

Q1 FY2021 (April 1, 2020 – June 30, 2020) Financial Announcement

July 28, 2020

Agenda:

- Q1 FY2021 Consolidated Financial Summary
Yoshikazu Nunokawa, Corporate Director, Executive Vice President & General Manager
- 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.

- 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.

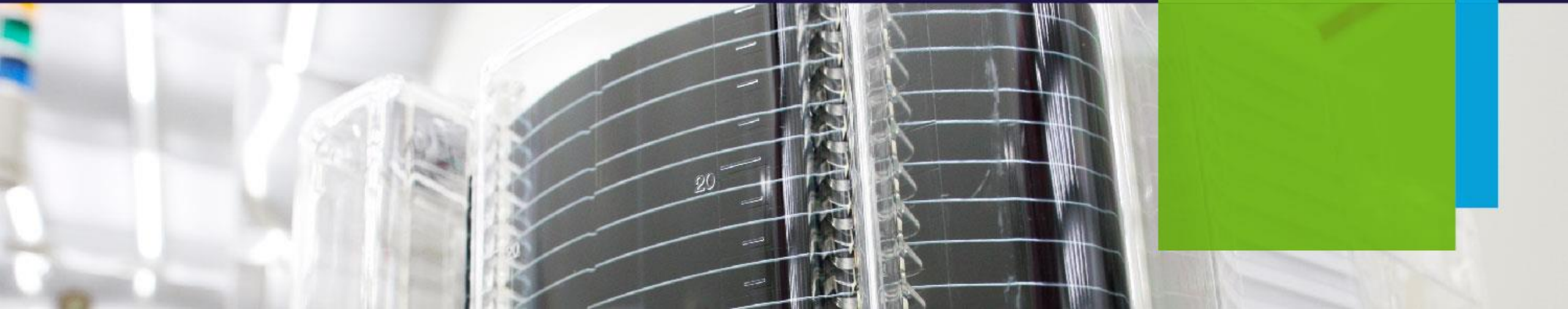
FPD: Flat panel display

Q1 FY2021 Consolidated Financial Summary

July 28, 2020

Yoshikazu Nunokawa

Corporate Director, Executive Vice President & General Manager, Finance Division



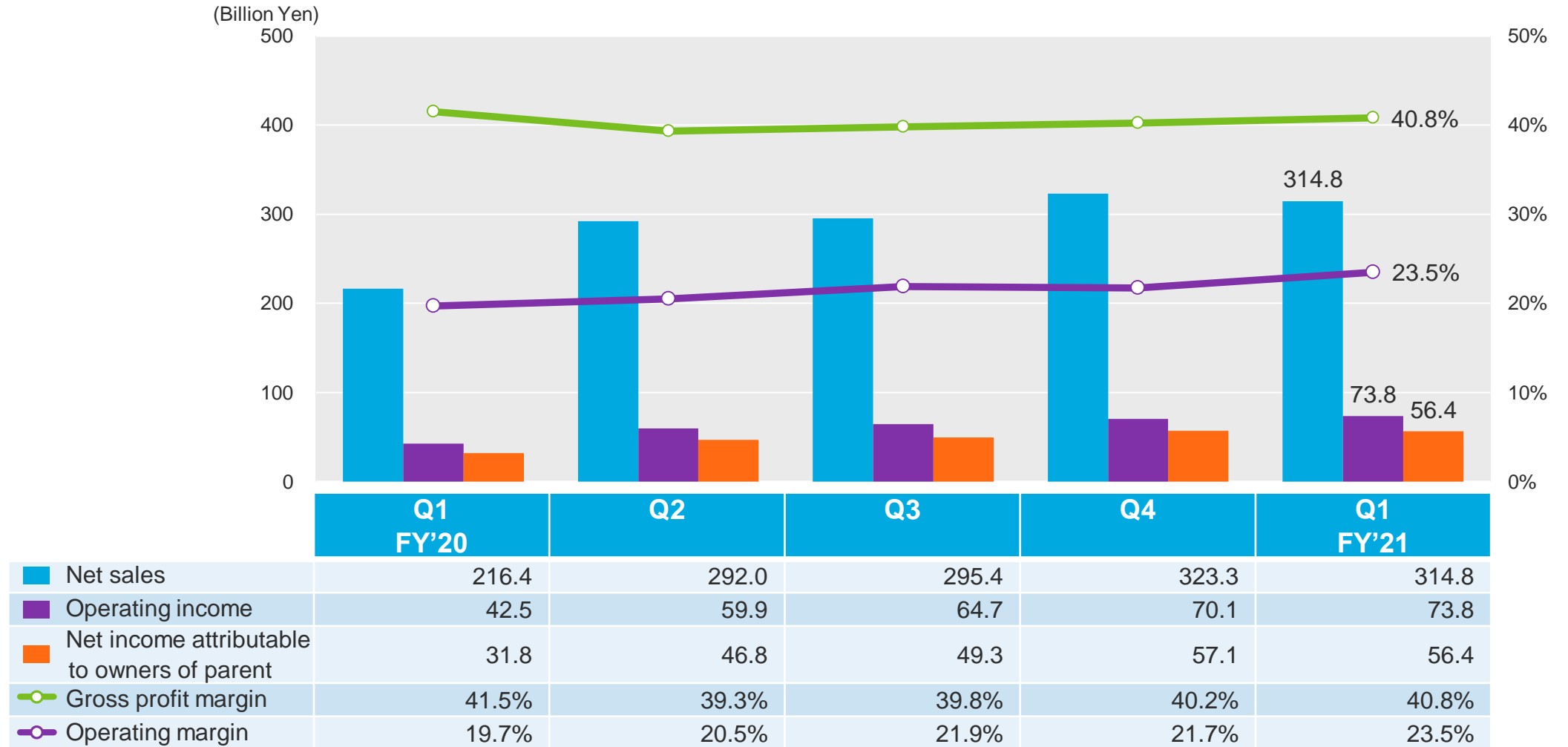
Financial Summary

(Billion Yen)

