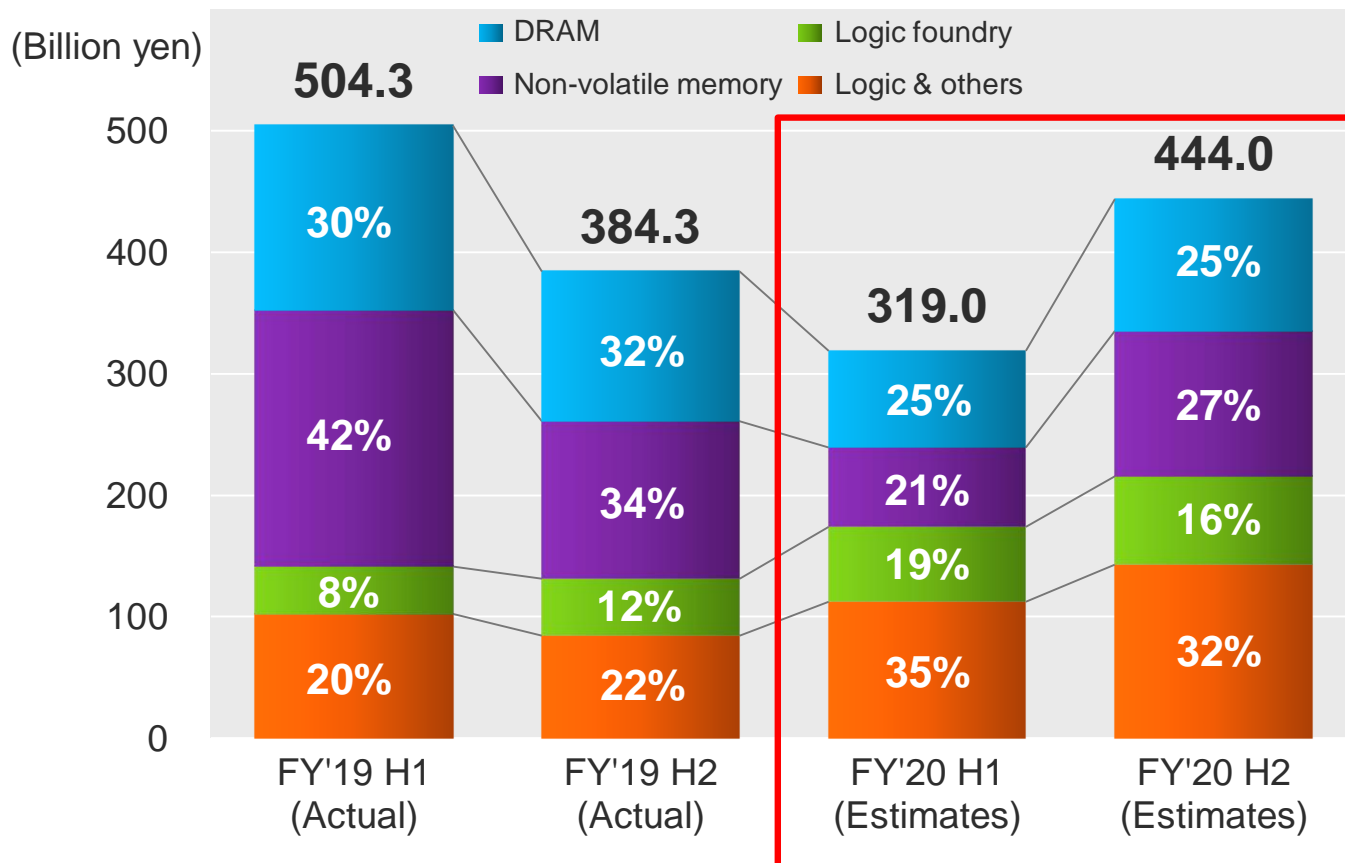
(Billion yen)

	FY2019 (Actual)	FY2020 (Estimates)			
		H1	H2	Full year	Full year YoY change
Net sales	1,278.2	490.0	610.0	1,100.0	-13.9%
SPE	1,166.7	450.0	580.0	1,030.0	-11.7%
FPD	111.2	40.0	30.0	70.0	-37.1%
Gross profit	526.1	192.0	249.0	441.0	-85.1
Gross profit margin	41.2%	39.2%	40.8%	40.1%	-1.1pts
SG&A expenses	215.6	107.0	114.0	221.0	+5.3
Operating income	310.5	85.0	135.0	220.0	-90.5
Operating margin	24.3%	17.3%	22.1%	20.0%	-4.3pts
Income before income taxes	321.5	85.0	135.0	220.0	-101.5
Net income attributable to owners of parent	248.2	63.0	101.0	164.0	-84.2
Net income per share (Yen)	1,513.58	384.24	-	1,000.25	-513.33

