

FY2020 (April 2019 – March 2020) Financial Announcement

April 30, 2020

Agenda:

- FY2020 Consolidated Financial Summary
Yoshikazu Nunokawa, Corporate Director, Executive Vice President & General Manager
- Business Environment
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



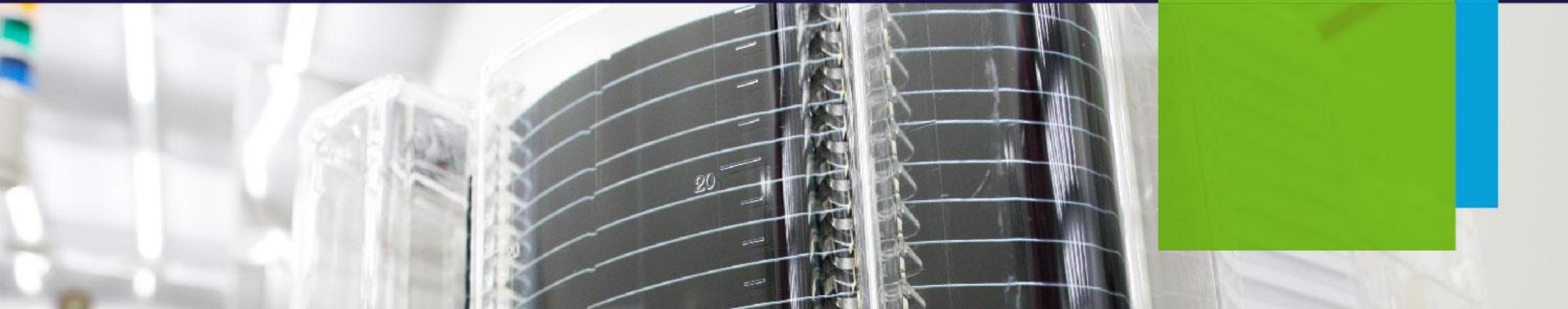
FY2020 Consolidated Financial Summary

[FY2020: April 1, 2019 – March 31, 2020]

April 30, 2020

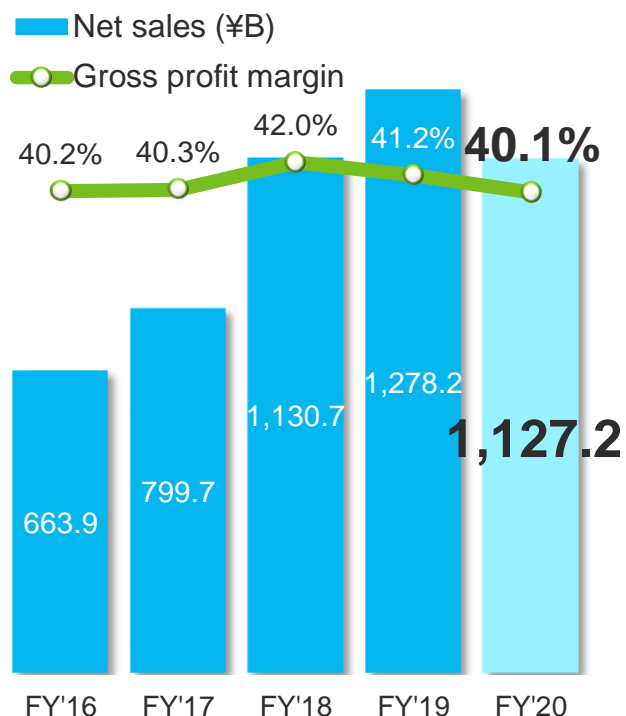
Yoshikazu Nunokawa

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

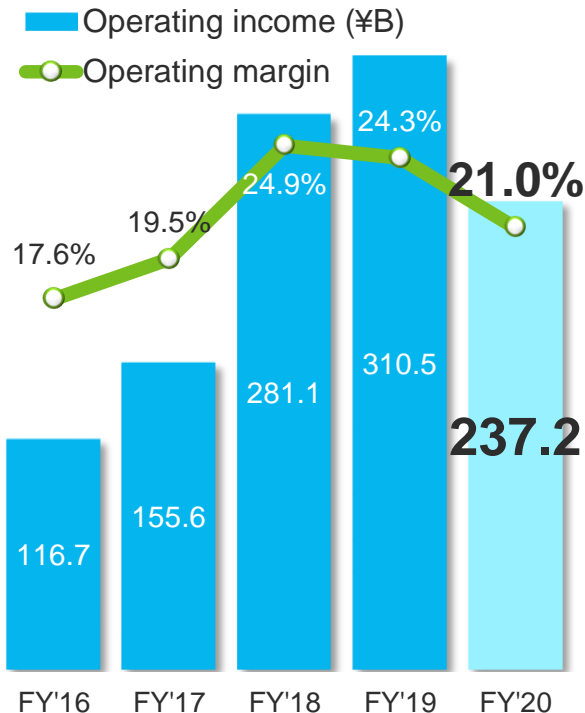


FY2020 (April 2019 – March 2020) Highlights

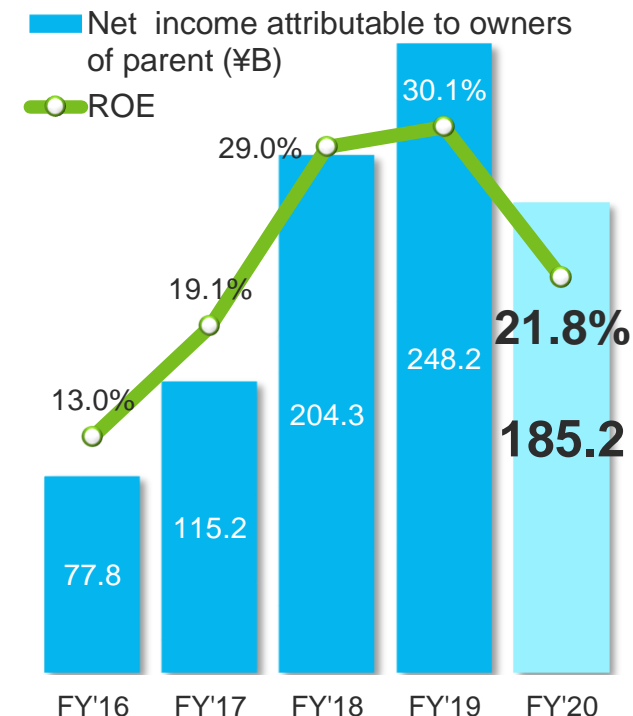
Net Sales and Gross Profit Margin



Operating Income and Operating Margin



Net Income Attributable to Owners of Parent and ROE



- Although net sales decreased on the effect of adjustments in SPE*¹ and FPD*² capex, there was continued growth investment in response to market growth
- TEL was able to maintain profitability as a result of initiatives to optimize and sustain earnings even amid lower sales

FY2020 (April 2019 – March 2020) Highlights

- Conducted share buyback from end-May to end-December, 2019
 - Total number of shares acquired: 8,392,000 shares
 - Total cost of acquisition: 149,999,373,492 yen
- Cancelled 8,000,000 shares of treasury stock
 - Represents 4.84% of issued shares
 - Number of outstanding shares after the cancellation: 157,210,911 shares
 - The 392,000 shares not cancelled are planned to be used for share subscription rights as stock-linked compensation

Financial Summary

(Billion yen)

	FY2019	FY2020	YoY Change	(Reference) FY2020 estimates announced on Oct. 31, 2019
Net sales	1,278.2	1,127.2	-11.8%	1,110.0
SPE	1,166.7	1,060.9	-9.1%	1,035.0
FPD	111.2	66.0	-40.6%	74.8
Gross profit	526.1	451.9	-14.1%	445.0
Gross profit margin	41.2%	40.1%	-1.1pts	40.1%
SG&A expenses	215.6	214.6	-0.4%	220.0
Operating income	310.5	237.2	-23.6%	225.0
Operating margin	24.3%	21.0%	-3.3pts	20.3%
Income before income taxes	321.5	244.6	-23.9%	229.0
Net income attributable to owners of parent	248.2	185.2	-25.4%	170.0
EPS (Yen)	1,513.58	1,170.57	-22.7%	1,074.47*
R&D expenses	113.9	120.2	+5.5%	123.0
Capital expenditures	49.7	54.6	+9.9%	56.0
Depreciation and amortization	24.3	29.1	+19.7%	33.0

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.
3. EPS forecast was announced on January 30, 2020.