	FY2020				FY2021	vs. Q4 FY2020
	Q1	Q2	Q3	Q4	Q1	
Net sales	216.4	292.0	295.4	323.3	314.8	-2.6%
SPE	198.1	271.8	282.0	308.9	303.7	-1.7%
FPD	18.2	20.1	13.3	14.3	11.0	-23.4%
Gross profit	89.8	114.6	117.5	129.8	128.4	-1.1%
Gross profit margin	41.5%	39.3%	39.8%	40.2%	40.8%	+0.6pts
SG&A expenses	47.3	54.7	52.8	59.7	54.6	-8.5%
Operating income	42.5	59.9	64.7	70.1	73.8	+5.3%
Operating margin	19.7%	20.5%	21.9%	21.7%	23.5%	+1.8pts
Income before income taxes	44.5	62.0	64.6	73.3	74.6	+1.8%
Net income attributable to owners of parent	31.8	46.8	49.3	57.1	56.4	-1.2%
R&D expenses	25.6	31.2	29.8	33.4	30.1	-10.0%
Capital expenditures	7.6	22.0	13.2	11.7	13.2	+12.6%
Depreciation and amortization	6.0	6.7	7.6	8.6	7.1	-16.9%

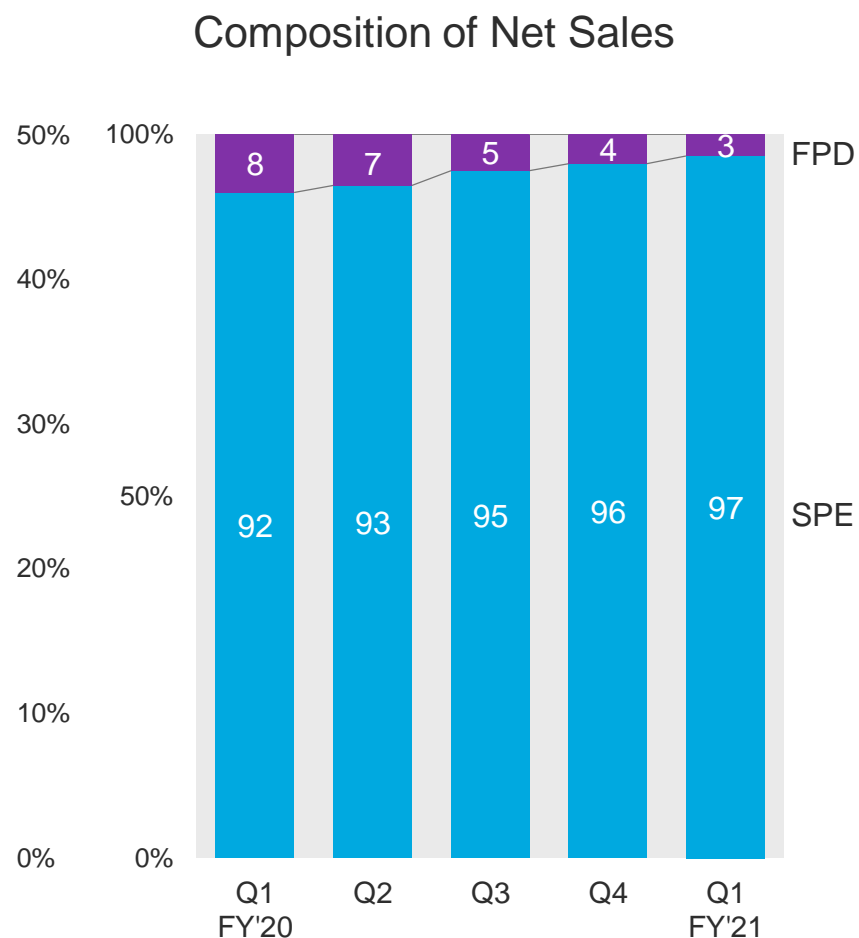
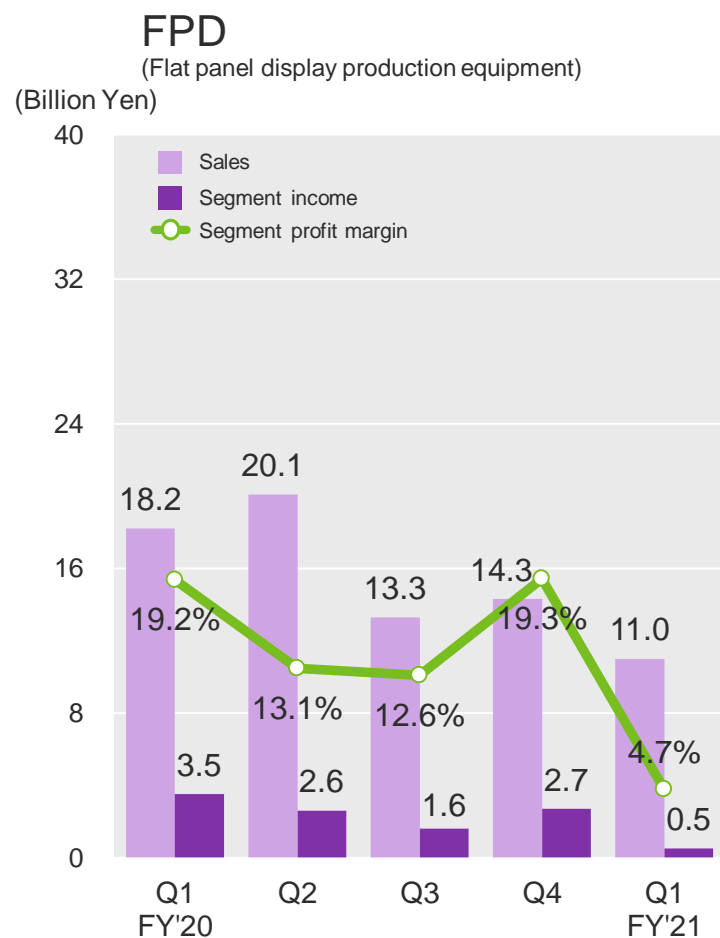
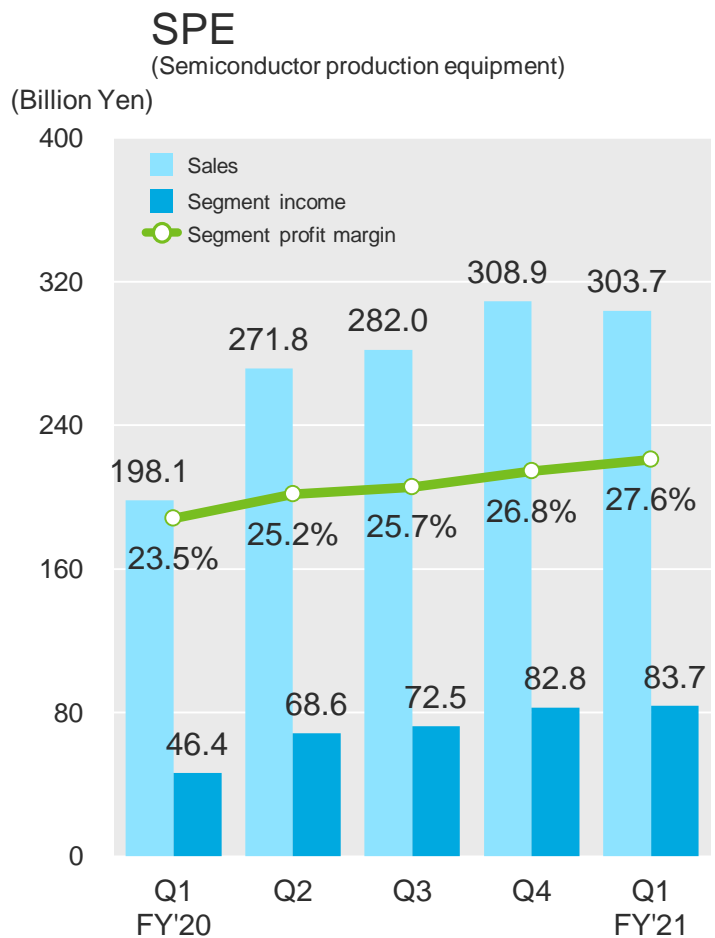
1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated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