Market undergoing correction but continuing investment towards a recovery next year

FY2020 SPE Division New Equipment Sales Forecast

Sales by application



- DRAM

- Adjustments in supply and demand to proceed through H2 CY'19

- 3D NAND

- Signs of a recovery in H2 FY'20 ahead of DRAM

- Logic/Foundry

- Increased investment in 10nm and subsequent generations
- Also firm investment in 28nm and prior generations

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

FY2020 R&D Expenses, Capex Plan

- R&D Expenses ¥120.0B
 - Continue investing based on focus areas and sustainable growth
- Capex ¥56.0B
 - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation ¥33.0B

New production buildings

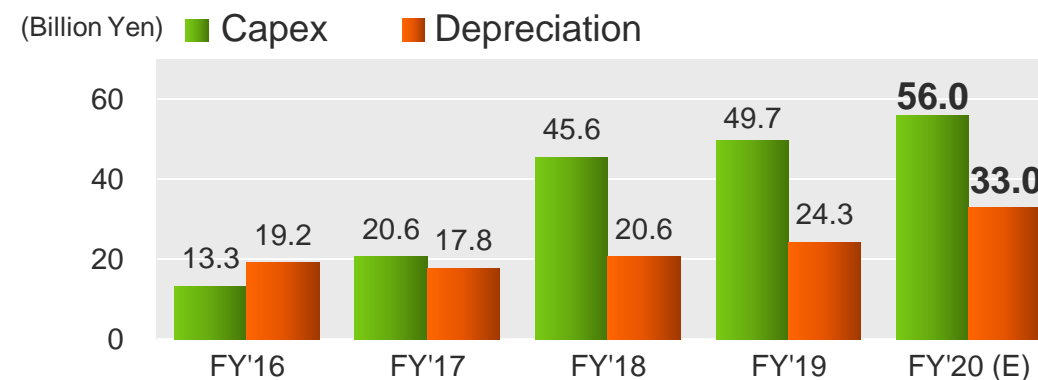
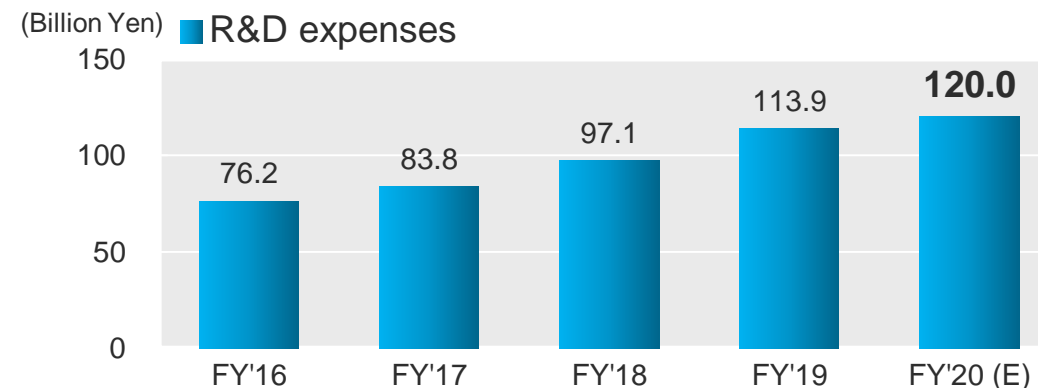
(deposition systems, gas chemical etch systems, test systems)



Nirasaki City, Yamanashi Prefecture:
approx. ¥13.0B construction cost
(Began construction in February 2019,
completion scheduled for April 2020)

