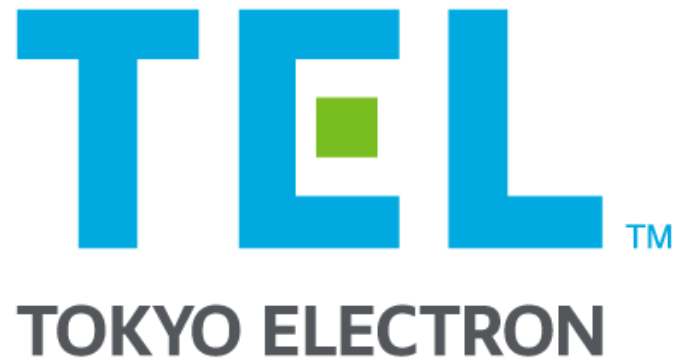


# The 57th Annual General Meeting of Shareholders



**June 23, 2020**

# FY2020 Financial Report

(FY2020: April 1, 2019 – March 31, 2020)

# Consolidated statement of income

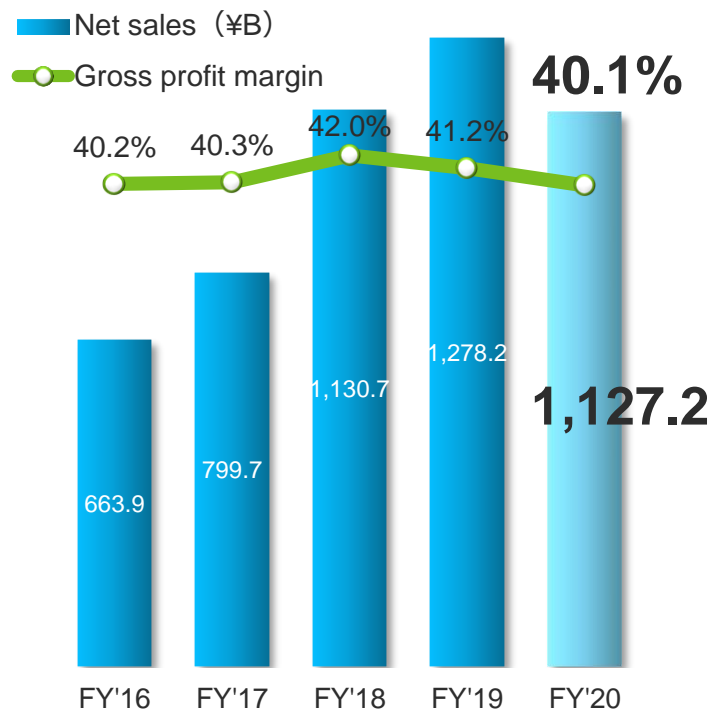
(Billion yen)

	FY2019		FY2020		Increase or decrease
		(%)		(%)	
Net sales	1,278.2	100.0	1,127.2	100.0	- 150.9
Gross profit	526.1	41.2	451.9	40.1	- 74.2
Operating income	310.5	24.3	237.2	21.0	- 73.2
Ordinary income	321.6	25.2	244.9	21.7	- 76.6
Income before income taxes	321.5	25.2	244.6	21.7	- 76.8
Net income attributable to owners of parent	248.2	19.4	185.2	16.4	- 63.0

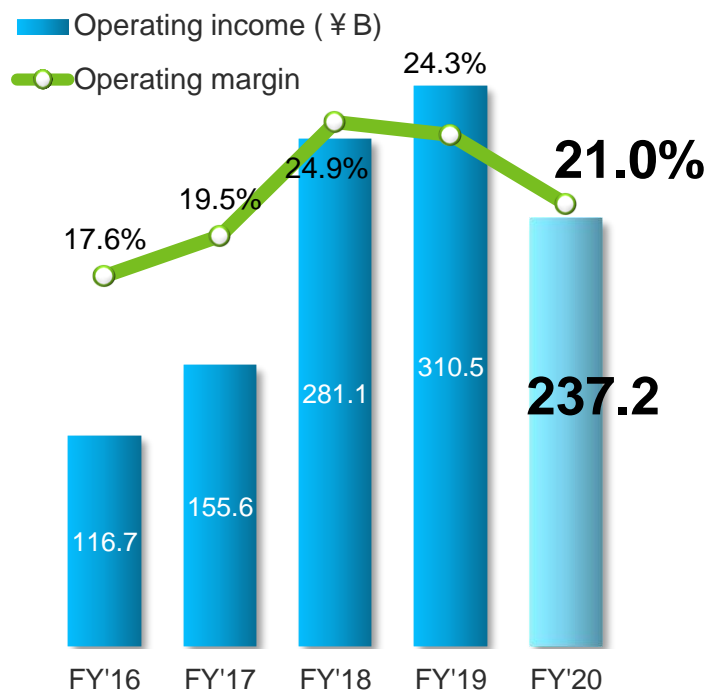
**Performance exceeded expectations**  
**Achieved both sales and profit targets**