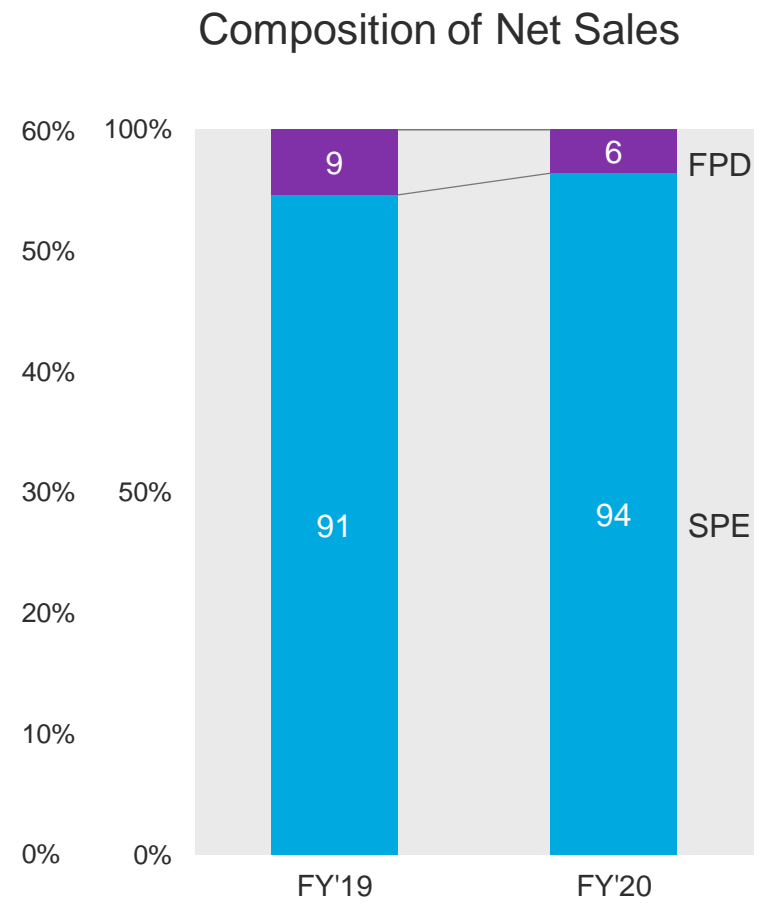
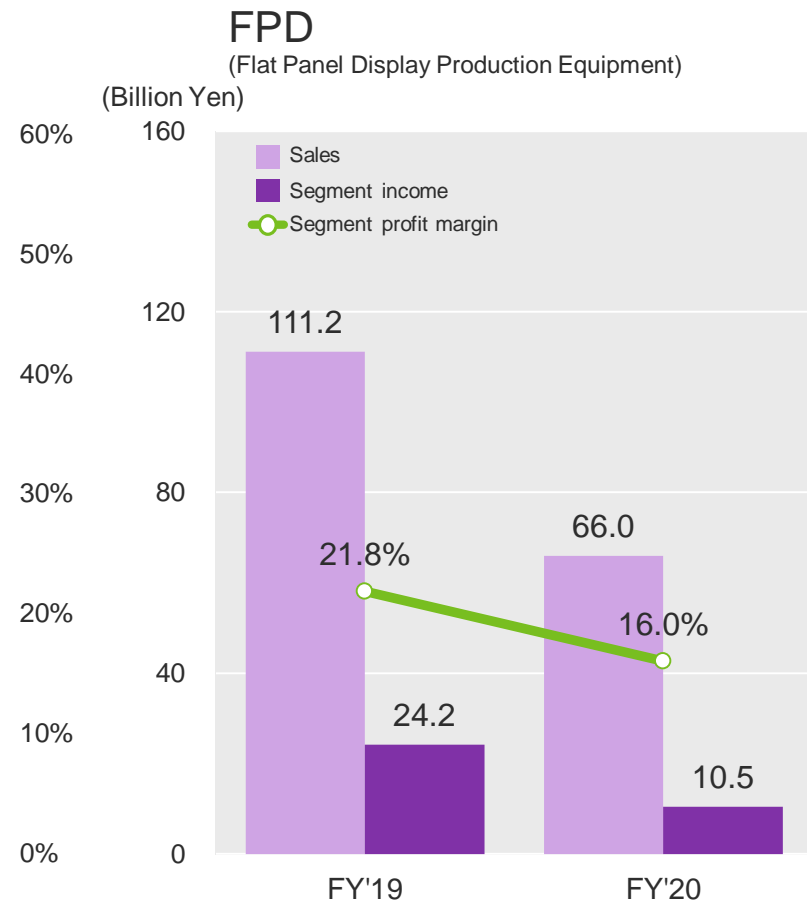
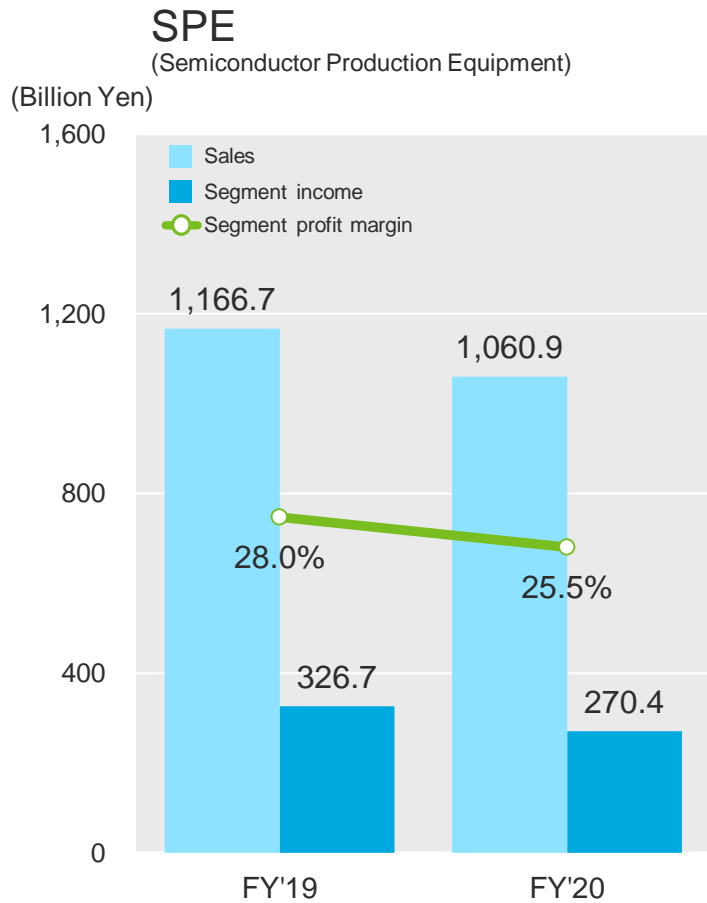
Financial Summary (Quarterly)

(Billion Yen)

	FY2019	FY2020				vs. Q3 FY2020
	Q4	Q1	Q2	Q3	Q4	
Net sales	319.0	216.4	292.0	295.4	323.3	+9.5%
SPE	288.7	198.1	271.8	282.0	308.9	+9.6%
FPD	30.1	18.2	20.1	13.3	14.3	+7.5%
Gross profit	132.2	89.8	114.6	117.5	129.8	+10.5%
Gross profit margin	41.5%	41.5%	39.3%	39.8%	40.2%	+0.4pts
SG&A expenses	55.8	47.3	54.7	52.8	59.7	+13.0%
Operating income	76.4	42.5	59.9	64.7	70.1	+8.4%
Operating margin	24.0%	19.7%	20.5%	21.9%	21.7%	-0.2pts
Income before income taxes	79.8	44.5	62.0	64.6	73.3	+13.5%
Net income attributable to owners of parent	64.1	31.8	46.8	49.3	57.1	+15.9%
R&D expenses	30.0	25.6	31.2	29.8	33.4	+12.0%
Capital expenditures	14.9	7.6	22.0	13.2	11.7	-10.9%
Depreciation and amortization	7.3	6.0	6.7	7.6	8.6	+12.4%

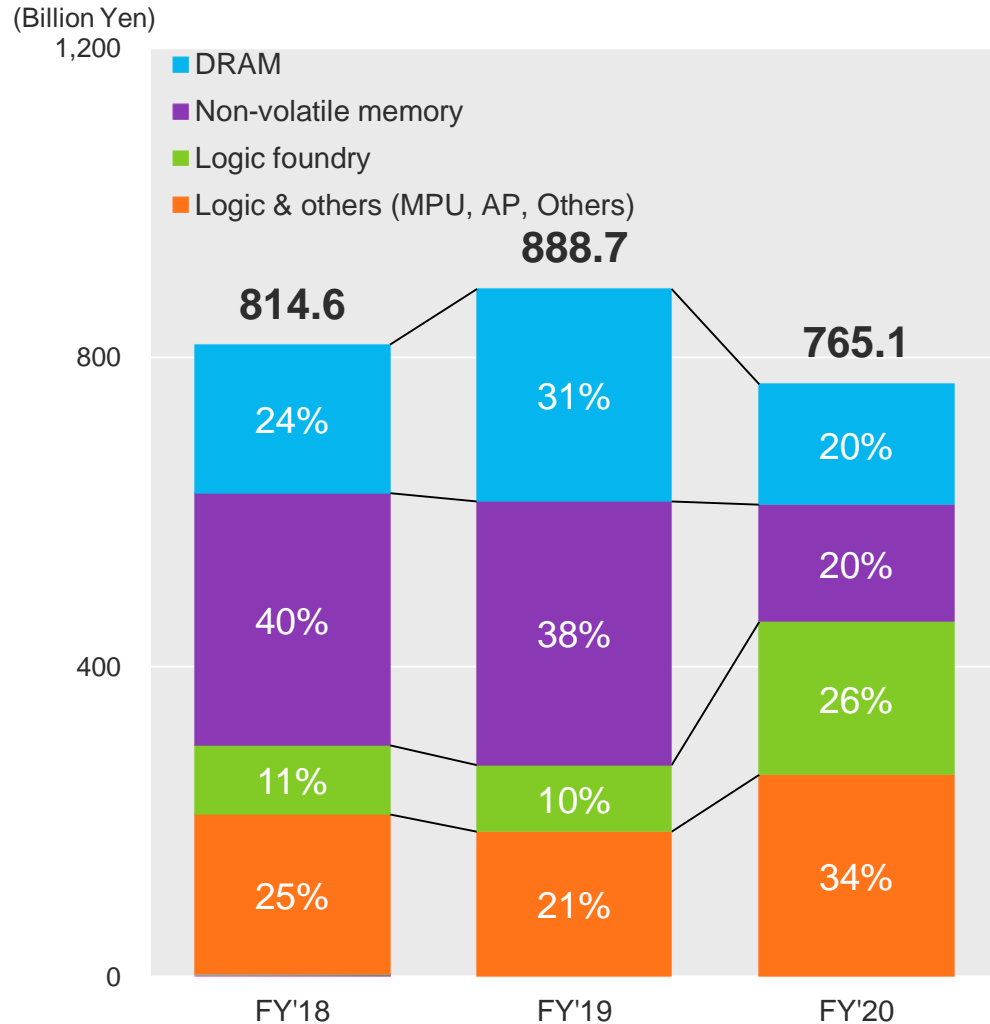
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Segment Information