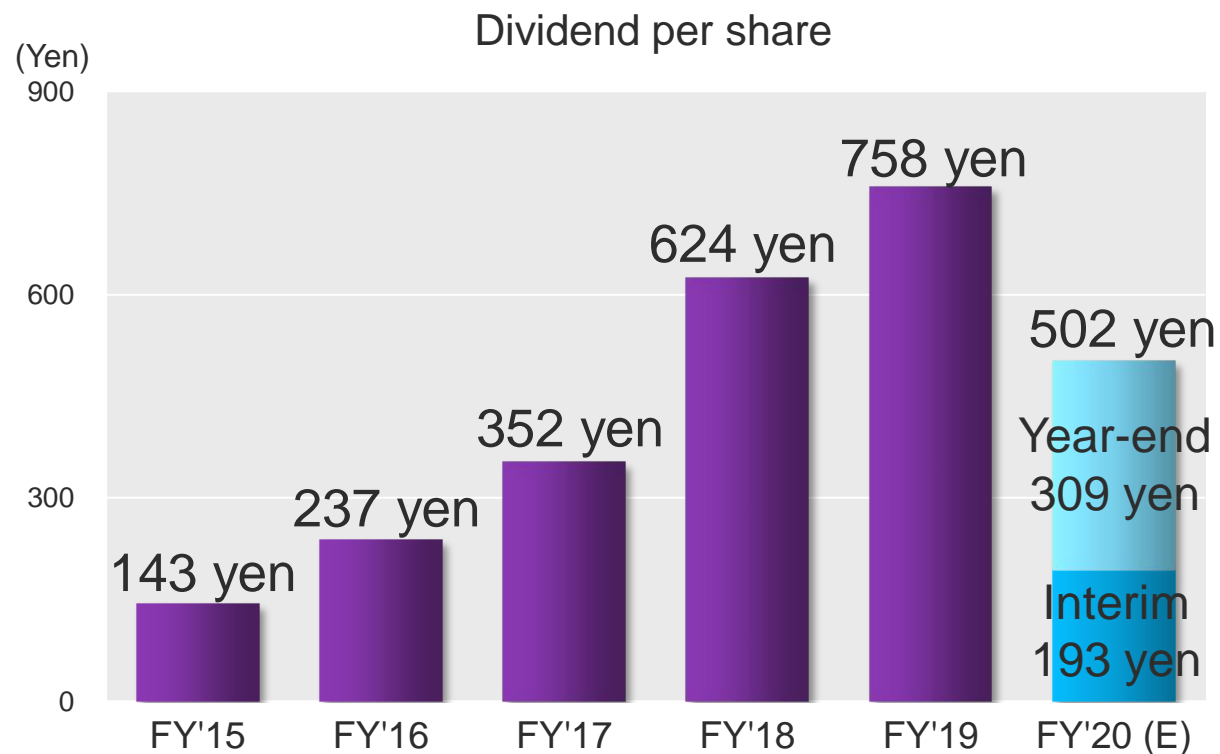


Oshu City, Iwate Prefecture:
approx. ¥13.0B construction cost
(Began construction in October 2018,
completion scheduled for September 2019)



Continue upfront investment with achievement of medium-term plan
and further growth in view

FY2020 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

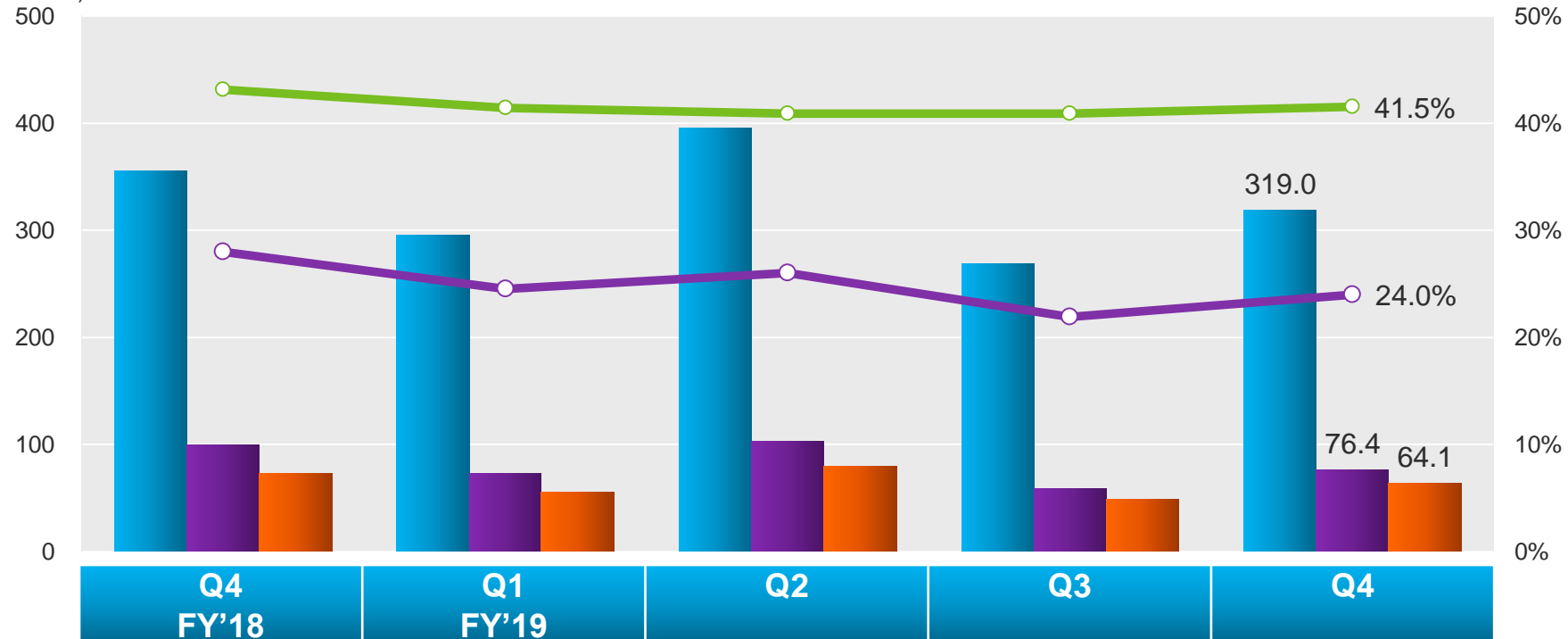
We will flexibly consider share buybacks