# Five-year performance

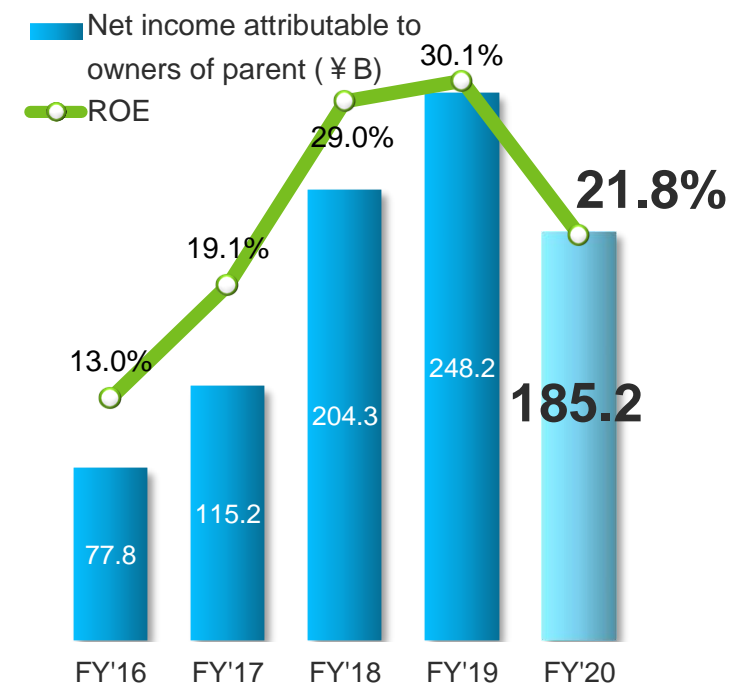
## Net Sales and Gross Profit Margin



## Operating Income and Operating Margin



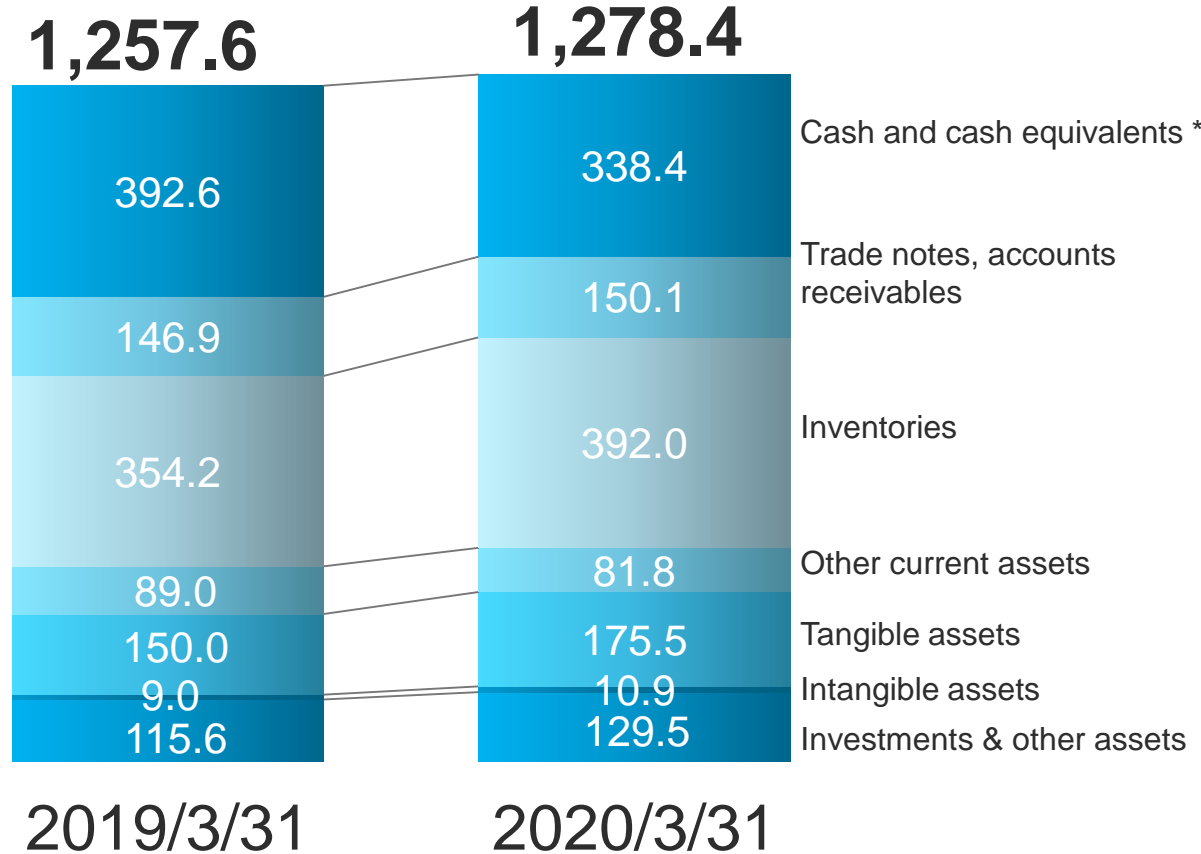
## Net Income attributable to Owners of Parent and ROE



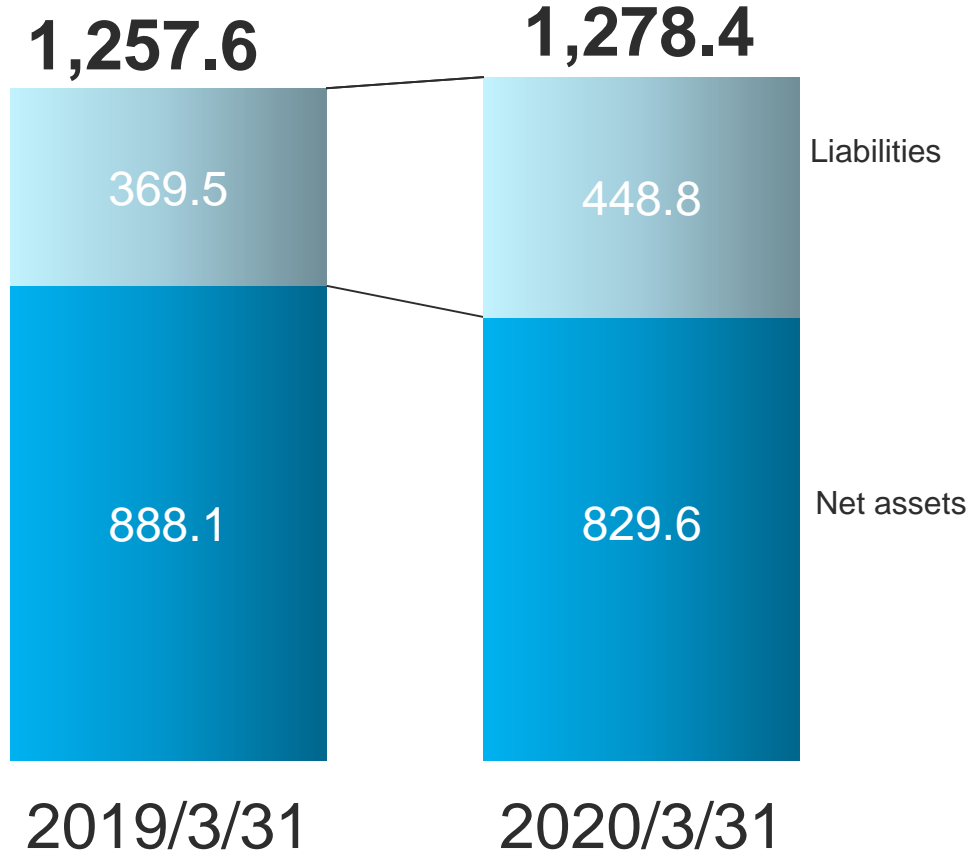
**Record R&D investment of 120.2 billion yen**  
**Achieved net sales of 1 trillion yen and OPM of 20% or more**  
**for 3 consecutive years**

# Consolidated balance sheet

## Assets (Billion Yen)



## Liabilities & Net Assets (Billion Yen)



\* Includes time deposits + short-term investments (indicated as securities on the balance sheet)

# Non-consolidated financial statement

## ■ Statement of Income

(Billion Yen)

	FY2019		FY2020		Variance
		(%)		(%)	
Net sales	1,158.4	100.0	1,029.4	100.0	- 129.0
Operating income	146.2	12.6	101.7	9.9	- 44.5
Ordinary income	352.6	30.4	209.7	20.4	- 142.9
Income before income taxes	359.6	31.0	209.7	20.4	- 149.8
Net income	312.7	27.0	177.5	17.2	- 135.2