Financial Performance



Q1 financial results showed good progress in line with plan for H1

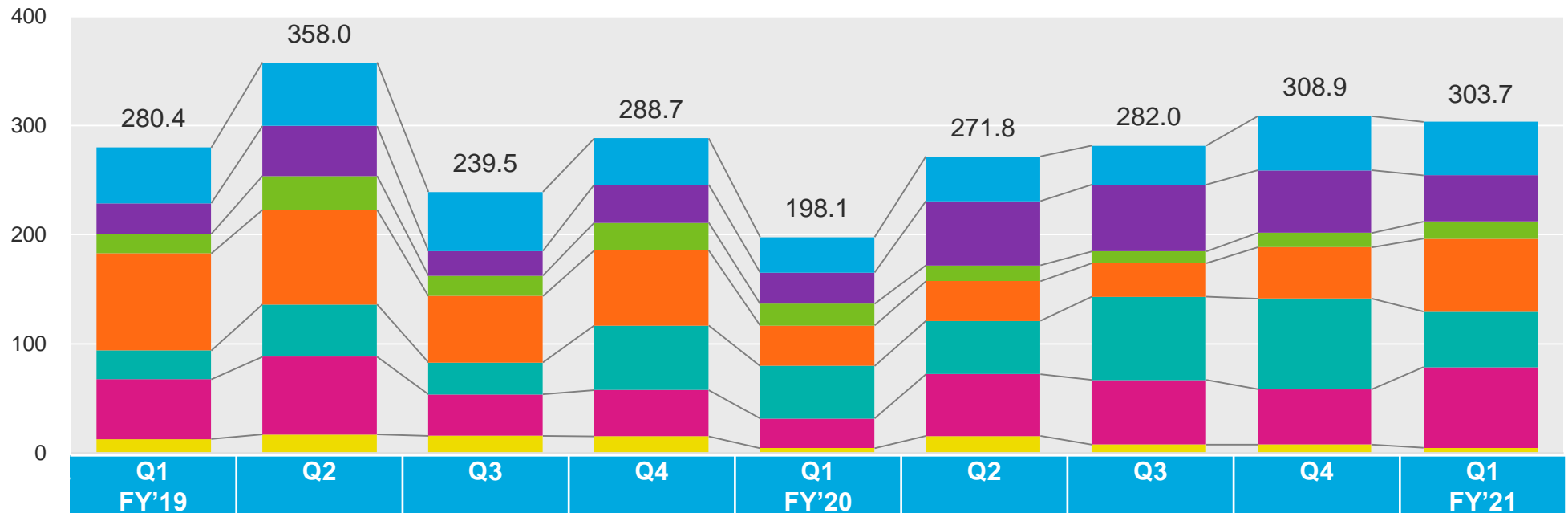
Segment Information



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.