Expect to pay DPS of 502 yen, in-line with 50% dividend payout ratio

Appendix

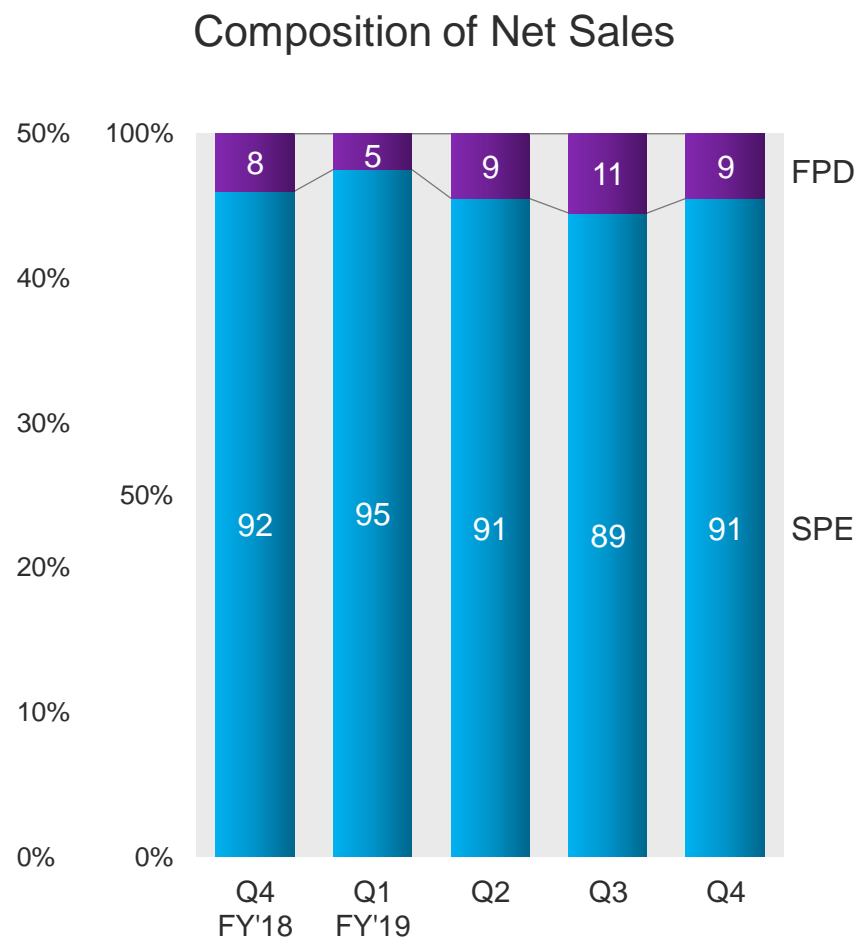
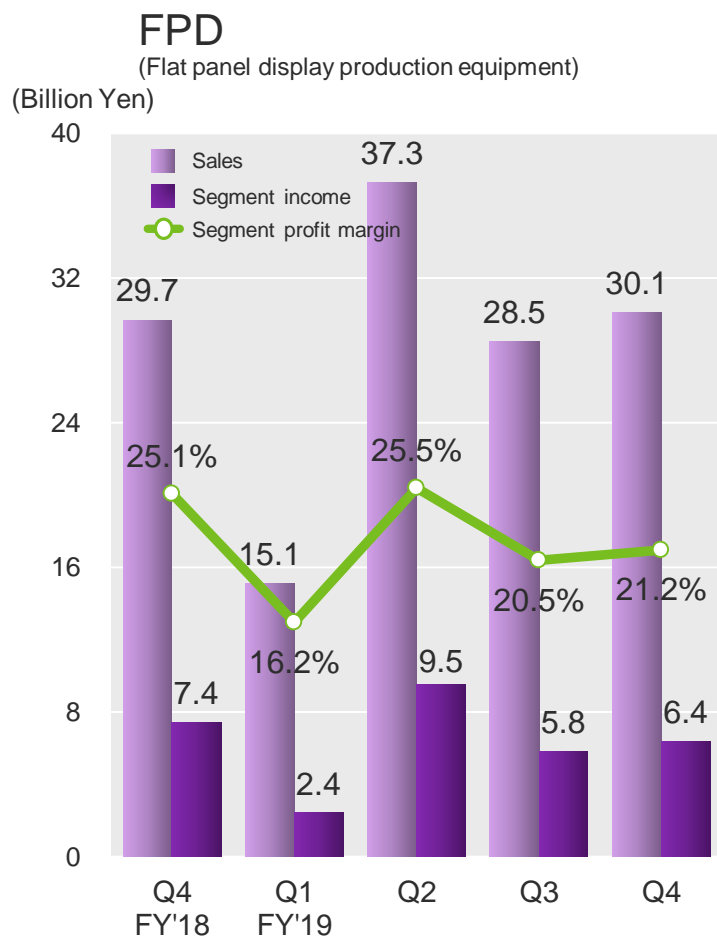
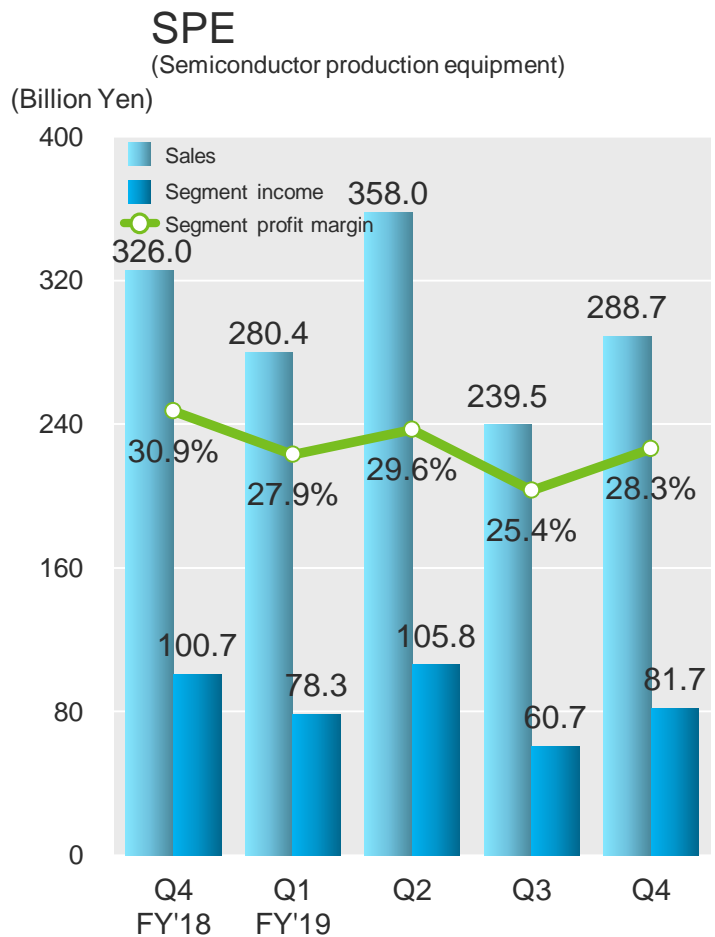
Financial Performance (Quarterly)