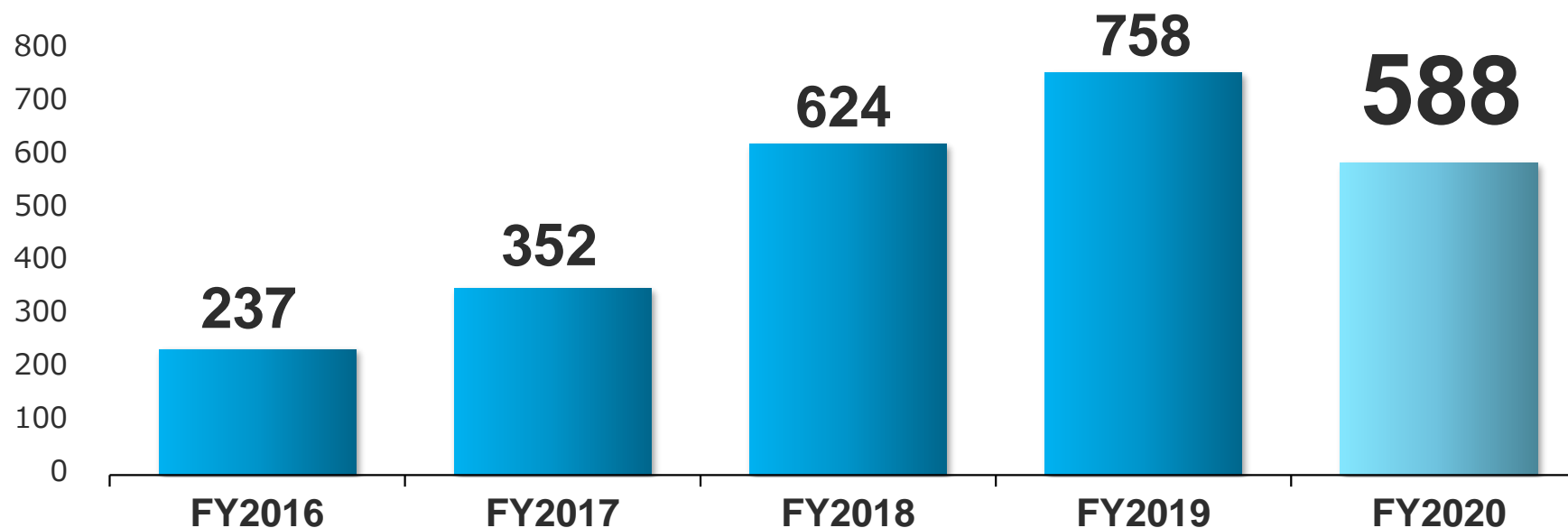
## ■ Balance Sheet

	FY2019		FY2020		Variance
		(%)		(%)	
Total assets	978.1	100.0	1,005.1	100.0	+27.0
Total liabilities	437.7	44.8	525.3	52.3	+87.5
Total net assets	540.3	55.2	479.8	47.7	- 60.5
Total liabilities & net assets	978.1	100.0	1,005.1	100.0	+27.0

# FY2019 dividend

## ▶ Annual dividend per share

(円)



	Interim	Year-end	Annual dividend
FY2020	246 yen	342 yen	588 yen

Total dividend	Payout ratio
92.2 billion yen	50.2%

# FY2021 Financial Estimates

(FY2021: April 1, 2020 – March 31, 2021)



# Business Environment (Outlook as of June 2020)

## ▶ **WFE\*<sup>1</sup> capex**

Expecting CY2020 investment to increase approx. 10% YoY

While the macro economy needs to be watched closely, there is strong demand for equipment at present

The WFE market is forecast to reach a record size

## ▶ **FPD production equipment capex for TFT array process\*<sup>2</sup>**

Continuing investment in large panels for TVs and a recovery in investment in OLED for mobile applications

Expecting approx. 15% YoY growth in CY2020

\*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

# FY2021 consolidated financial estimate

(Billion yen)

	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full year	YoY changes
<b>Net sales</b>	<b>620.0</b>	<b>660.0</b>	<b>1,280.0</b>	<b>13.5%</b>
<b>SPE</b>	<b>585.0</b>	<b>615.0</b>	<b>1,200.0</b>	<b>13.1%</b>
<b>FPD</b>	<b>35.0</b>	<b>45.0</b>	<b>80.0</b>	<b>21.0%</b>
<b>Operating income</b>	<b>127.0</b> <b>20.5%</b>	<b>148.0</b> <b>22.4%</b>	<b>275.0</b> <b>21.5%</b>	<b>15.9%</b> <b>+0.5pts</b>
<b>Ordinary income</b>	<b>127.0</b>	<b>148.0</b>	<b>275.0</b>	<b>12.2%</b>
<b>Income before income taxes</b>	<b>127.0</b>	<b>148.0</b>	<b>275.0</b>	<b>12.4%</b>
<b>Net income attributable to owners of parent</b>	<b>95.0</b>	<b>110.0</b>	<b>205.0</b>	<b>10.7%</b>

SPE: Semiconductor production equipment FPD: Flat panel display production equipment

## Expect record sales with record R&D investment

# Measures against COVID-19

## Established a task force headed by CEO (January 2020)

Formulate basic policies for entire group, such as working remotely and working alternate schedules

<b>Factory</b>	<b>Established system for early recovery and cluster prevention in case of an infection</b> <ul style="list-style-type: none"><li>• Combined use of shift system, flow line separation and remote work</li><li>• Partitioning of work area, disinfection procedure and personnel settings</li></ul>
<b>Customer support</b>	<ul style="list-style-type: none"><li>• Implement by local employees</li><li>• Remote support using camera</li><li>• Emergency parts: responding temporarily by refilling inventory of local subsidiaries</li></ul>

**Business activities continue as planned,  
with thorough and agile implementation of each measure**

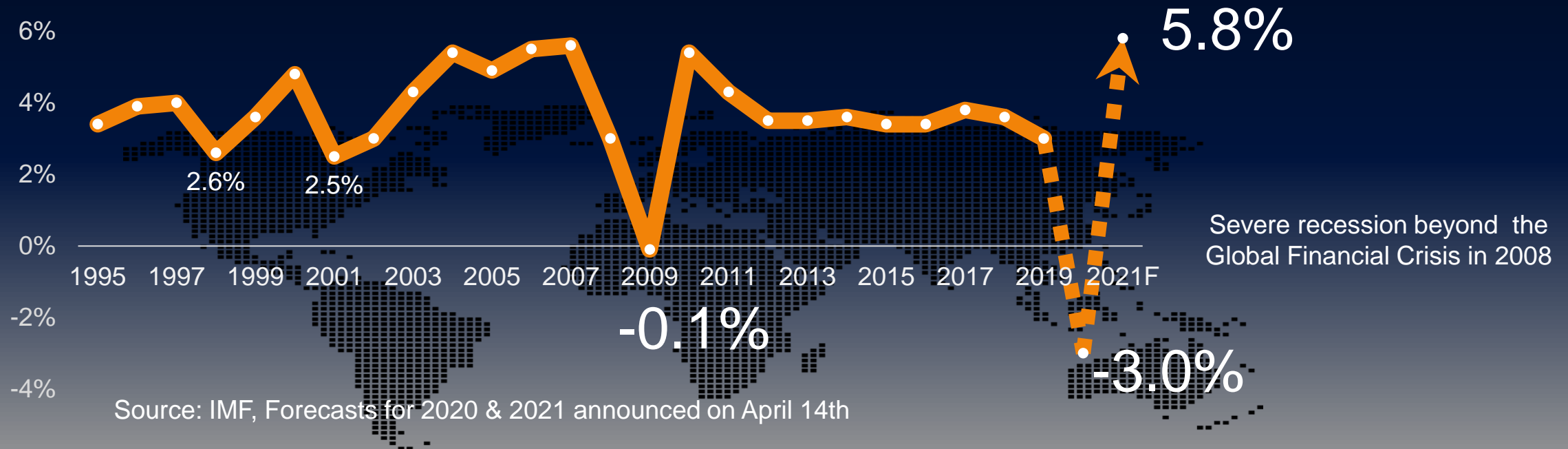
# Targeting Further Growth

1. **Business environment and TEL**
2. **Medium-term management plan**
3. **TEL ESG activities**
4. **Returns to shareholders**