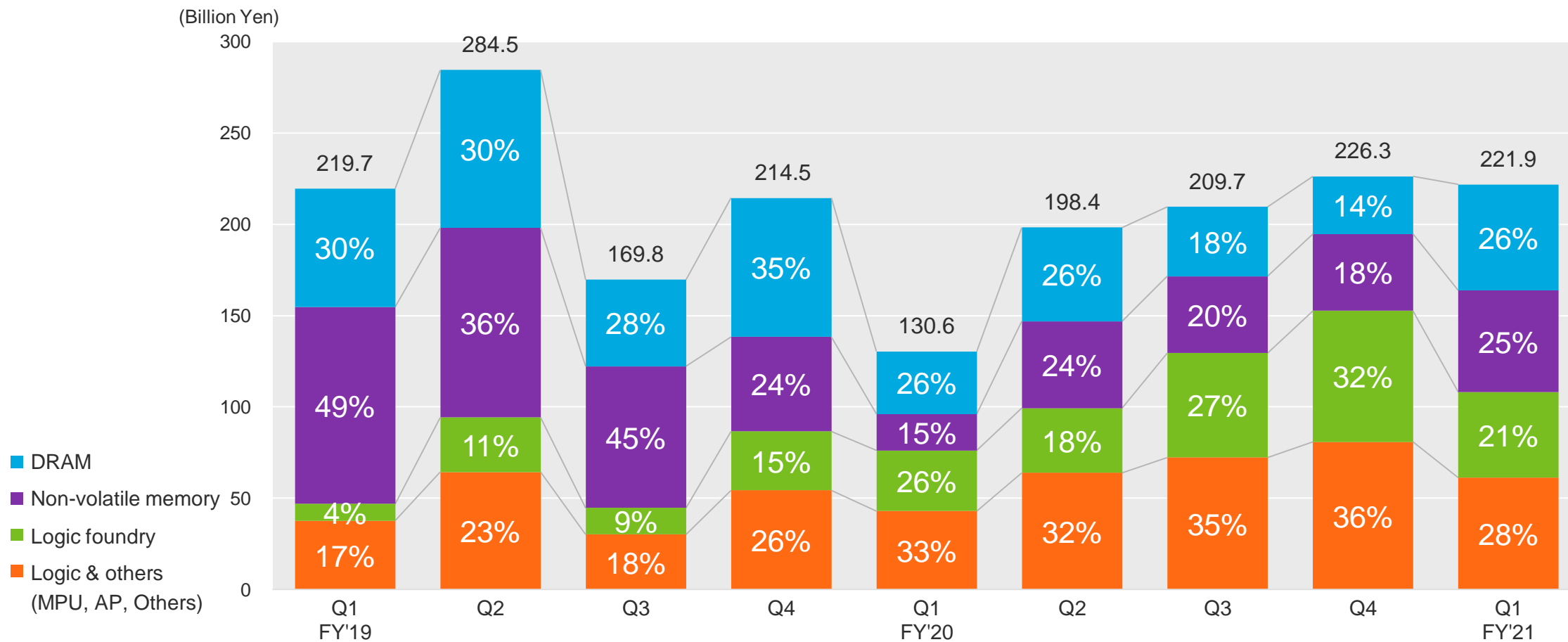
SPE Division: Sales by Region

(Billion Yen)



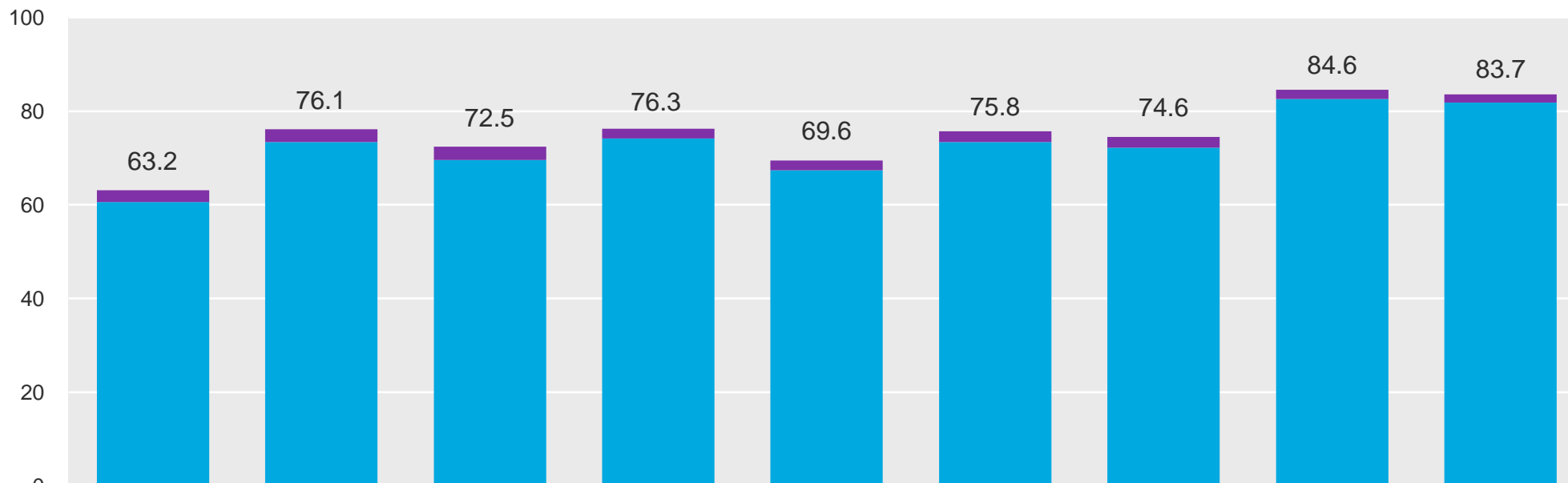
	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21
Japan	51.1	58.0	54.0	42.7	32.5	41.0	35.9	49.6	49.1
North America	28.4	45.9	22.7	34.7	28.5	58.8	61.0	57.2	42.3
Europe	17.7	31.3	18.6	25.3	20.2	14.4	10.8	13.3	15.7
South Korea	88.9	86.5	60.9	68.9	36.9	36.4	31.0	47.1	67.0
Taiwan	26.3	48.0	29.3	59.1	48.3	48.7	76.2	83.1	50.9
China	54.9	71.3	38.0	42.5	27.0	56.8	59.1	50.6	73.9
S. E. Asia, Others	12.7	16.8	15.6	15.2	4.4	15.5	7.7	7.7	4.6

SPE Division: New Equipment Sales by Application



Field Solutions Sales

(Billion Yen)