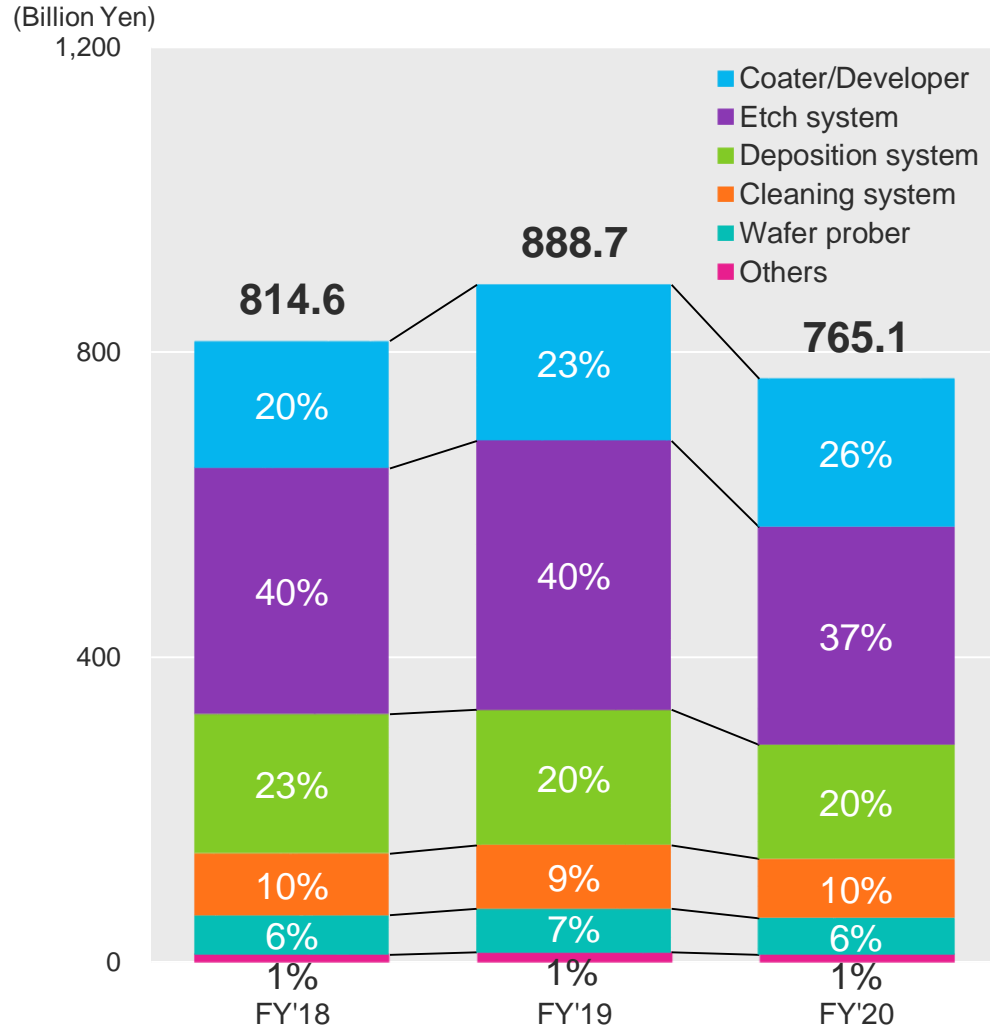
1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research are not included in above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

SPE Division: New Equipment Sales by Application



- In logic/foundry, increased investment to raise production capacity of leading-edge technology made a significant contribution to sales amid stronger demand for high performance processors for data centers and 5G smartphones
- In memory, investment underwent an adjustment amid a lull following several years of investment to increase production capacity

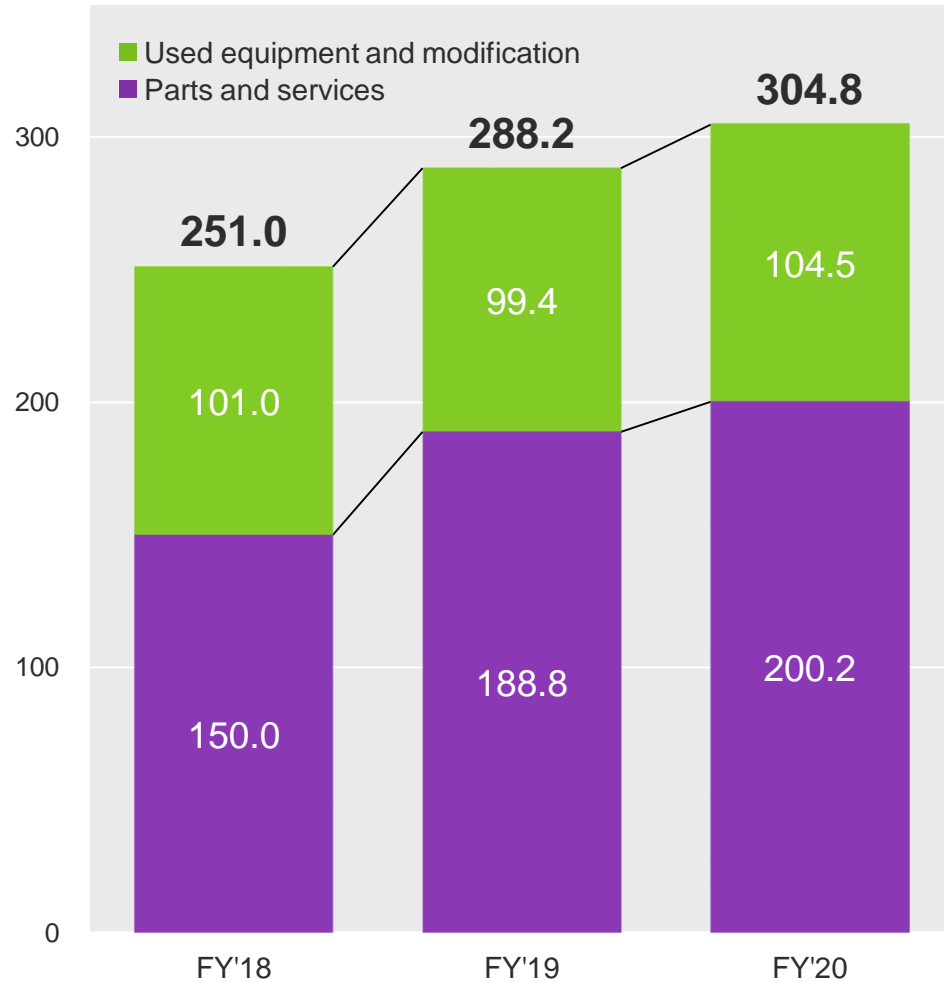
SPE Division: New Equipment Sales by Product



- Coater/developer sales proportion rose amid increased investment for leading-edge logic/foundry while investment for non-volatile memory decreased
- Etch systems sales proportion decreased as a result of the higher ratio of investment in matured technologies including power devices and discrete semiconductors

Field Solutions Sales

(Billion Yen)

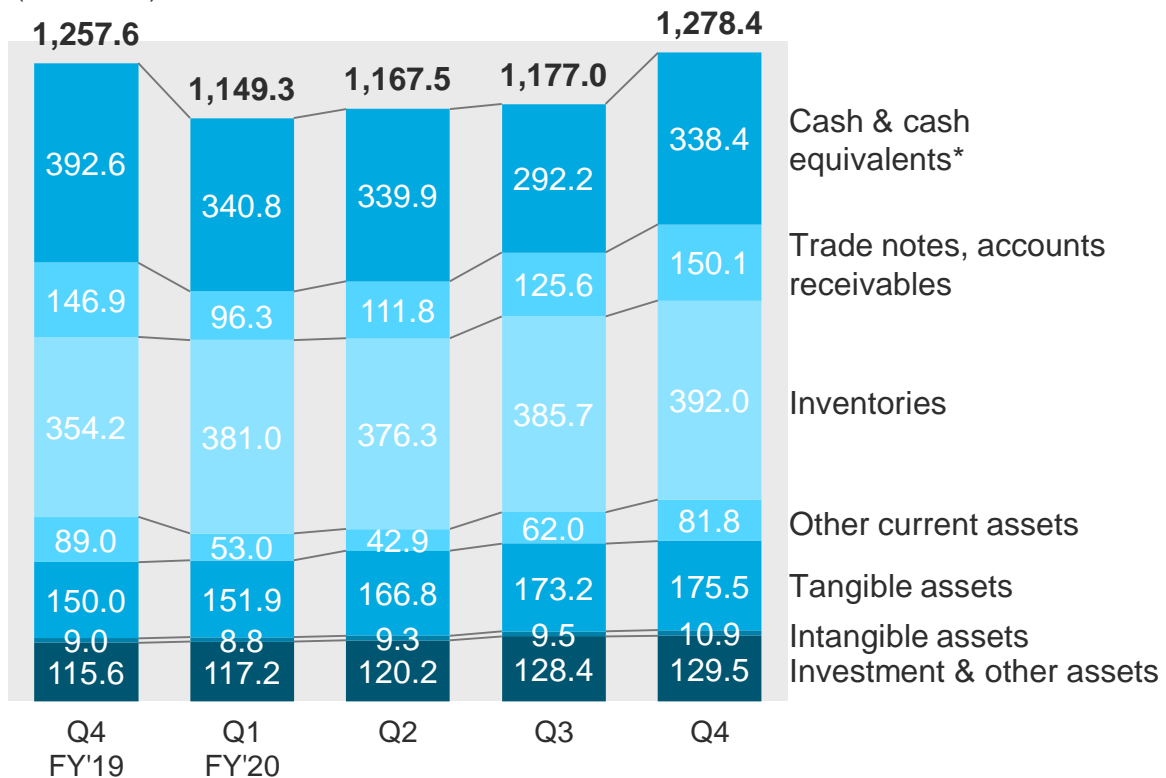


- FY2020 sales in the Field Solutions were ¥304.8 billion, +5.7% YoY
- Parts and services sales were firm on growth in installed base and customers' high utilization rate. Sales also rose in used equipment and modification, which enables customers to effectively utilize their assets