# 1. Business environment and TEL

# Impact of COVID-19

## World GDP growth rate (IMF forecast)



**An unprecedented blow to the world,  
but the economy will definitely recover**

# History of innovation

2001

IT bubble burst

- **SNS**
- **Cloud**
- **Smartphone**

2008

Global Financial Crisis

- **Sharing economy**
- **IoT, big data**
- **AR/VR/MR**



**Crises accelerated the diffusion of new technologies**

# Emerging of a “new normal”

- Remote work
  - On-line class
  - Telemedicine
  - Stay Home!
- Increased video viewing

Transition to a  
data society will  
accelerate

**Information and Communication Technology (ICT)  
implemented widely to build a strong and agile society**



# Big data era begins in earnest



**IoT** **VR/AR/MR** **AI**  
**5G** **CLOUD**

**Semiconductors are “essential for the 4th industrial revolution”**

# Big data era and semiconductors

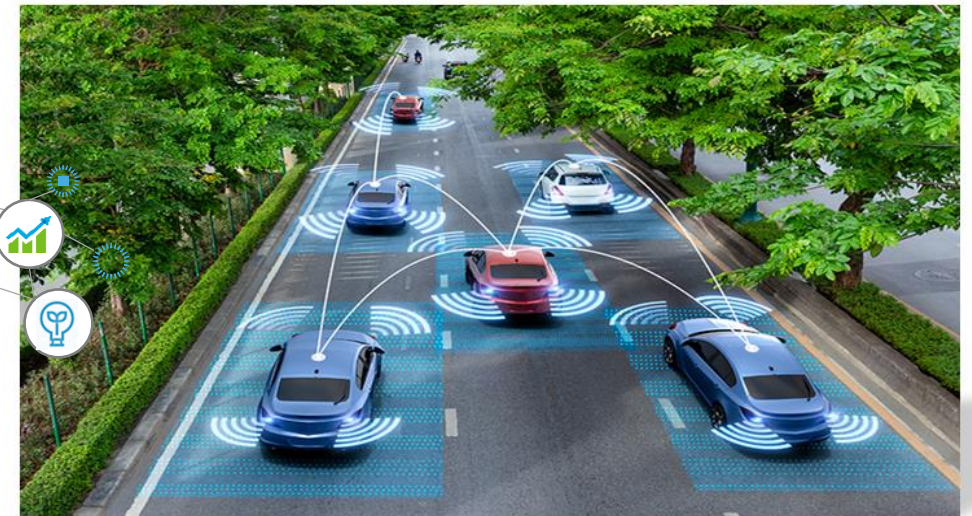
Human ↔ Machine

Human to Machine communication



Machine ↔ Machine

Machine to Machine communication without any human aid