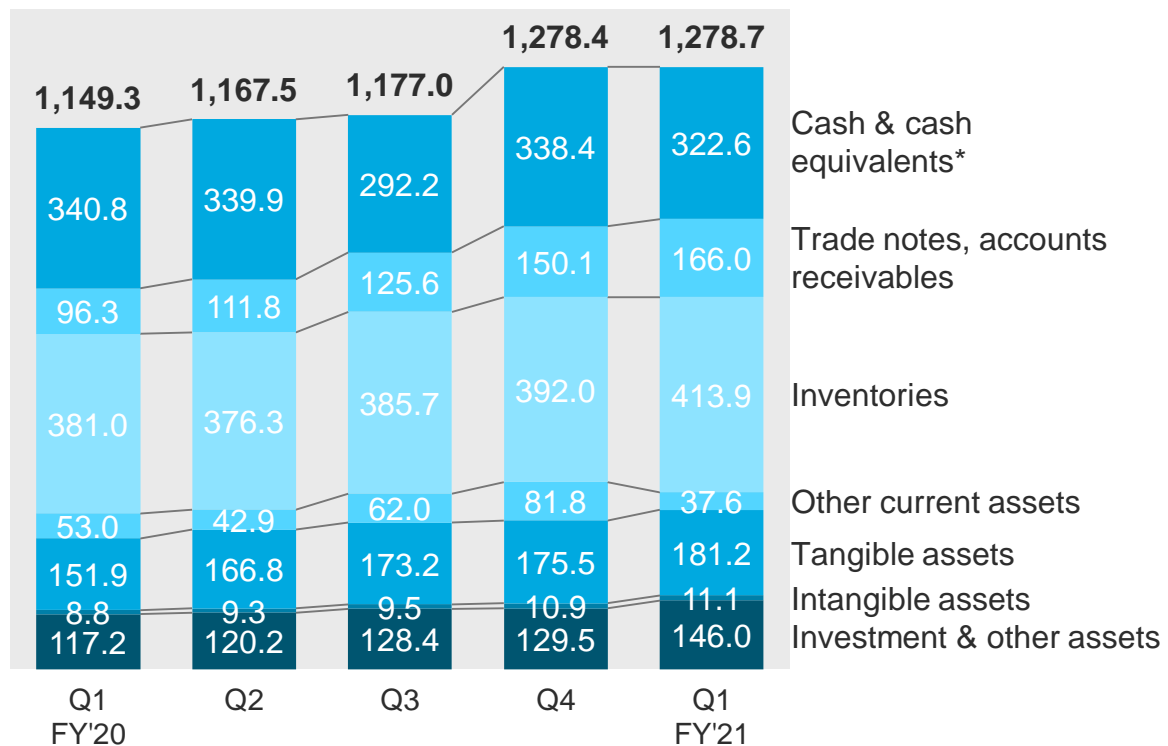


	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21
SPE Sales	60.6	73.4	69.6	74.2	67.4	73.4	72.2	82.6	81.8
FPD Sales	2.5	2.7	2.8	2.1	2.1	2.3	2.3	2.0	1.8

Balance Sheet

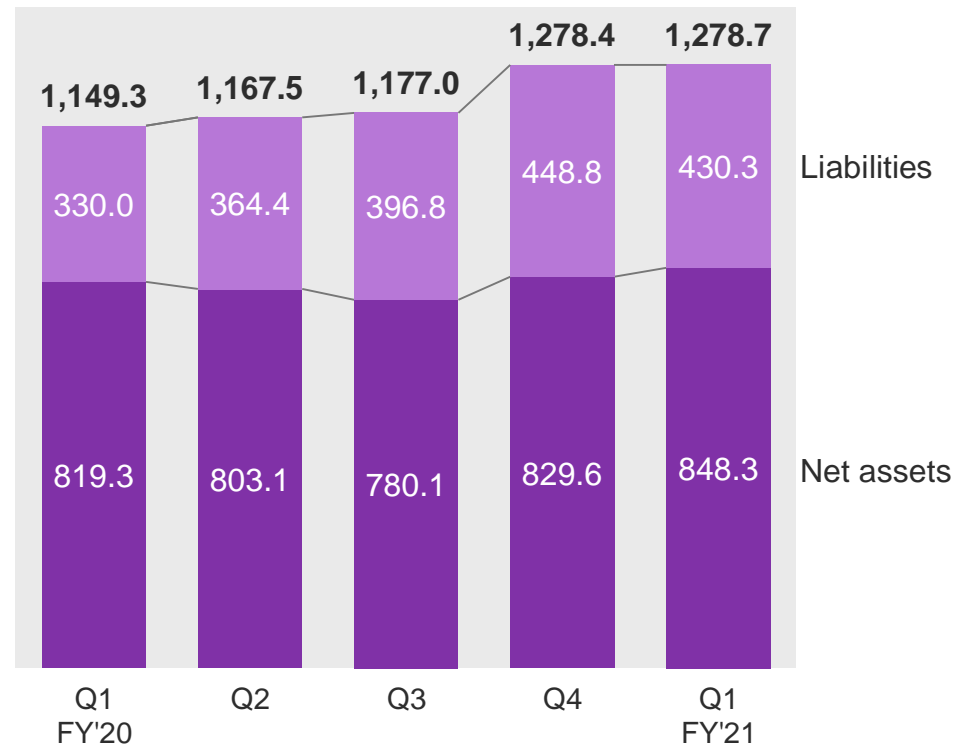
Assets

(Billion Yen)