(Billion Yen)



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■ Operating income	99.7	72.4	103.0	58.7	76.4
■ Net income attributable to owners of parent	72.9	55.7	79.5	48.8	64.1
○ Gross profit margin	43.1%	41.4%	40.9%	40.9%	41.5%
○ Operating margin	28.0%	24.5%	26.0%	21.9%	24.0%

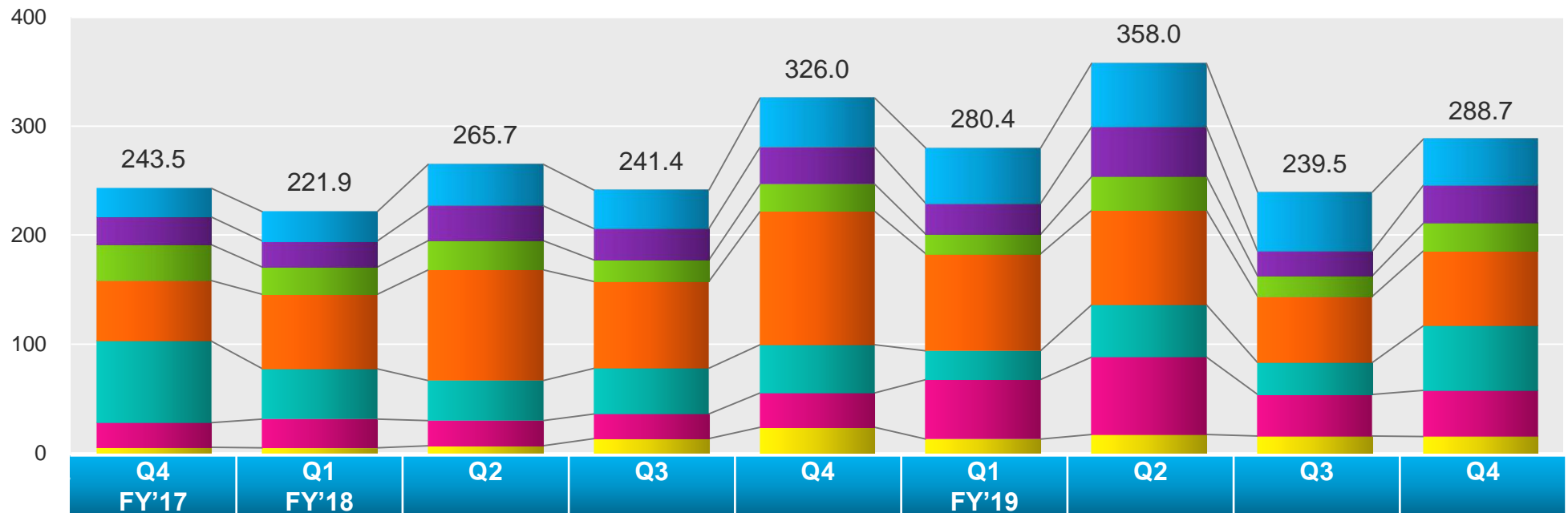
Segment Information (Quarterly)