Balance Sheet (Quarterly)

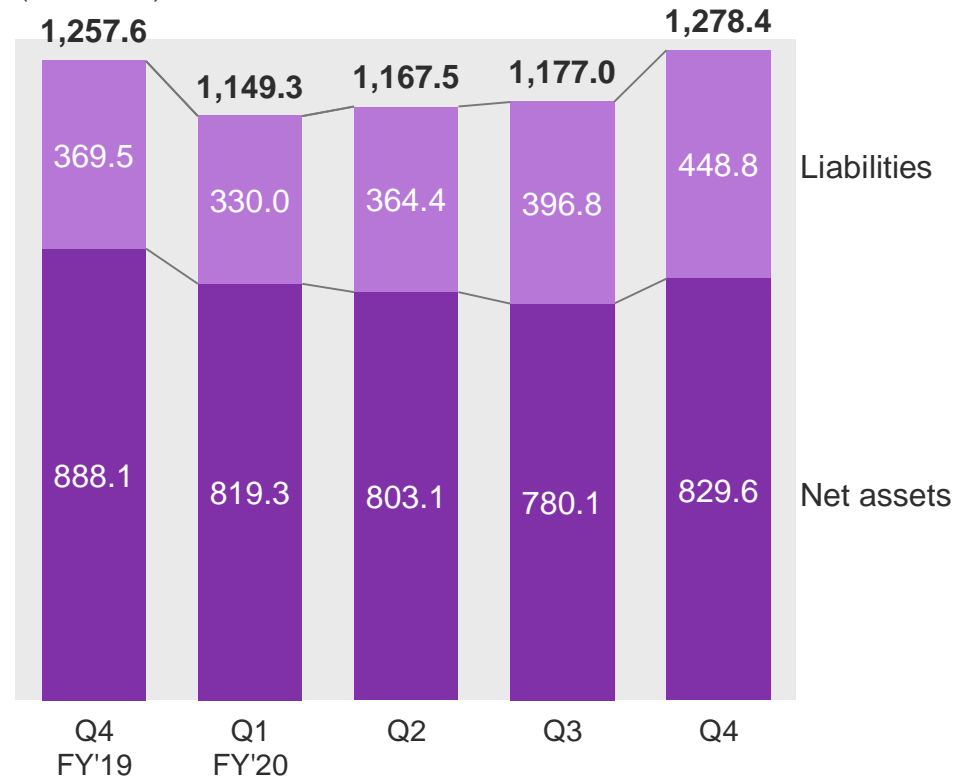
Assets

(Billion Yen)

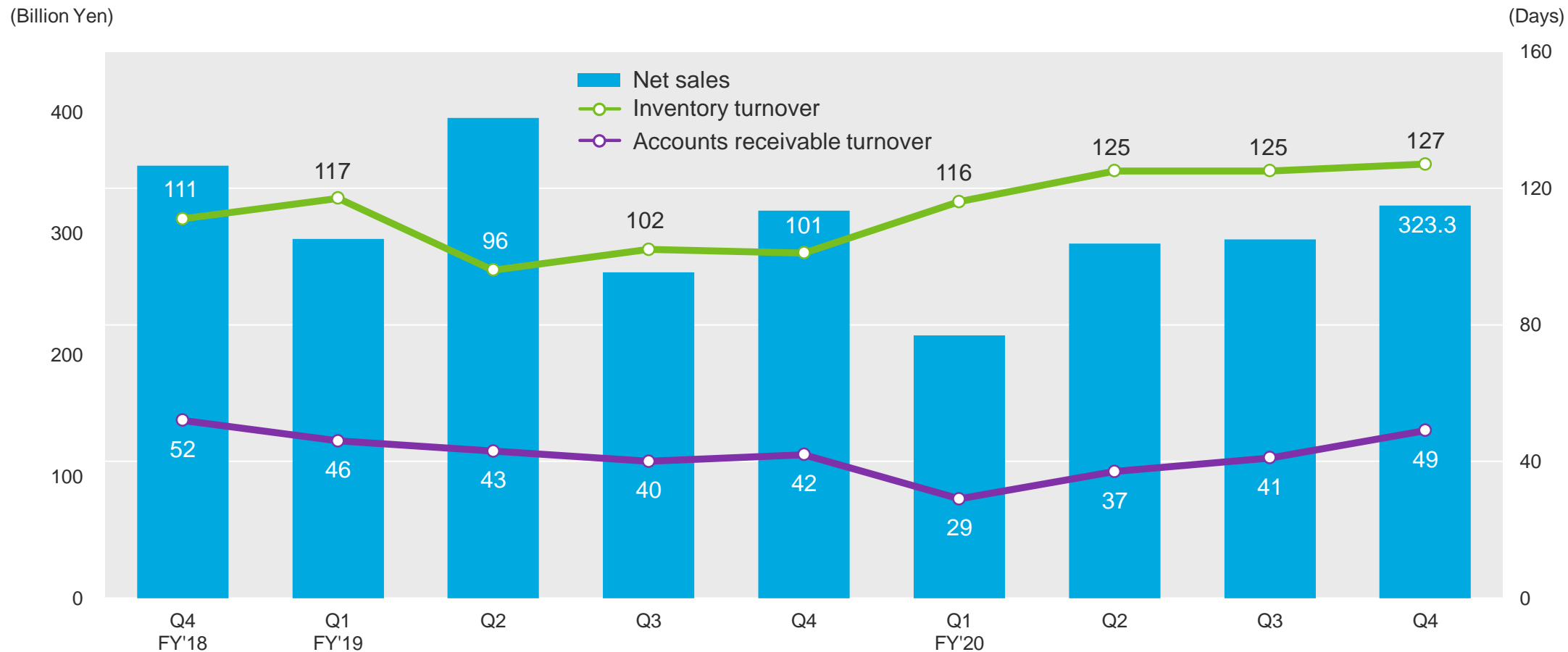


Liabilities & Net Assets

(Billion Yen)

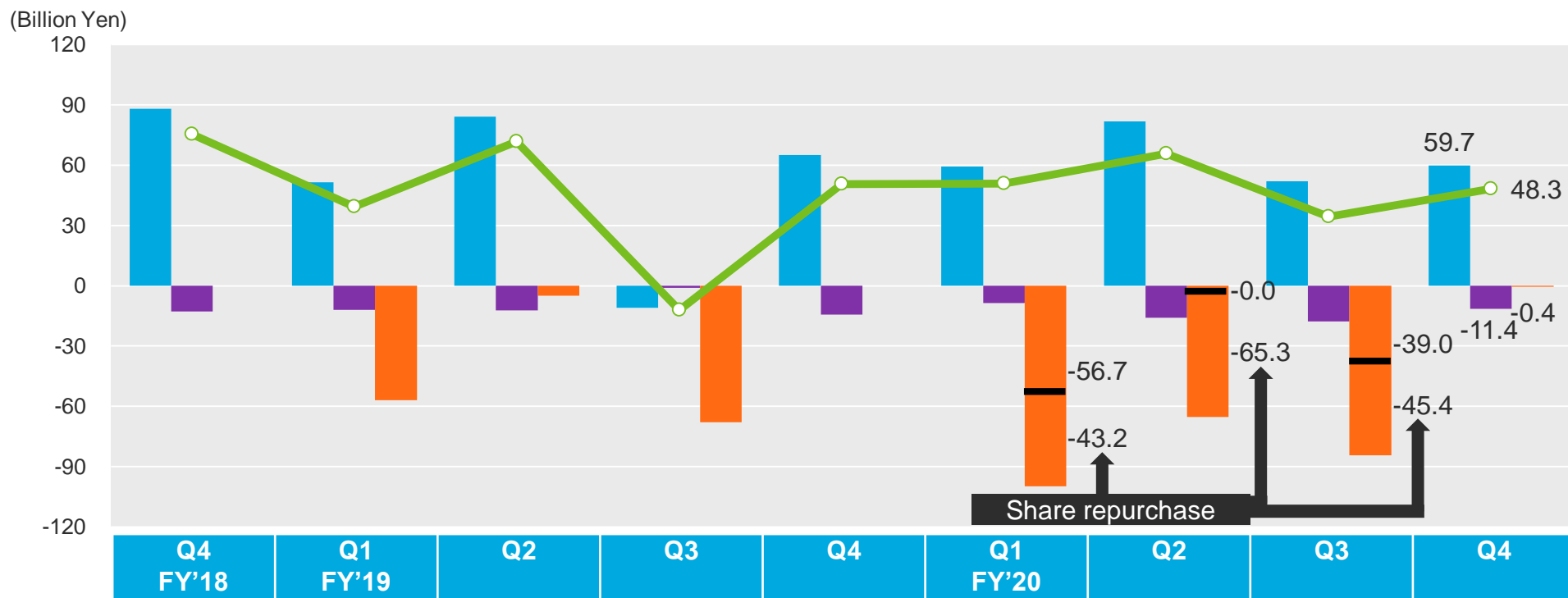


Inventory Turnover and Accounts Receivable Turnover (Quarterly)



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

Cash Flow (Quarterly)



	Q4 FY'18	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2	Q3	Q4
Cash flow from operating activities	88.1	51.4	84.0	-11.0	65.0	59.4	81.7	52.1	59.7
Cash flow from investing activities*1	-12.8	-12.1	-12.2	-1.1	-14.4	-8.5	-15.8	-17.7	-11.4
Cash flow from financing activities	-0.0	-56.9	-5.0	-67.8	-0.0	-99.9	-65.4	-84.4	-0.4
Free cash flow*2	75.3	39.3	71.7	-12.1	50.5	50.9	65.8	34.4	48.3
Cash on hand*3	373.8	355.5	423.7	341.1	392.6	340.8	339.9	292.2	338.4

*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.