**For machine-to-machine communication,  
higher performance and diverse semiconductors are needed**

# Technology requirements never stop

## Semiconductor

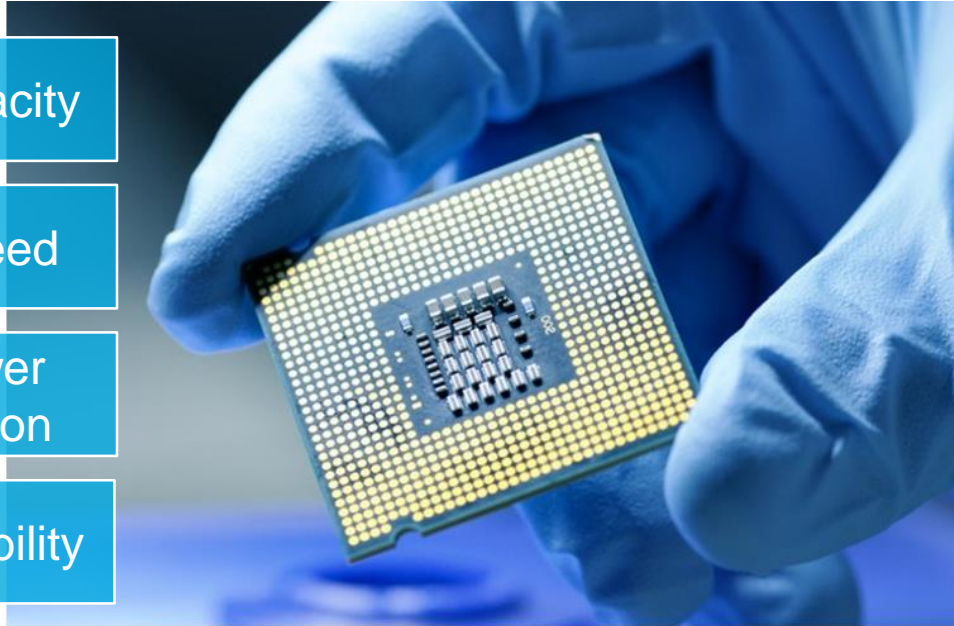
Technology requirements

Larger capacity

Higher speed

Lower power consumption

Higher reliability



Technology requirements

Higher-definition

Thinner

Lighter

Foldable

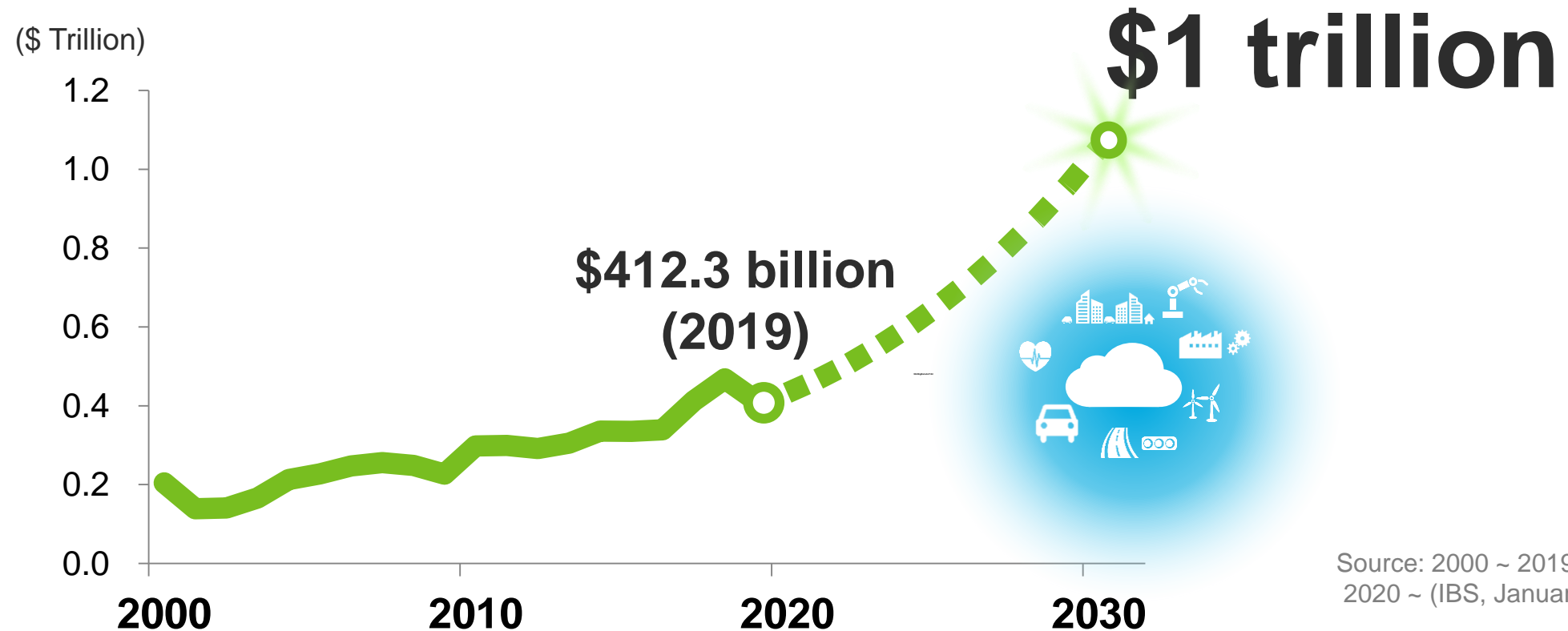
Lower power consumption

## Display



**Technology requirements continue to increase for key devices that support a data society**

# Semiconductor industry outlook



**Market is expected to more than double in the next 10 years**

## 2. Medium-term management plan

# Medium-term management plan / financial model

<b>Financial model (~ 4 years)</b>			
<b>WFE</b>	<b>\$55-\$60 billion</b>	<b>\$60-65 billion</b>	<b>\$65-70 billion</b>
<b>Net sales</b>	<b>1.5 T yen</b>	<b>1.7 T yen</b>	<b>2 T yen</b>
<b>Operating margin</b>	<b>26.5%</b>	<b>28%</b>	<b>&gt;30%</b>
<b>ROE</b>	<b>&gt;30%</b>		

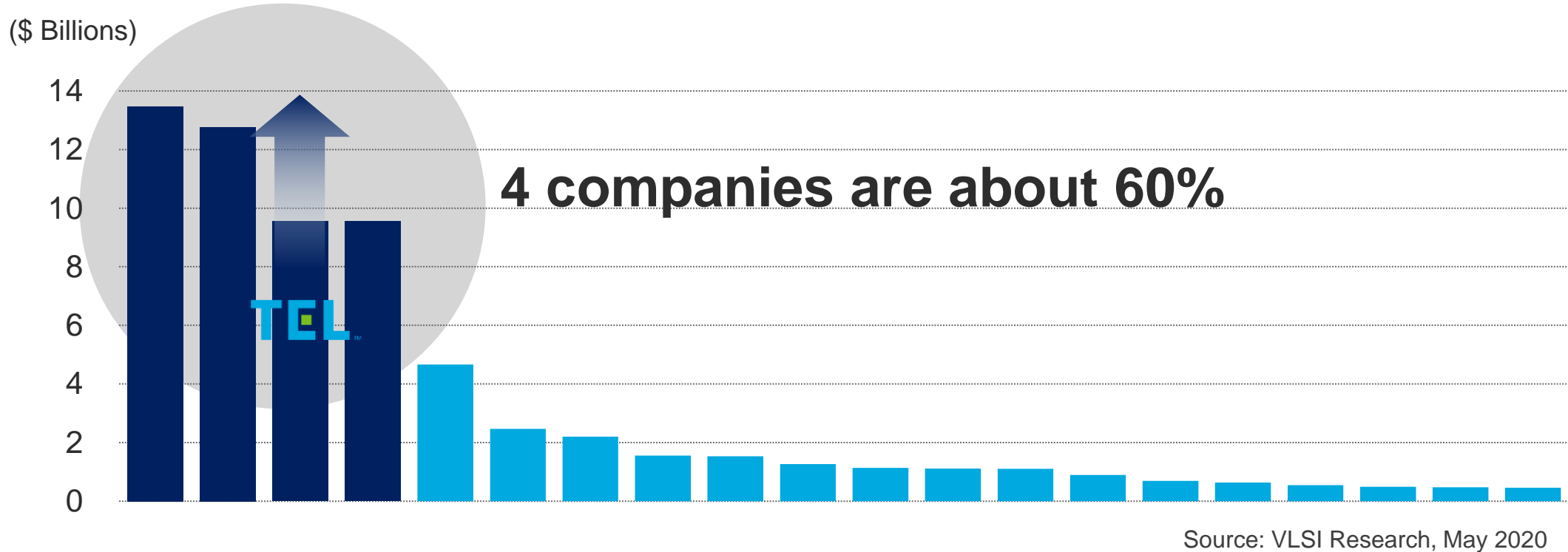
**Targeting global No. 1 operating margin and ROE**