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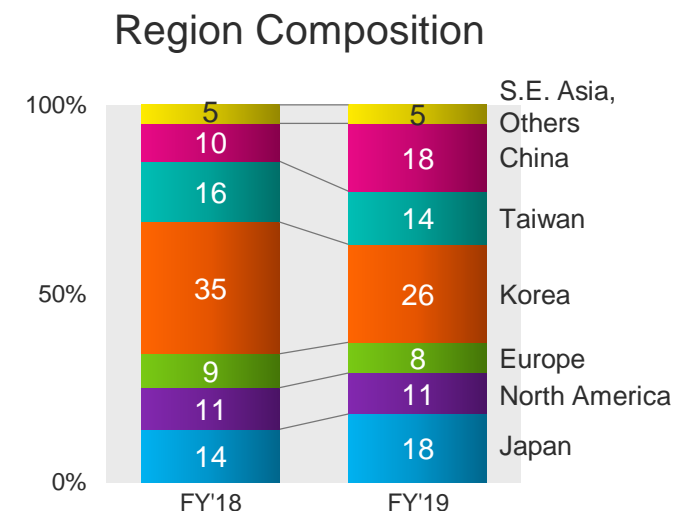
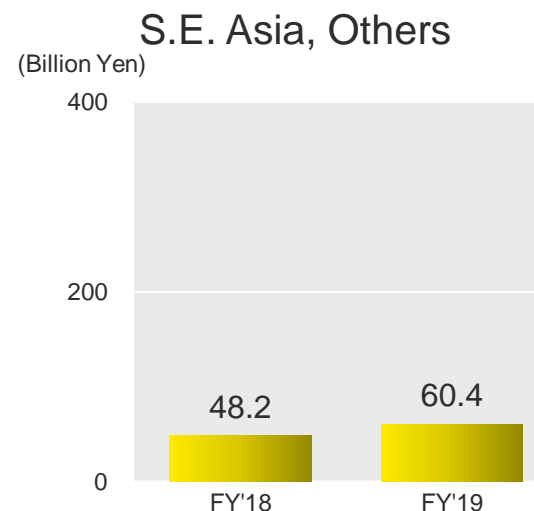
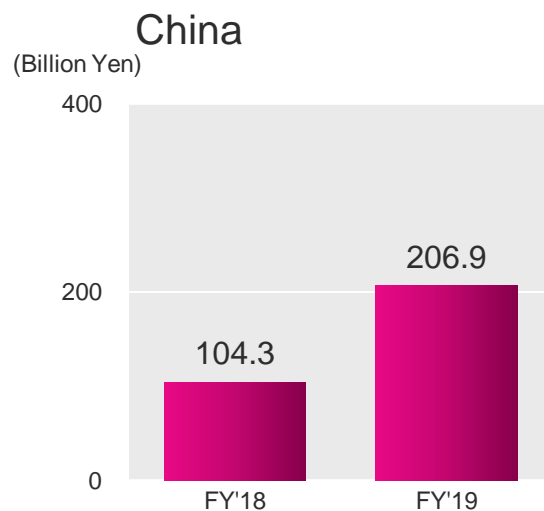
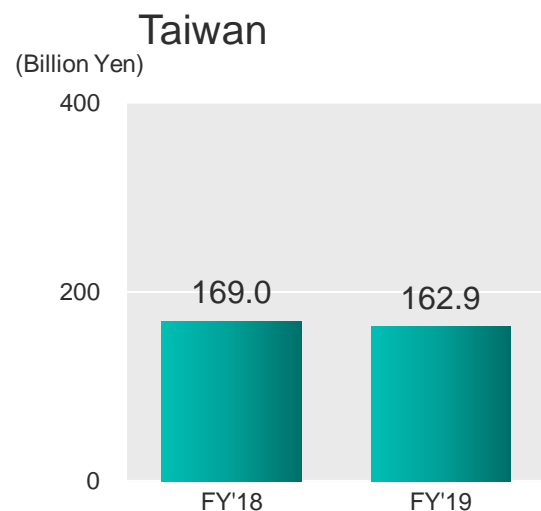