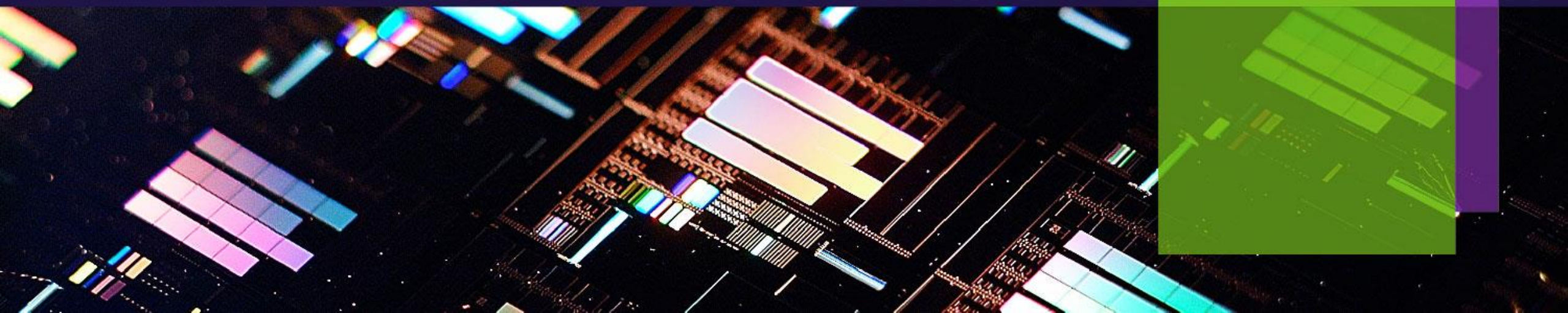
*3 Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.



Business Environment

April 30, 2020

Toshiki Kawai
Representative Director, President & CEO



FY2020 Business Highlights

- Results exceeded forecasts. Achieved net sales and income targets
 - SPE business strategy progressed as planned, continued capture of PORs in key fields
 - Orders of Elius™ inkjet printing system for manufacturing OLED panels increased as customers evaluate towards adoption
 - Sales in Field Solutions firmed, rose YoY
 - R&D investment and capex increased YoY, despite corrections in the semiconductor and FPD production equipment markets

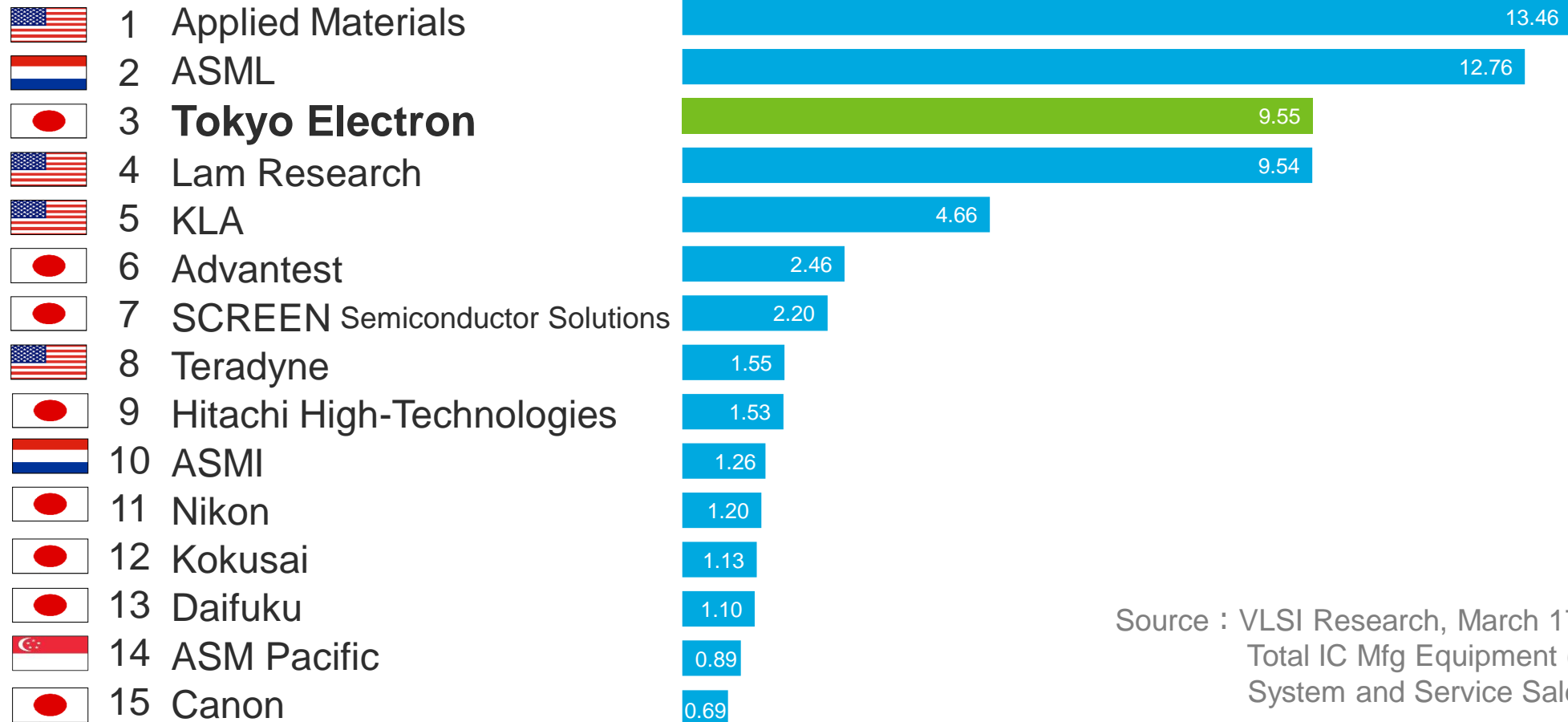
CY2019 Business Environment

- In CY2019 WFE investment for memory underwent an adjustment, but investment for logic/foundry grew. The amount invested in WFE overall was greater than forecast, resulting in a YoY decline of only 8%
 - Logic/foundry: Increased approx. 50% YoY. Investment in leading-edge technologies accelerating
 - Non-volatile memory: Decreased approx. 45% YoY. Although down from the prior year, a recovery had begun at year end
 - DRAM: Decreased approx. 40% YoY. However, by year-end DRAM price had bottomed out
- Although CY2019 FPD production equipment market was down 25% YoY, since H2 it has been recovering driven by investment in OLED

CY2019 SPE Makers Top 15

CY2019 Sales

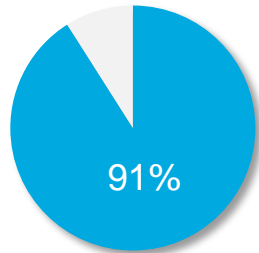
(Billions of US\$)



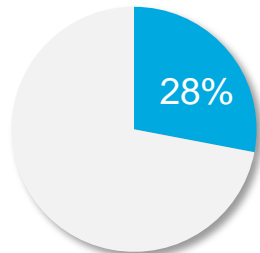
Source : VLSI Research, March 17, 2020,
Total IC Mfg Equipment (Preliminary)
System and Service Sales

TEL Main Products World Market Share (CY2019)

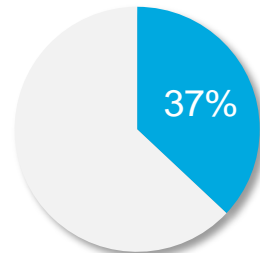
Semiconductor Production Equipment



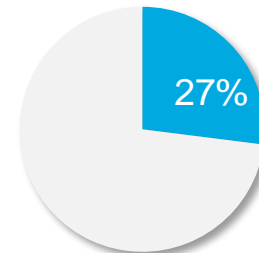
Coater/Developer



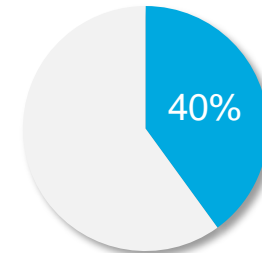
Dry Etch System



Deposition System

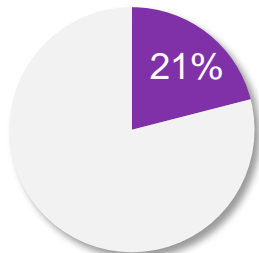


Cleaning System



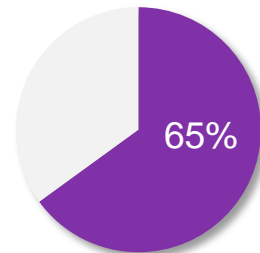
Wafer Prober*

FPD Production Equipment (FY2020)

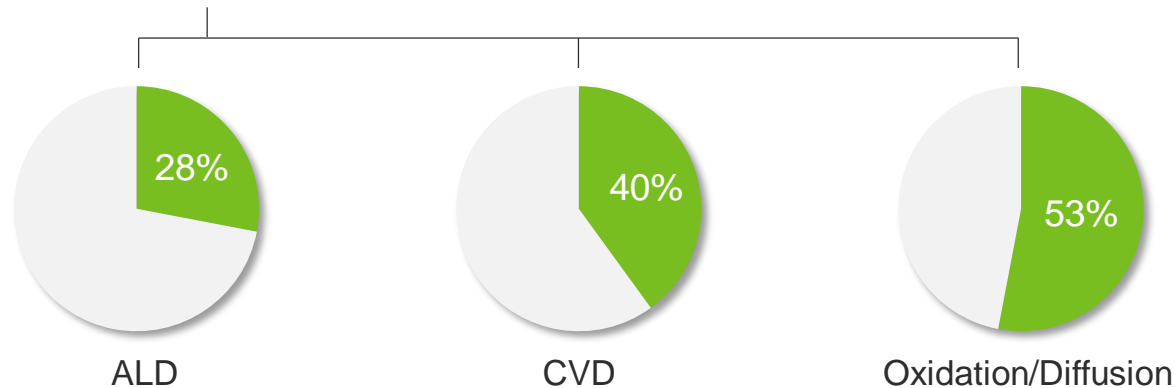


FPD Coater/Developer

Source (FPD) : TEL survey



FPD Etcher/Asher



Source

SPE (excluding Wafer Prober) : Gartner, "Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2019", Bob Johnson, Gaurav Gupta, 14 April 2020

Graph/chart created by TEL based on Gartner research.