# Three focus areas for growth



**TEL is a maker with a  
Continuous pursuit of “Best Products & Best Service”**

# SPE maker revenue ranking - Top 20 (2019)



**TEL is one of the world's top companies providing advanced semiconductor manufacturing technology**



# Our position in SPE business

**In 2019, TEL achieved**

**Top market share**

**at 4 out of 6 major semiconductor customers**




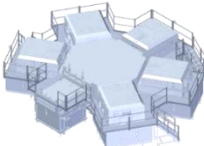
TEL estimate

# TEL product lineup

## Major products and market position<sup>\*1</sup>



#2 #2 #2 #1 #1 #1 #1 #2 #1 #2 #1

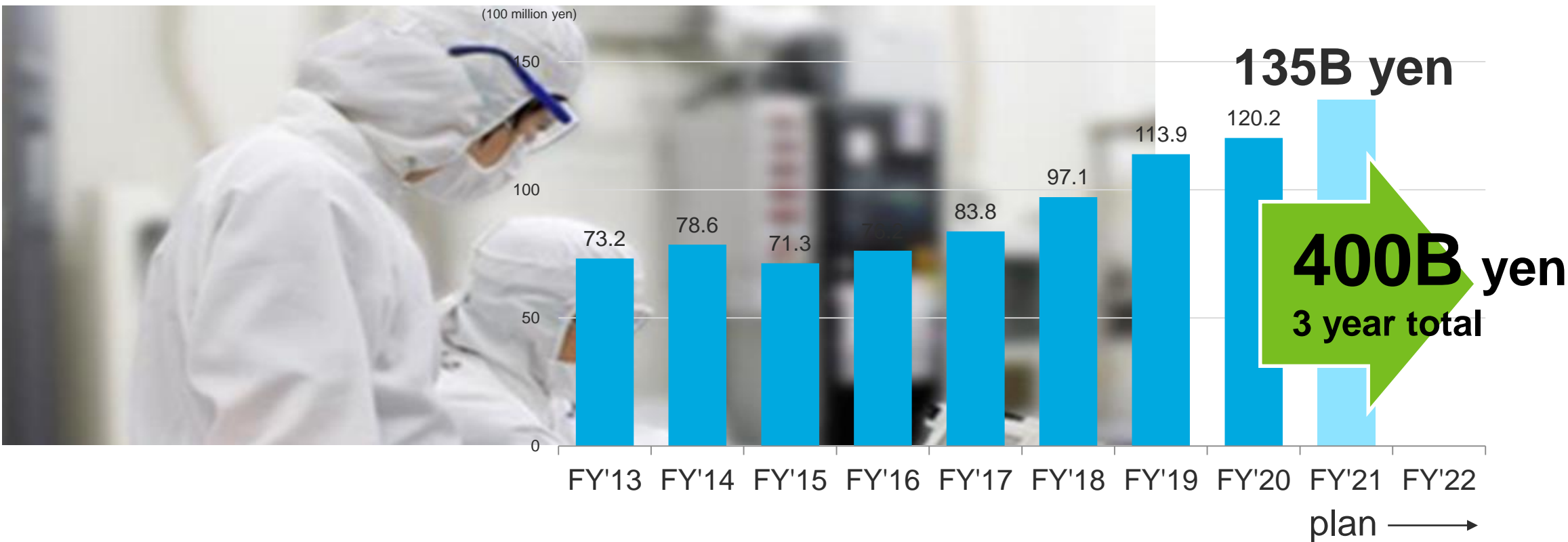
										
Prober	Cleaning	Plasma etching	Gas chemical etching	Coater/Developer	Batch deposition	Diffusion furnace	Metal deposition	FPD plasma Etching/ashing	FPD coater / Developer	FPD inkjet printing <sup>*2</sup>

\*1: TEL estimate  
\*2: FY'20 RGB printing base

## Share No.1 or No.2 products

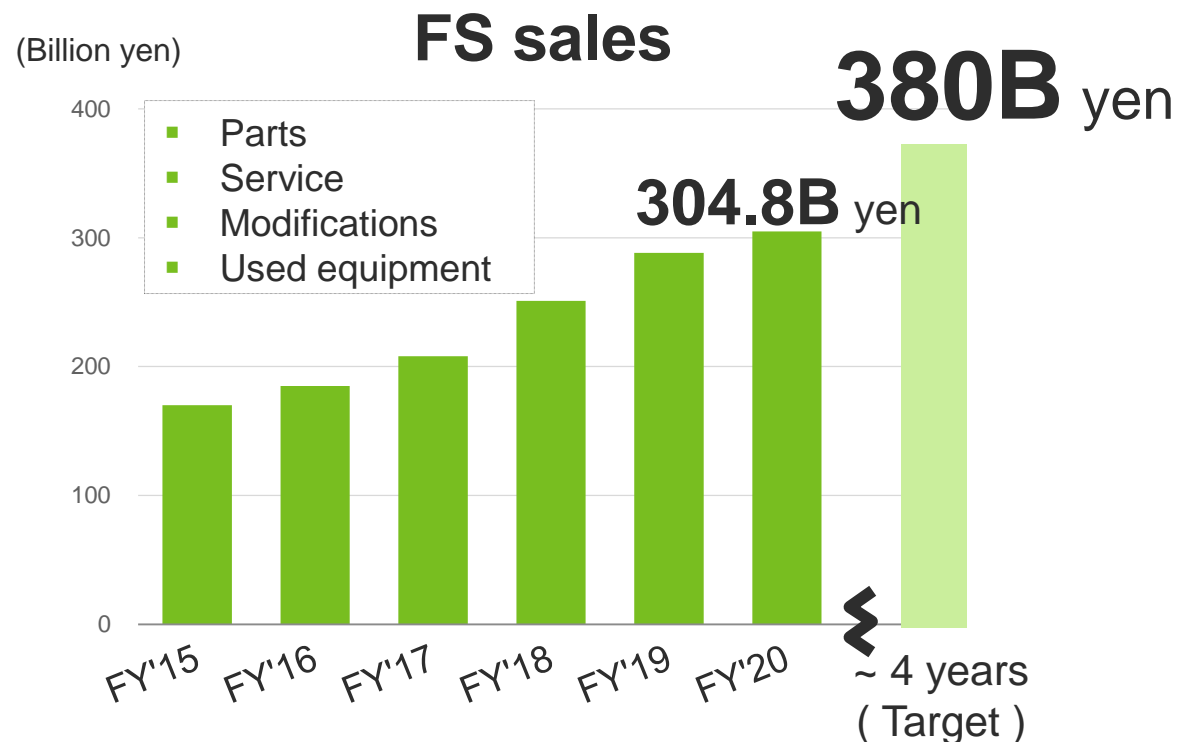
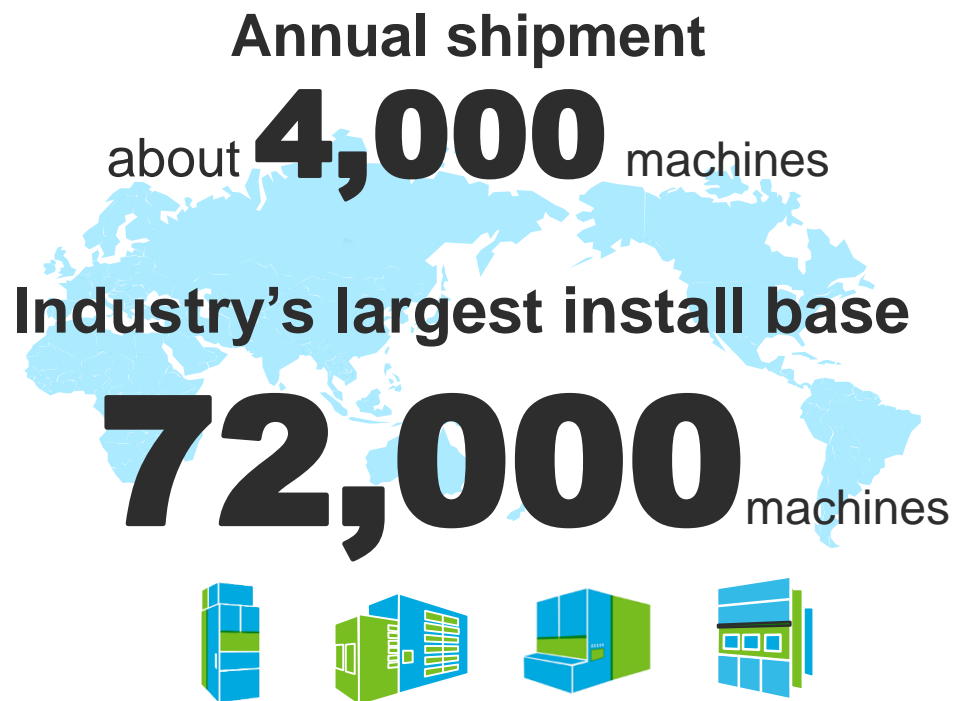
# **Most semiconductors and displays pass through TEL equipment**