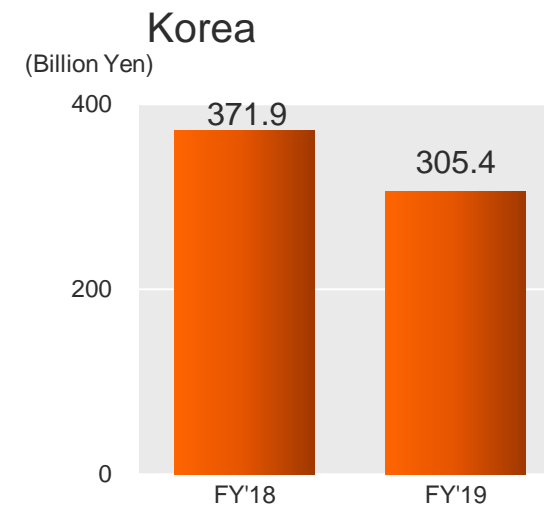
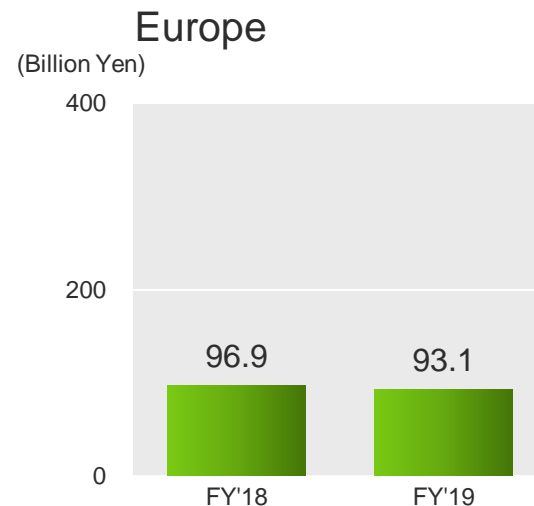
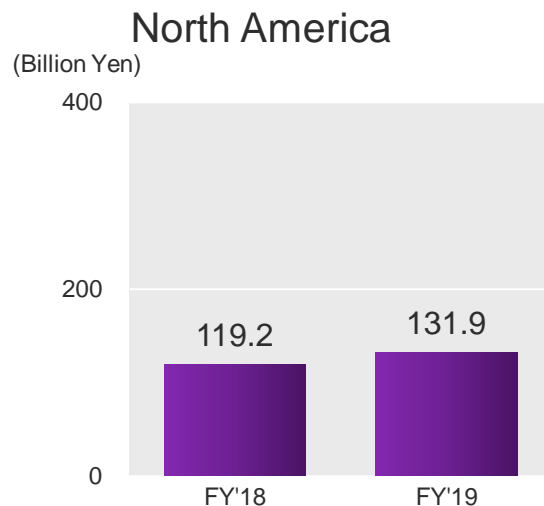
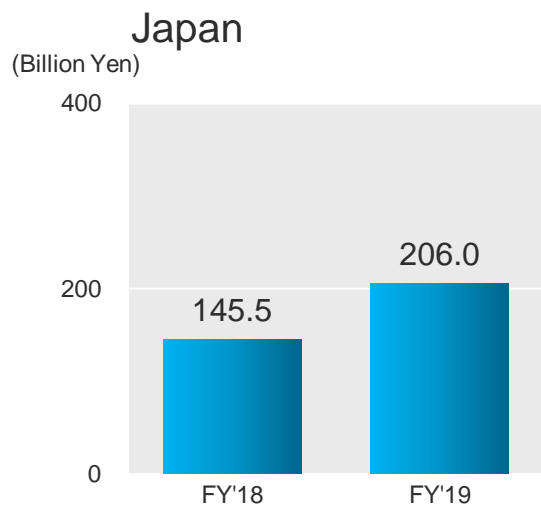
SPE Division: Sales by Region (Quarterly)