Liabilities & Net Assets

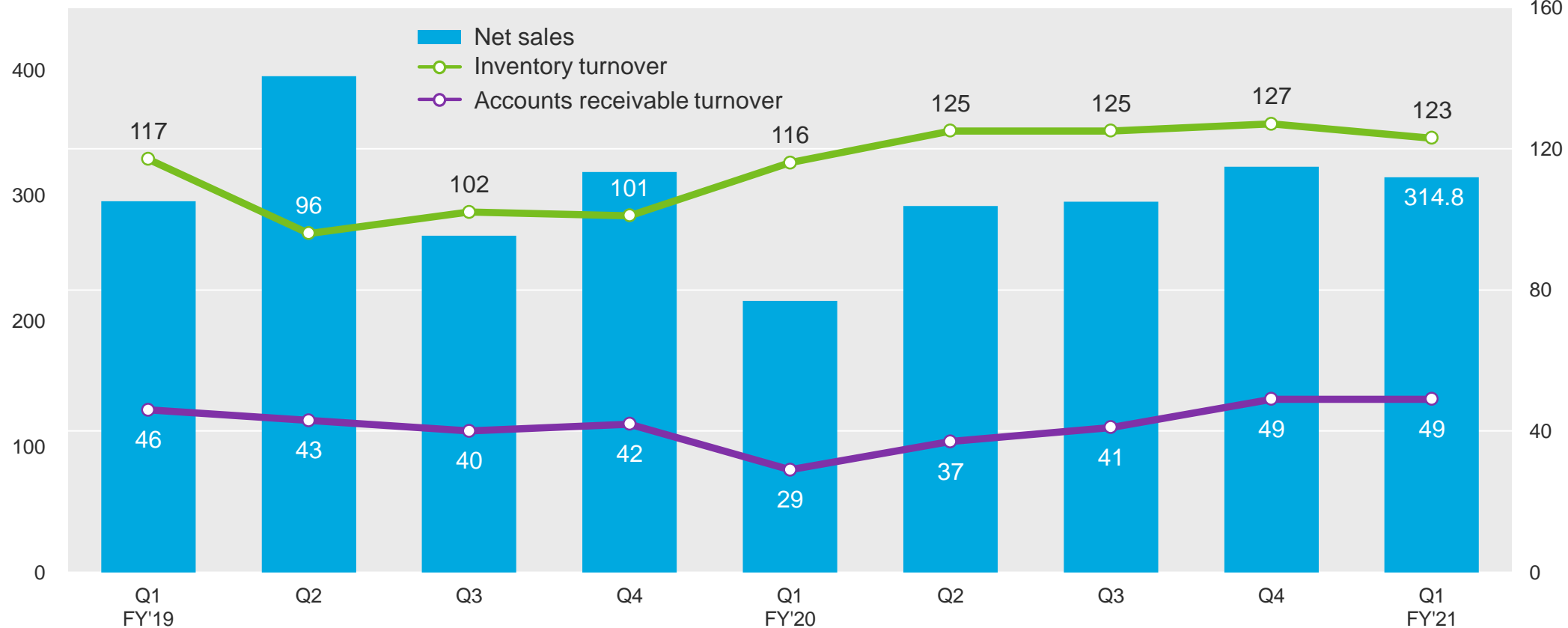
(Billion Yen)



Inventory Turnover and Accounts Receivable Turnover

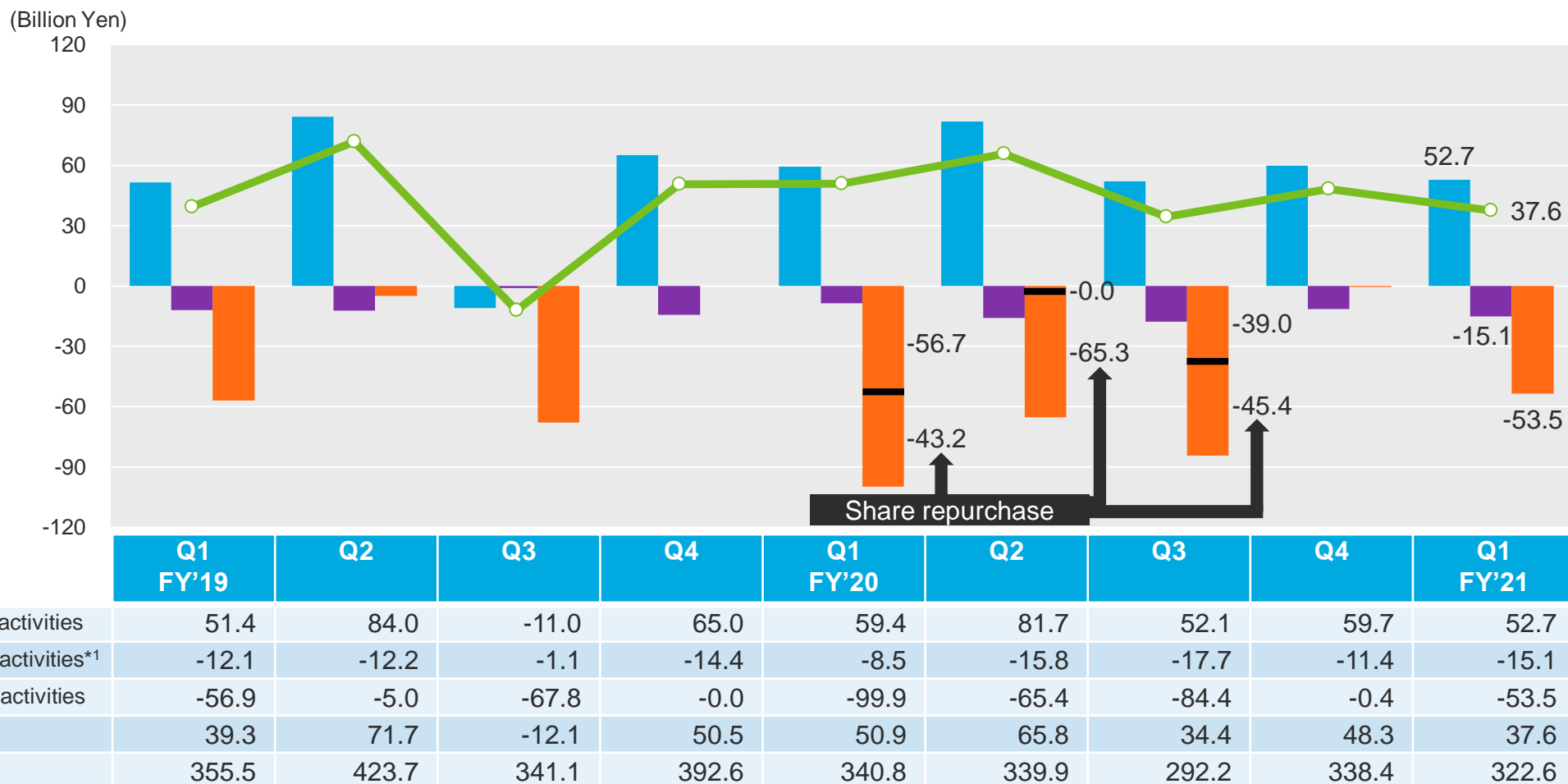
(Billion Yen)

(Days)



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

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).