# R&D investment



**Looking to future growth,  
investing a total of 400 billion yen in R&D in 3 years from FY '20**

# Growing field solutions (FS) business

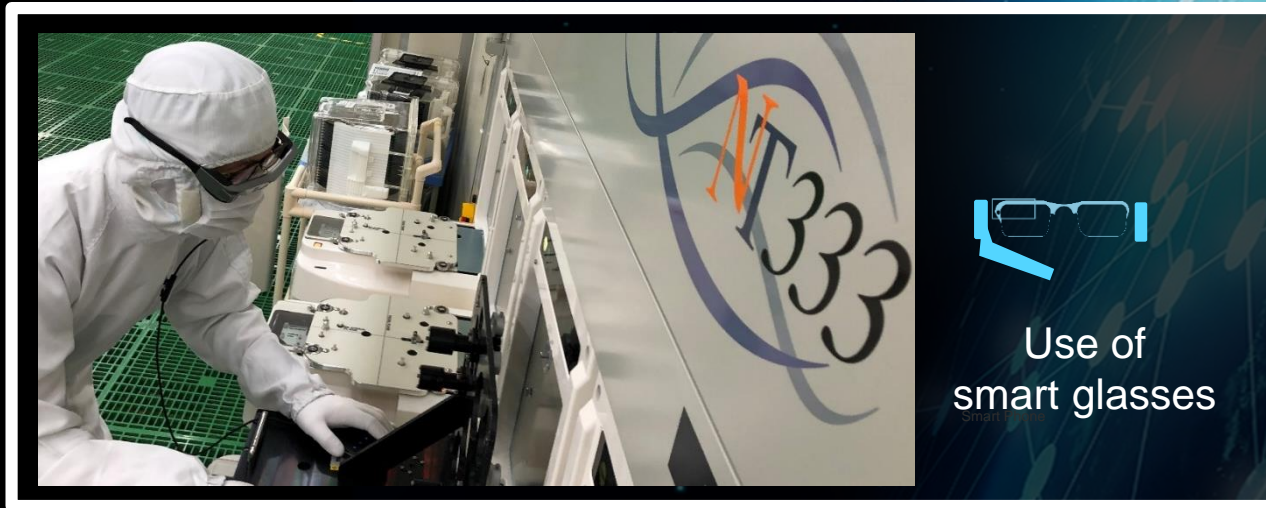


**Sold equipment creates new business opportunities**  
**High growth potential!**

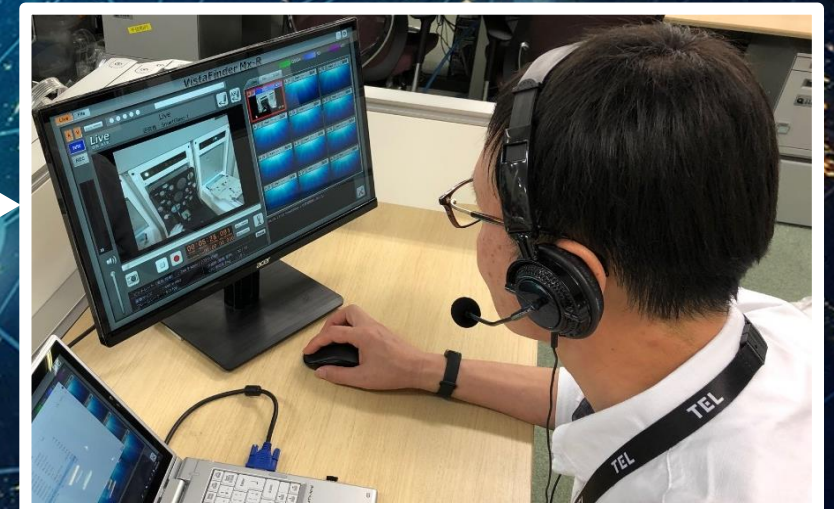
# Advanced field solutions

## Remote support using AR\*

*Customer clean room*



*Our support center*



**Utilizing the latest technology in the big data era,  
Enhancing efficient services**

AR: "Augmented Reality" A technology that adds information (such as images) to the real world in front of you, when viewed through smart glasses.

**Aim for world-class profit margin  
and make people around TEL happy**

# 3. TEL ESG activities

(Environment / Society / Governance)



# Our corporate philosophy

In the core business of semiconductor and FPD production equipment

Corporate  
Philosophy

**We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support**



# Further increasing corporate value

## Offence

Achieve world-class operating margin and ROE of over 30%



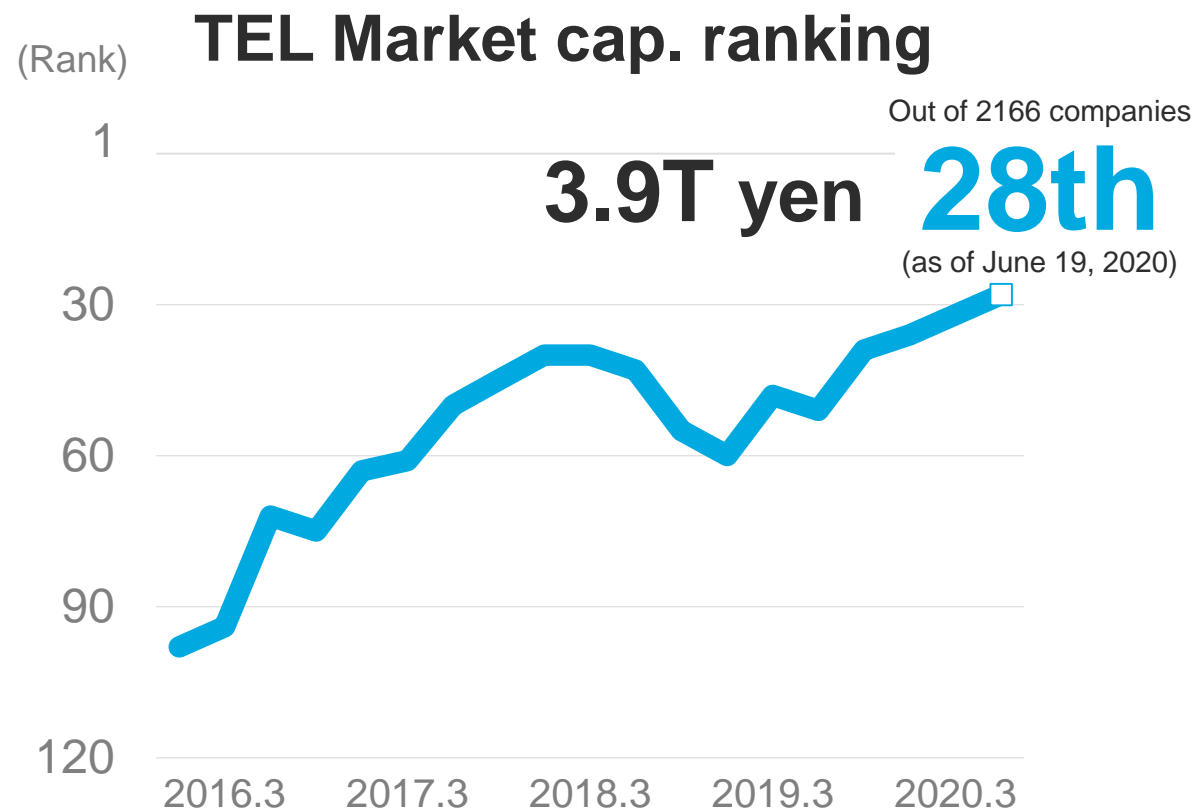
&

## Offence

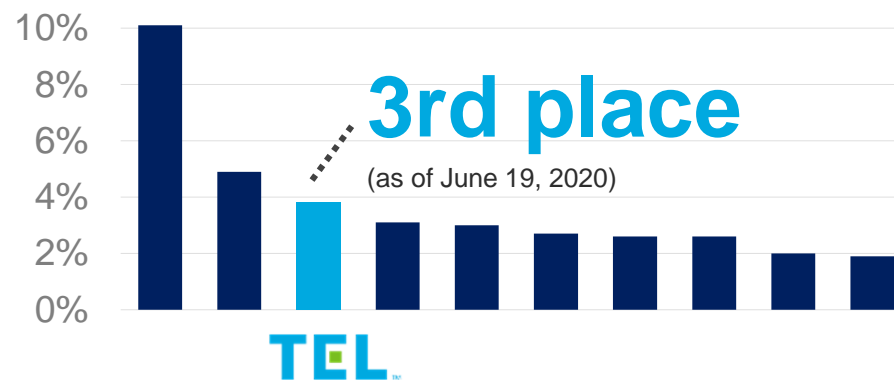
- Safety
- Quality
- Compliance
- Engagement
- Risk management & Security