(Billion Yen)

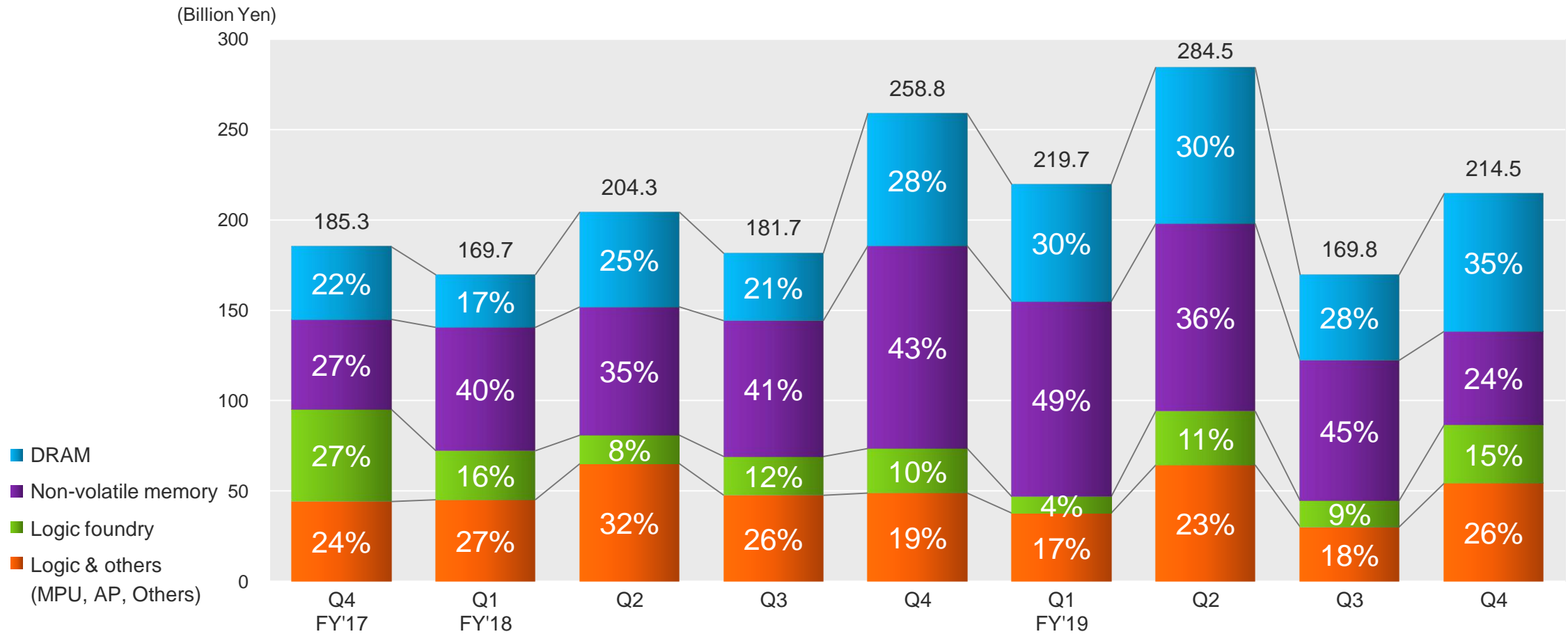


Region	Q4 FY'17	Q1 FY'18	Q2	Q3	Q4	Q1 FY'19	Q2	Q3	Q4
Japan	26.6	26.7	38.4	35.1	45.1	51.1	58.0	54.0	42.7
North America	25.4	24.0	32.0	29.1	33.9	28.4	45.9	22.7	34.7
Europe	32.9	25.3	26.9	19.6	25.0	17.7	31.3	18.6	25.3
South Korea	55.5	68.3	101.7	79.4	122.3	88.9	86.5	60.9	68.9
Taiwan	74.7	45.8	36.6	42.1	44.3	26.3	48.0	29.3	59.1
China	22.7	26.7	23.0	22.6	31.8	54.9	71.3	38.0	42.5
S. E. Asia, Others	5.3	4.6	6.7	13.2	23.4	12.7	16.8	15.6	15.2

SPE Division: Sales by Region



SPE Division: New Equipment Sales by Application (Quarterly)



Field Solutions Sales (Quarterly)

(Billion Yen)



SPE Sales	58.1	52.2	61.4	59.7	67.2	60.6	73.4	69.6	74.2
FPD Sales	2.2	2.2	2.9	2.4	2.8	2.5	2.7	2.8	2.1

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