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

* SPE (Wafer Prober) : VLSI Research, Preliminary, April 2020

Charts/graphics created by Tokyo Electron based on VLSI Research

Response to COVID-19 (as of April 2020)

- Production operations and parts procurement
 - Taking extensive measures to prevent the spread, including implementing shifts, segregating work areas and working from home
 - Production operations and parts procurement continuing as planned
- Equipment shipments and parts supply operation
 - Little impact on equipment shipments
 - Maintaining stable parts supplies. Optimizing inventory at local affiliates
- Equipment installation and customer support
 - Being handled by local and expat employees
- Others; response at TEL offices
 - Implementing home working at all TEL Group offices (working from home in principle at Akasaka, Fuchu and Osaka)

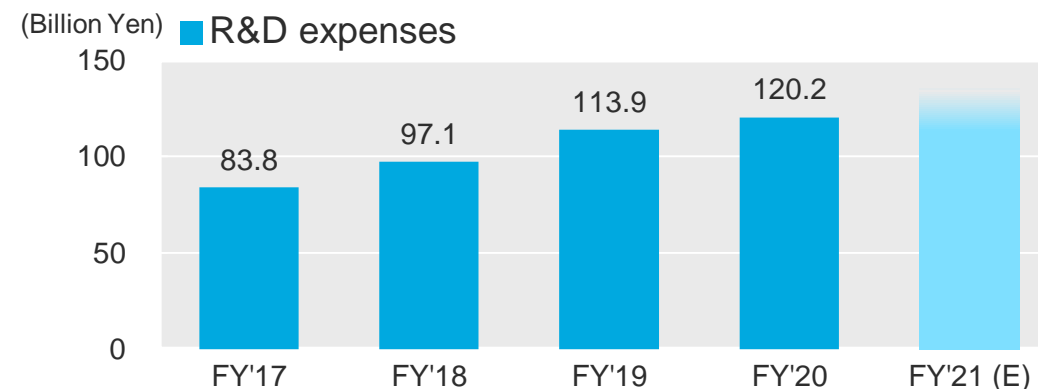
TEL will continue to respond flexibly based on the situation

Regarding FY2021 Financial Estimates

- There is strong demand for semiconductors for data centers and 5G smartphones accompanying the rise in data traffic. Together with solid logic/foundry investment, memory investment is also recovering. At present there are no significant changes in customers' investment plans
- We will disclose our financial estimates as appropriate in light of COVID-19's effects on the macro economy

FY2021 R&D Expenses, Capex Plan

- R&D Expenses of around ¥135.0B
 - Continue investing based on focus areas and sustainable growth
- Capex of around ¥56.0B
 - Actively invest in advanced technologies R&D and to meet increasing production



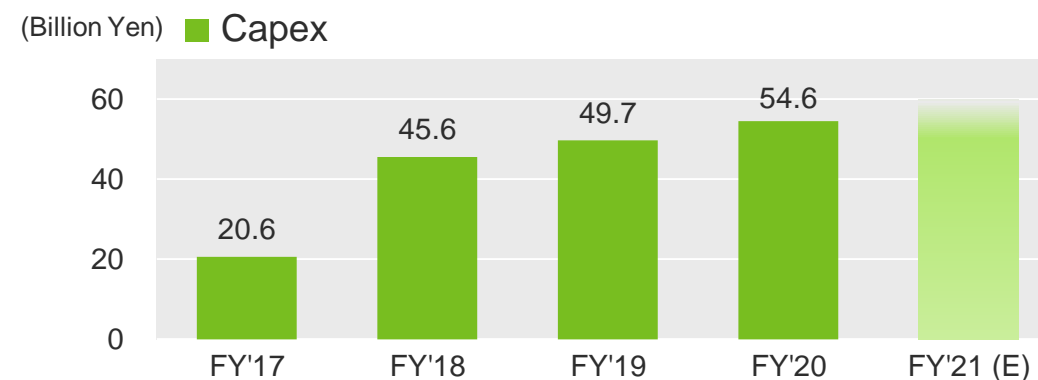
New production buildings
(deposition systems, gas chemical etch systems, test systems)



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

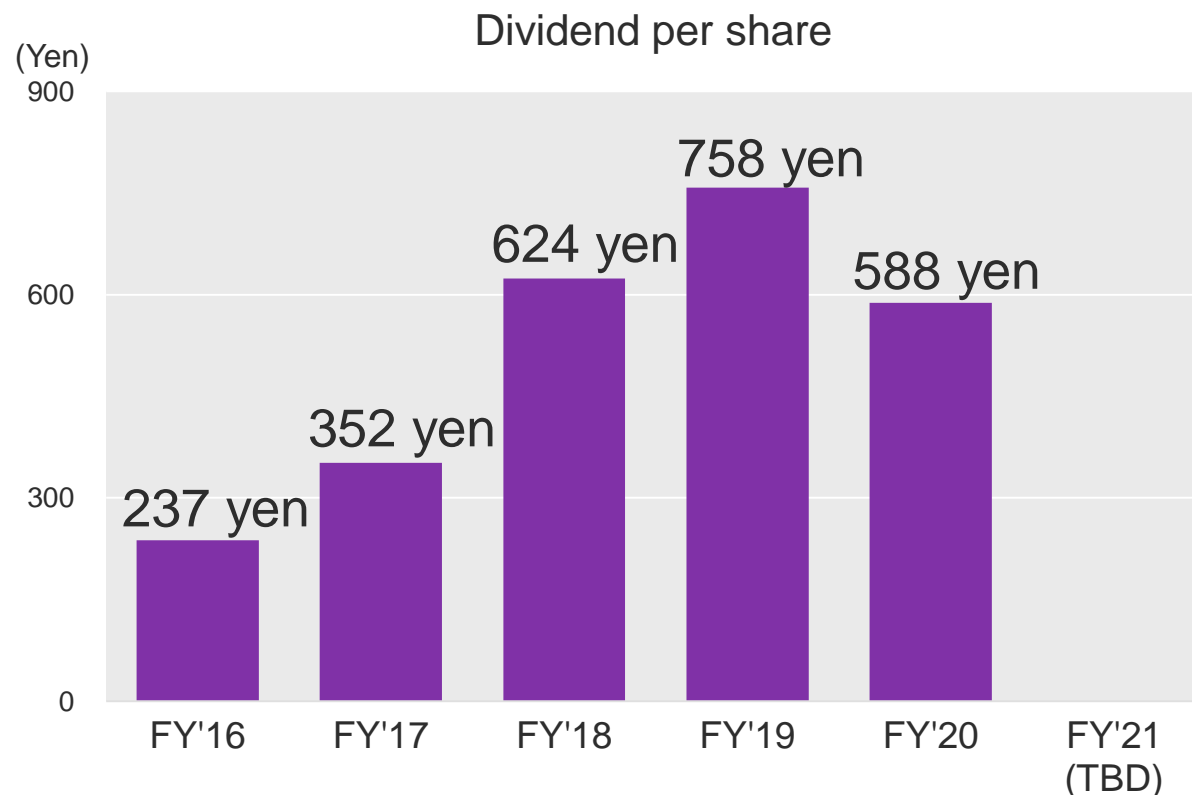


Oshu City, Iwate Prefecture:
approx. ¥13.0B construction cost
(Scheduled to begin operation in July 2020)



Continue proactive R&D investment and capex towards WFE market growth

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

FY2020 dividend exceeded forecast

Plan to release FY2021 dividend forecast at time of financial estimates announcement

Medium-term Management Plan

(Billion yen)

WFE market	FY2020 (Actual)	By FY2024 (Plan)		
	\$54B	\$55 – 60B	\$60 – 65B	\$65 – 70B
Net sales	1,127.2	1,500.0	1,700.0	2,000.0
SPE	1,060.9	--	--	--
FPD	66.0	--	--	--
Gross profit	451.9	650.0	740.0	890.0
Gross profit margin	40.1%	43.3%	43.5%	44.5%
SG&A expenses	214.6	252.0	264.0	290.0
SG&A expenses to sales ratio	19.1%	16.8%	15.5%	14.5%
Operating income	237.2	398.0	476.0	>600.0
Operating margin	21.0%	26.5%	28.0%	>30.0%
ROE	21.8%	>30%		

No change to financial model

Due to COVID-19, IR Meeting for the Medium-term Management Plan will not be held this year