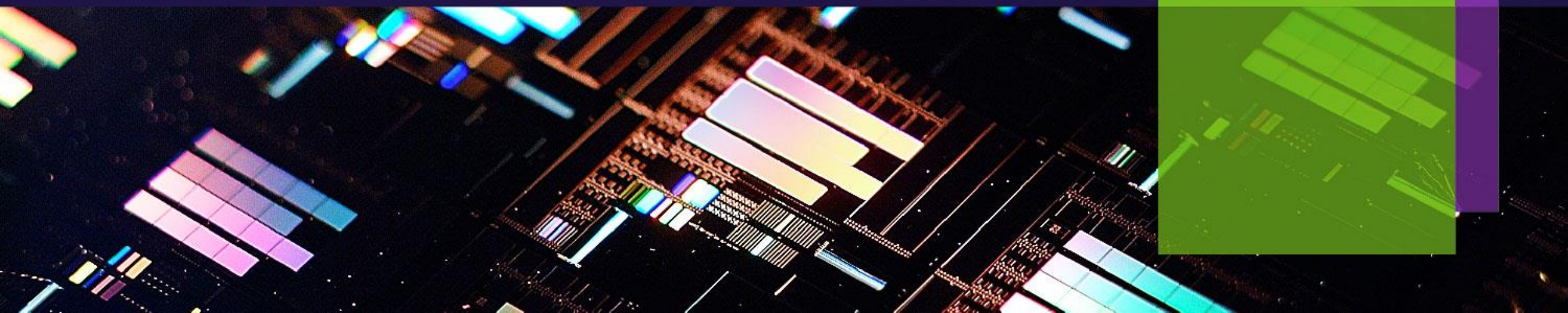
*3 Cash on hand includes cash and cash equivalents + time deposits and short-term investments with original maturities of more than three months.



Business Environment and Financial Estimates

July 28, 2020

Toshiki Kawai
Representative Director, President & CEO



Business Environment (Outlook as of July 2020)

▶ WFE*¹ 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*²

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

Expecting approx. 15% YoY growth in CY2020

No change to business environment outlook announced on June 18

*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 Business Progress (Q1)

- Q1 business activities made good progress versus plan
 - Plant operation: Procurement, production and shipments were as planned
 - Equipment installation: Continued through local/expat employees and some remote support
 - Field solutions: Made good progress versus full year plan on high utilization rate of customers' fabs

FY2021 Business Opportunities and Focus Areas

■ Logic/Foundry

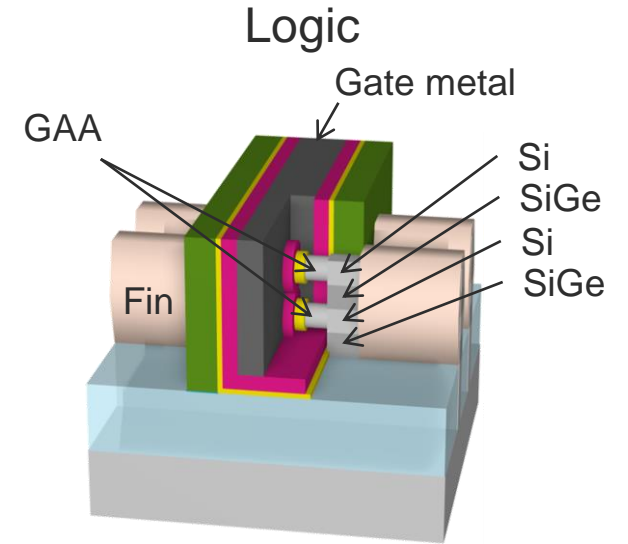
- EUV: Coater/Developer and etch for new resist materials
- Contacts: High selectivity etch, low resistance metal deposition
- GAA*1: New processes (Si/SiGe Fin etch, selective and isotropic etch, cleaning for highly scaled 3D structures)

■ DRAM

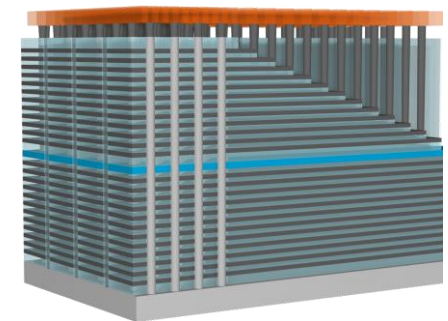
- Patterning: Solutions to achieve further scaling
- Capacitor module: HARC etch, electrode deposition, wet cleaning for anti-pattern collapse and high-k dielectric deposition

■ 3D NAND

- High aspect ratio: High process performance and productivity etch for more than 200 layers, and ALD/CVD for super gapfill
- RGM*2: High selectivity wet etch of sacrificial film and deposition of new materials



3D NAND



*1 GAA: Gate-all-around

*2 RGM: Replacement gate metal

FY2021 Financial Estimates

FY2021 Financial Estimates (no change from June 18, 2020 announcement)

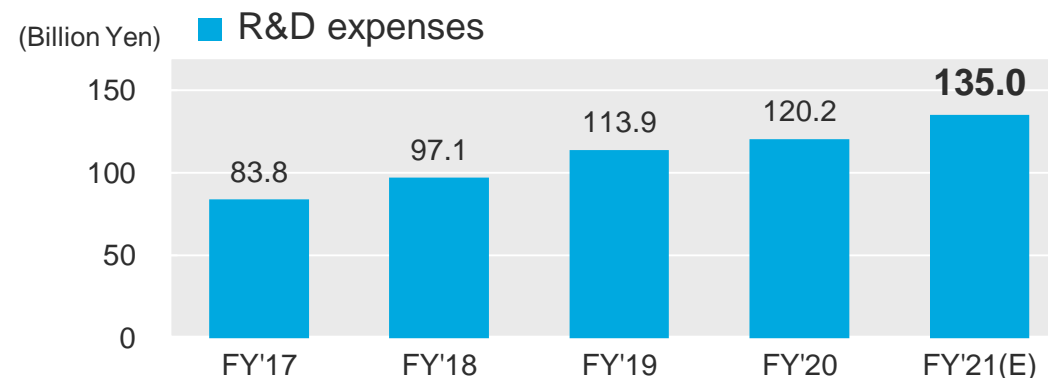
(Billion yen)