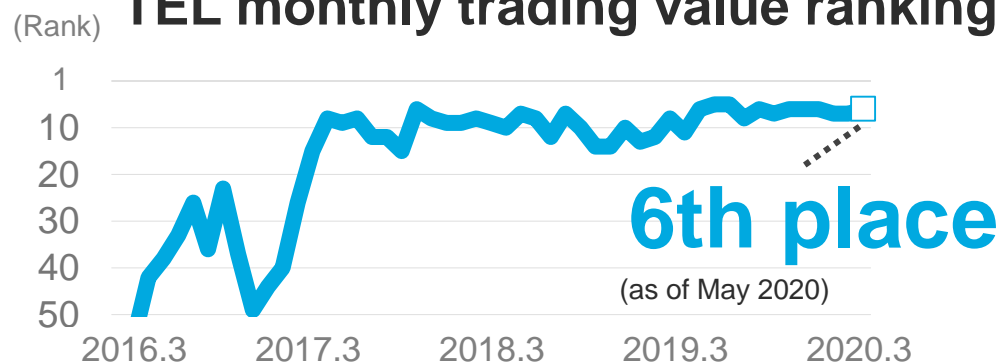
# Our position in the Tokyo Stock Exchange



## TEL contribution to Nikkei Stock Average



## TEL monthly trading value ranking



**Continue to pursue our corporate philosophy  
and aim for a higher rank**

# Medium-term environmental targets for 2030

## CO<sub>2</sub> emission reduction goal

### Products

**30%** reduction

Per-wafer (vs 2013)

### Facilities

**20%** reduction

Total emissions (vs 2018)

**1%** reduction

Energy consumption  
at each facility (YoY)

**As a leading corporation in environmental management,  
TEL works actively to conserve the global environment**

# External evaluation toward our ESG activities

## Global

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



FTSE4Good

MSCI | 2019 Constituent  
MSCI ESG  
Leaders Indexes

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## In Japan

  
2020  
健康経営優良法人  
Health and productivity  
ホワイト500

**Motivated workforce in precision  
equipment industry #1\***

\* Announced by Global Way in January 2020

## TEL ESG initiatives have received very positive reviews

**TEL's mission and responsibility in society  
continues to increase  
for the future!**

# 4. Returns to shareholders

# Basic approach for shareholder returns

**Create value through innovative technologies  
and proactive, groundbreaking solutions**



**Pursue profits, enhance corporate value**



**Appropriate returns to shareholders**



# Dividend policy

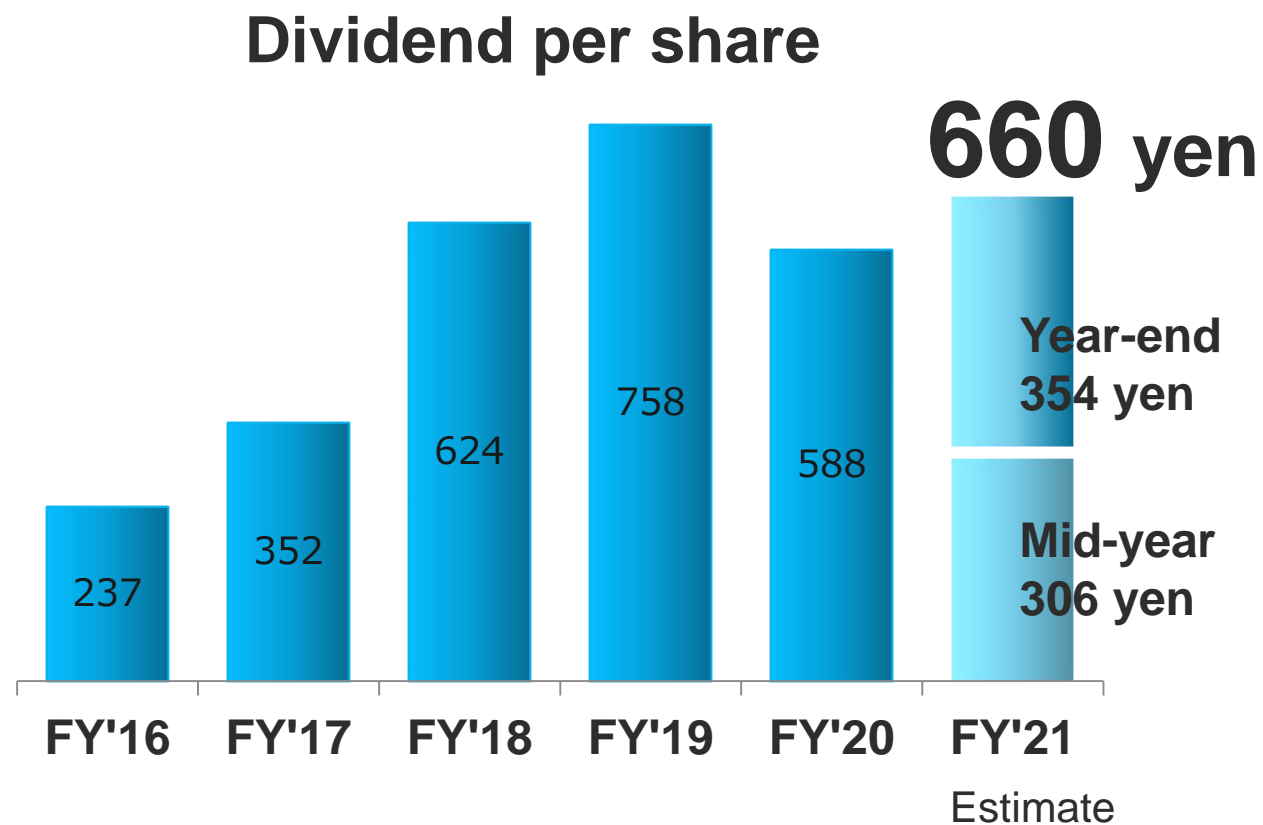
## **Dividend payout ratio: 50%**

Annual DPS of not less than 150 yen

---

Review dividend policy if the company does not generate net income for two consecutive fiscal years.

# FY'21 dividend forecast



**Forecasting to pay a dividend of 660 yen per share**

**We will continue to strive to  
further increase shareholder value!**

**TEL**™

**TOKYO ELECTRON**