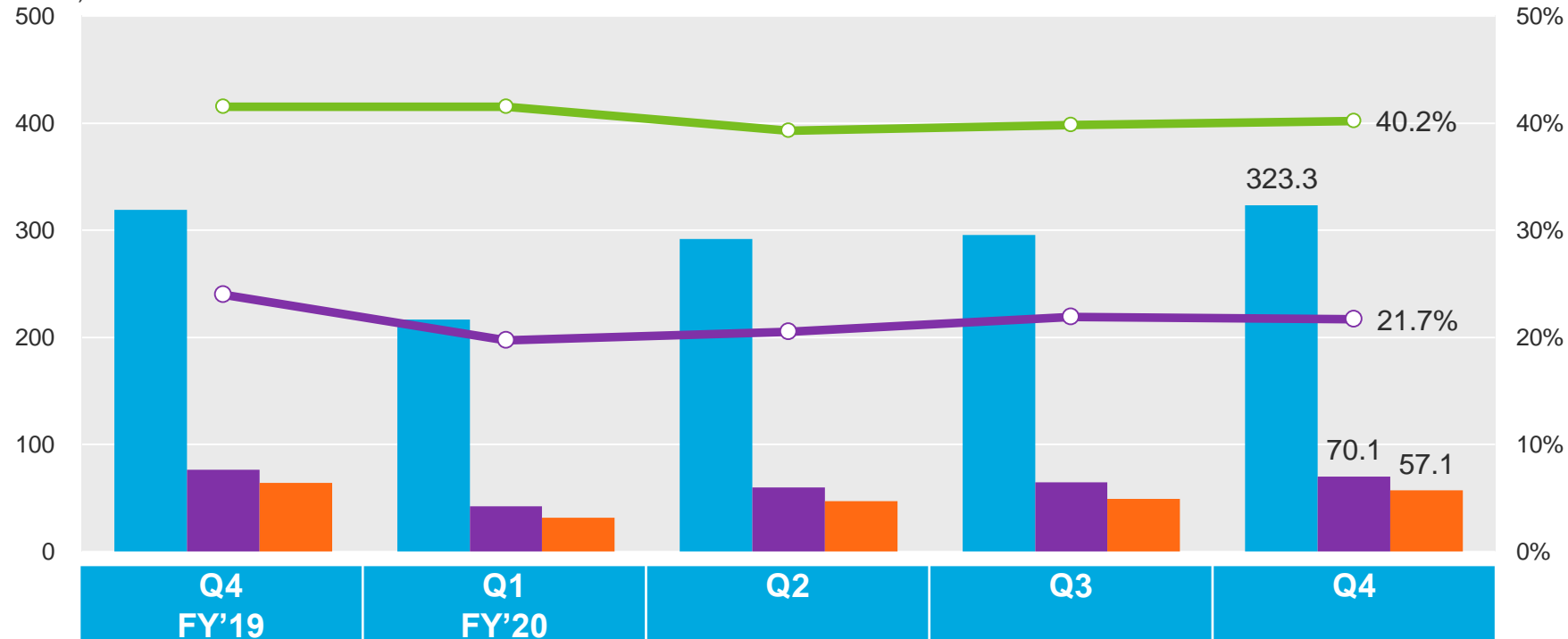
Market Outlook and Growing Corporate Value

- Together with strong logic/foundry investment, memory investment is also recovering. We will closely monitor the impact of COVID-19, but expect continued strong demand for equipment
- Furthermore, in addition to IoT, AI and 5G, the use of teleworking, online classes and telemedicine is being advanced proactively, and the transition to a data-driven society is accelerating. Semiconductor and FPD production equipment will continue to be essential, and medium- to long-term market growth is expected
- TEL aims to grow corporate value while contributing to the development of a dream-inspiring society by delivering the best products and services through the integration of our innovative and diverse technologies

Appendix

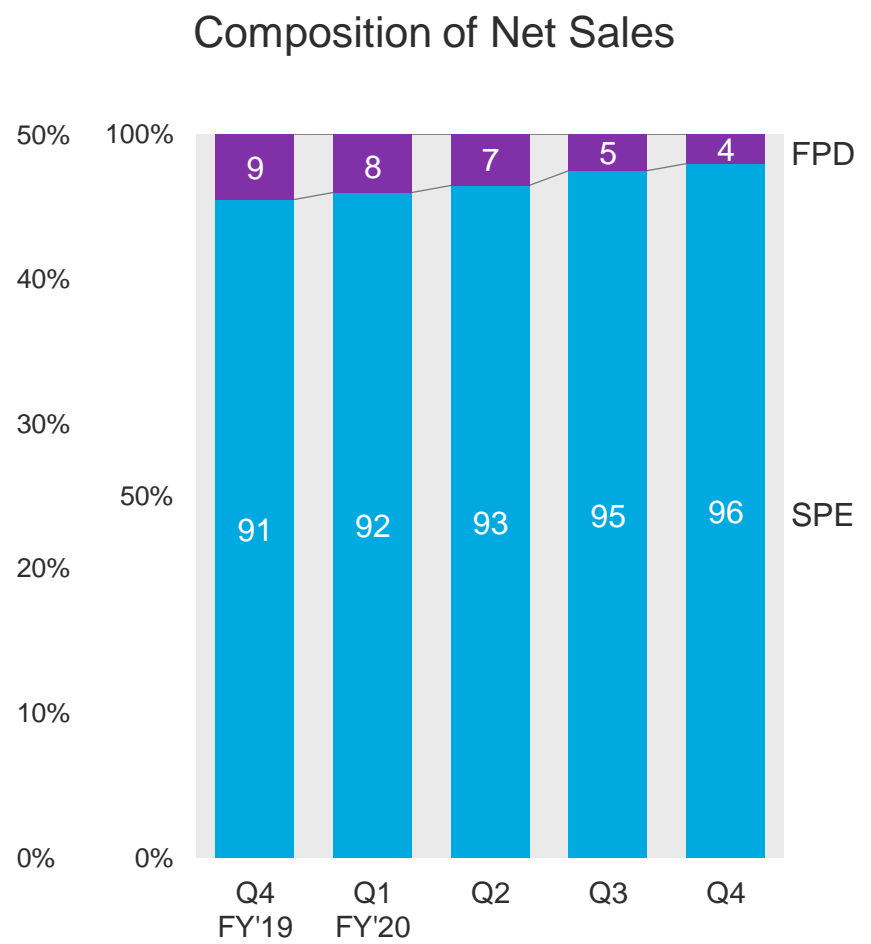
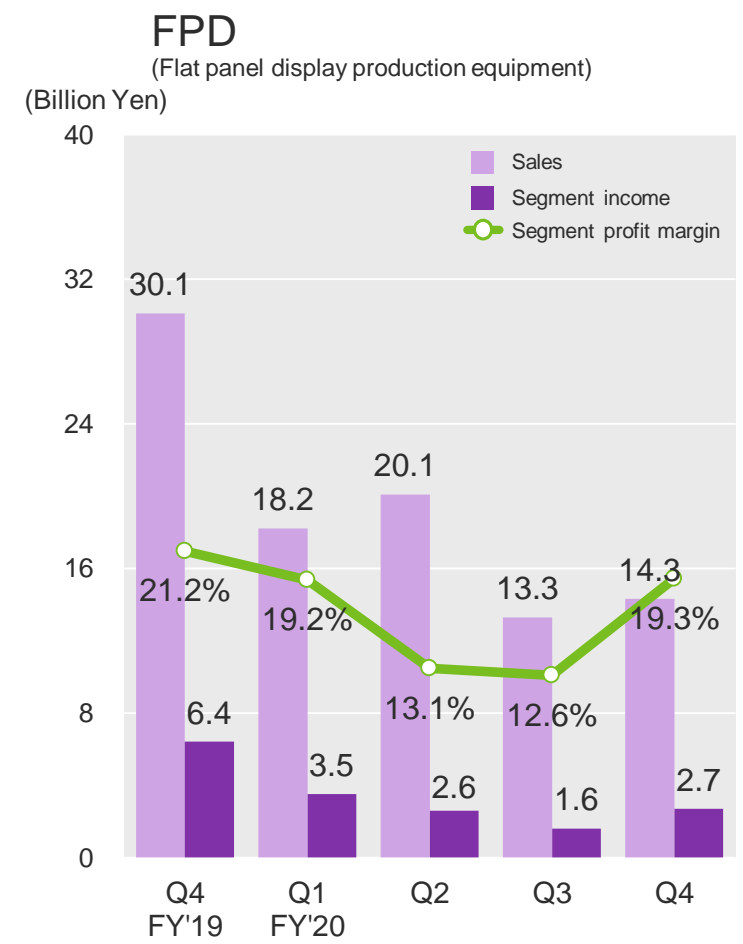
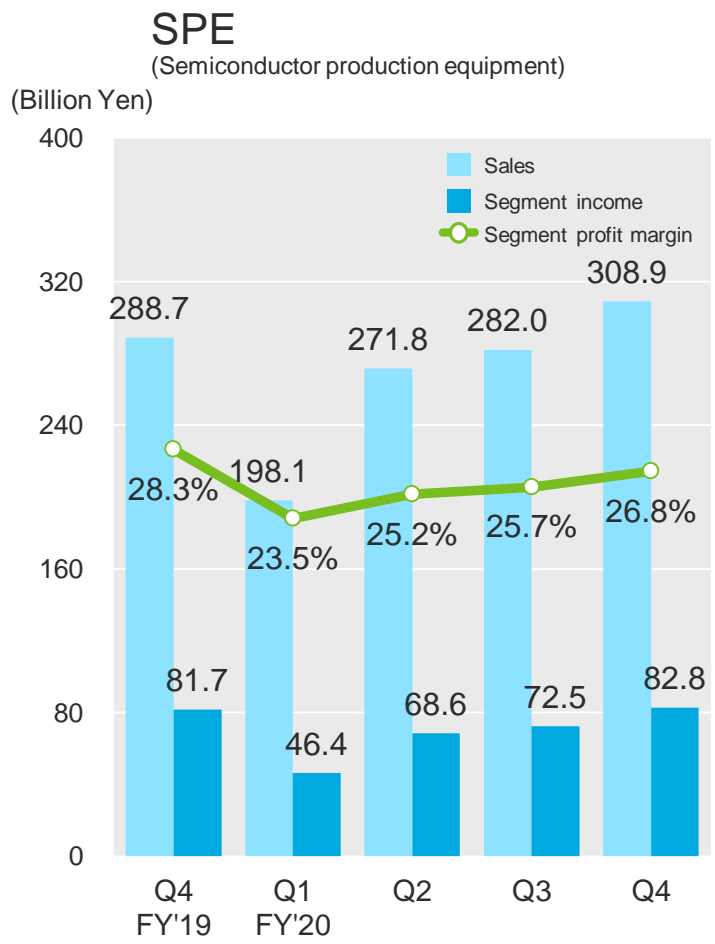
Financial Performance (Quarterly)

(Billion Yen)