	FY2020 (Actual)	FY2021 (Estimates)			
		H1	H2	Full year	Full year YoY change
Net sales	1,127.2	620.0	660.0	1,280.0	+13.5%
SPE	1,060.9	585.0	615.0	1,200.0	+13.1%
FPD	66.0	35.0	45.0	80.0	+21.0%
Gross profit	451.9	248.0	272.0	520.0	+67.9
Gross profit margin	40.1%	40.0%	41.2%	40.6%	+0.5pts
SG&A expenses	214.6	121.0	124.0	245.0	+30.3
Operating income	237.2	127.0	148.0	275.0	+37.6
Operating margin	21.0%	20.5%	22.4%	21.5%	+0.5pts
Income before income taxes	244.6	127.0	148.0	275.0	+30.3
Net income attributable to owners of parent	185.2	95.0	110.0	205.0	+19.7
Net income per share (Yen)	1,170.57	610.83	-	1,318.10	+147.53

Aim for higher net sales and income while continuing growth investment

FY2021 R&D Expenses, Capex Plan

- R&D Expenses ¥135.0B
 - 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 ¥38.0B



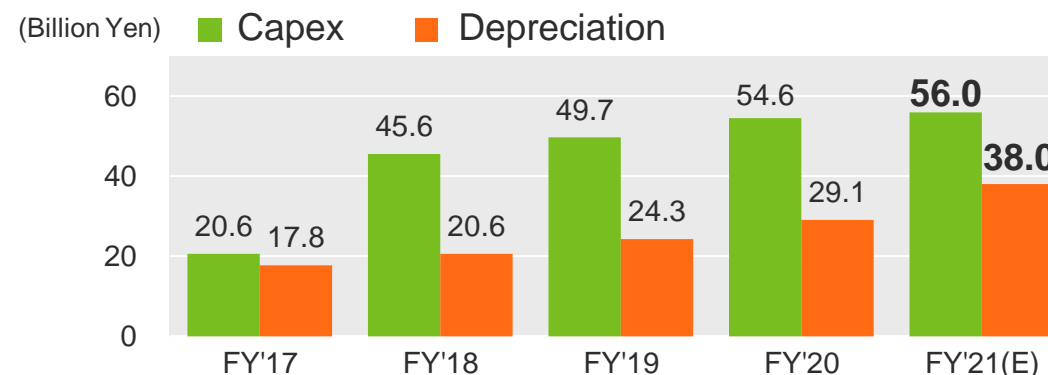
New production buildings
(deposition systems, gas chemical etch systems, test systems)



Nirasaki City, Yamanashi Prefecture:
approx. ¥13.0B construction cost
(Scheduled to begin operation in August 2020)

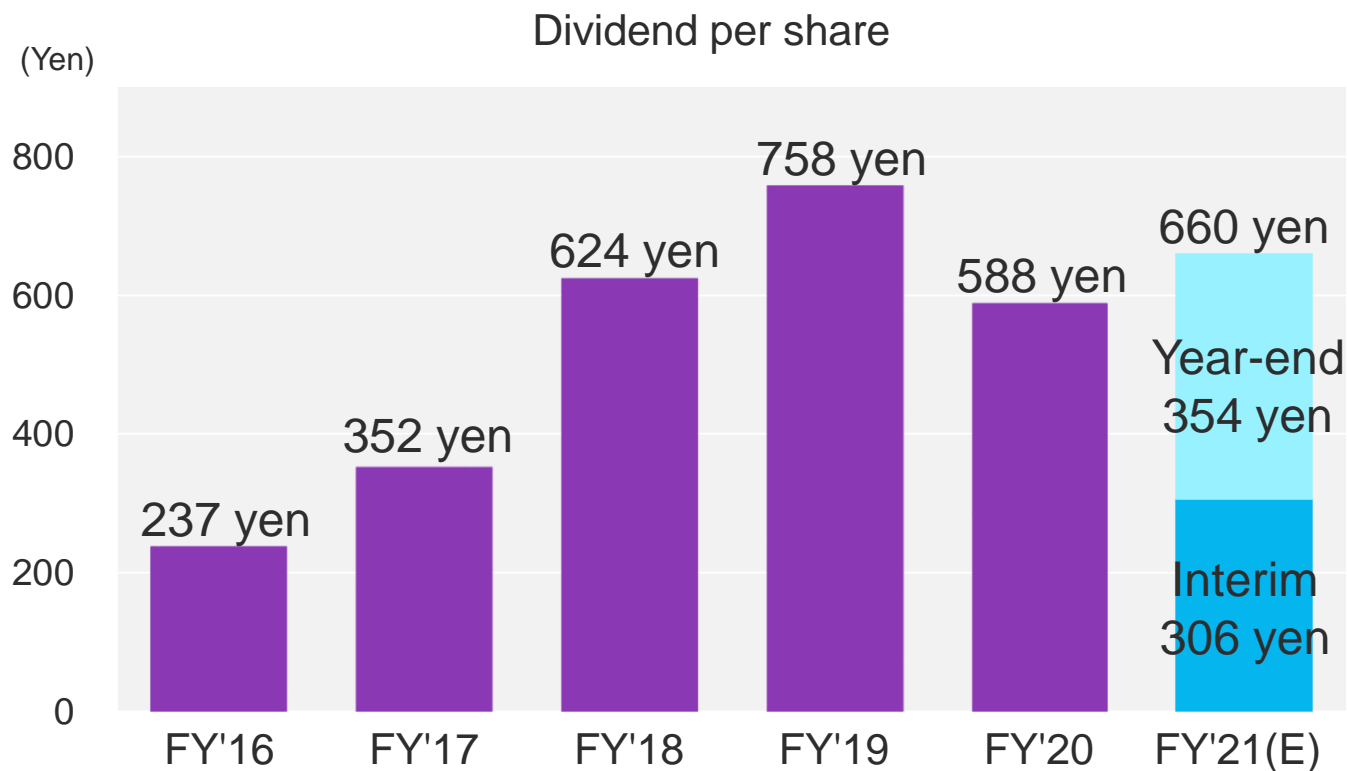


Oshu City, Iwate Prefecture:
approx. ¥13.0B construction cost
(Began operation in July 2020)



Expect to make record R&D investment to maximize capture of future growth potential

FY2021 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 660 yen, in-line with 50% dividend payout ratio

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