Net sales	319.0	216.4	292.0	295.4	323.3
Operating income	76.4	42.5	59.9	64.7	70.1
Net income attributable to owners of parent	64.1	31.8	46.8	49.3	57.1
Gross profit margin	41.5%	41.5%	39.3%	39.8%	40.2%
Operating margin	24.0%	19.7%	20.5%	21.9%	21.7%

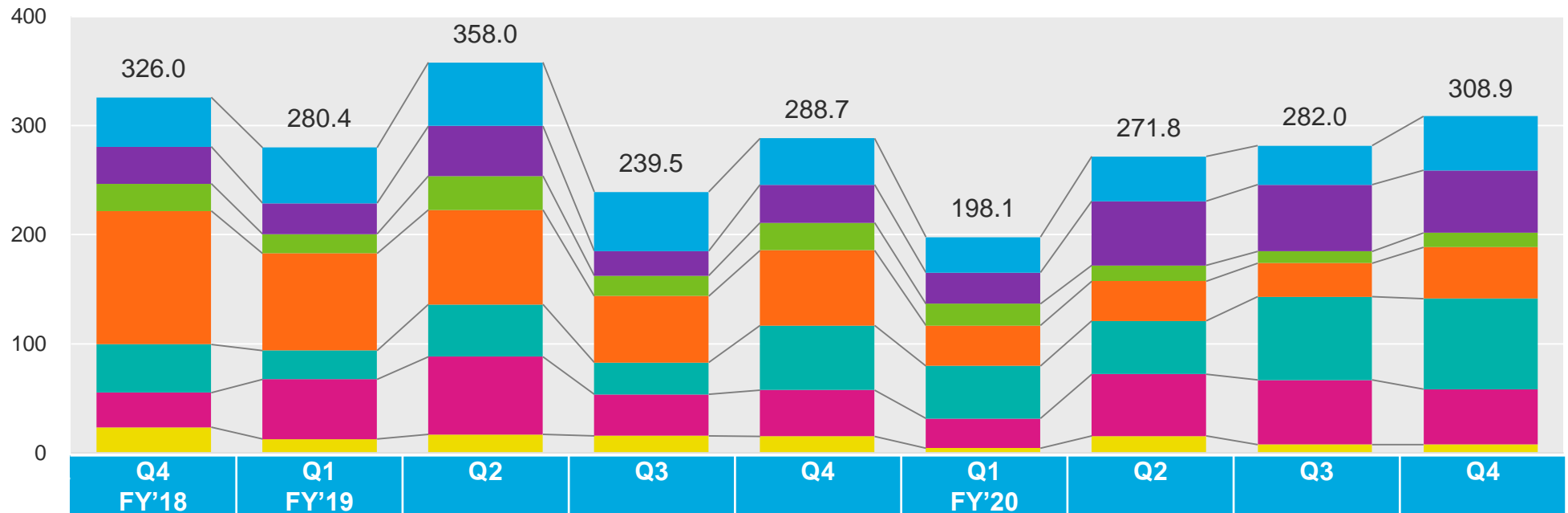
Segment Information (Quarterly)



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.

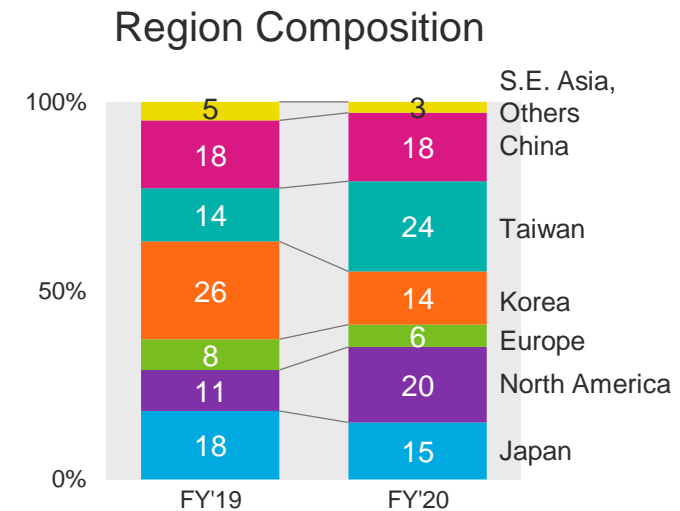
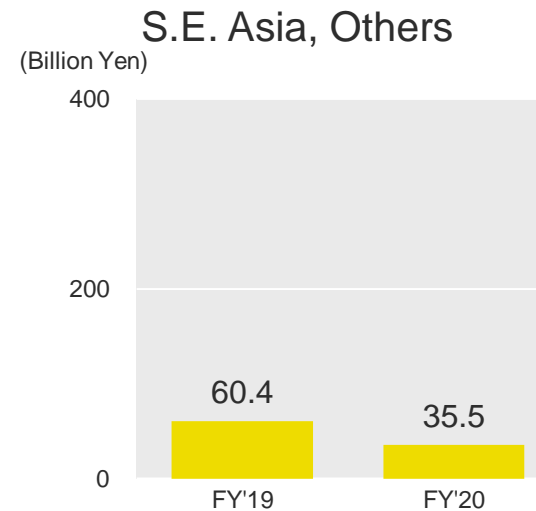
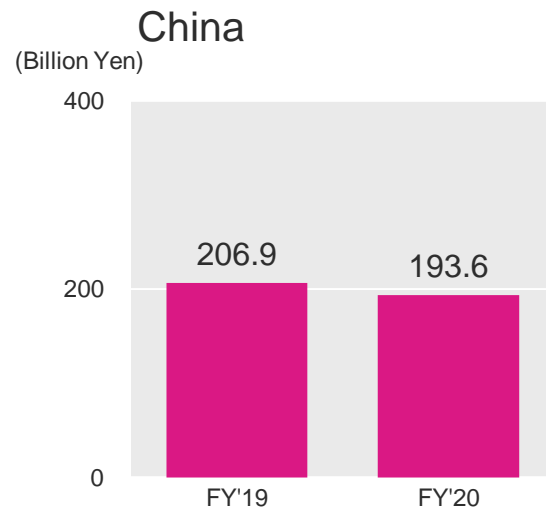
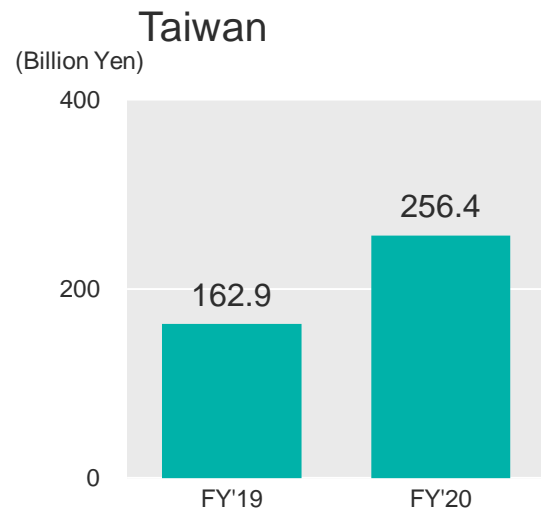
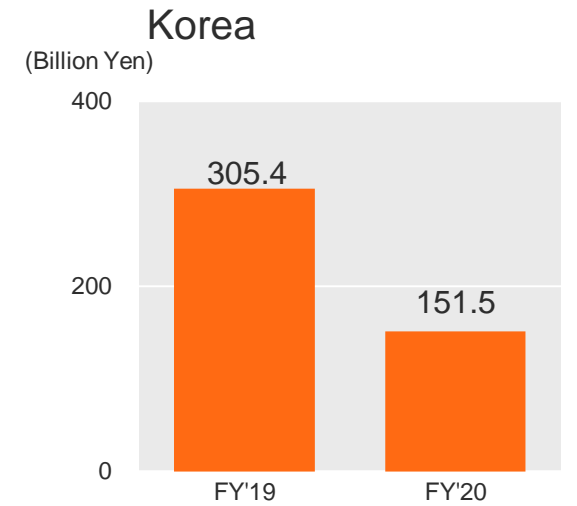
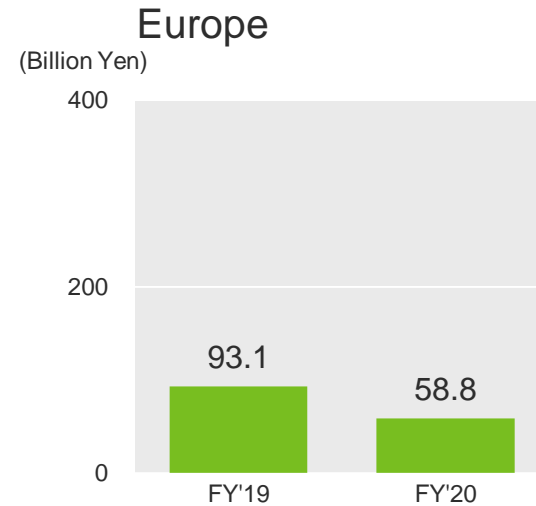
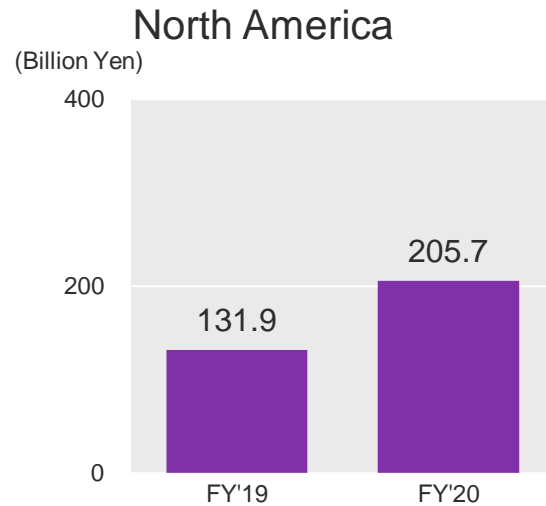
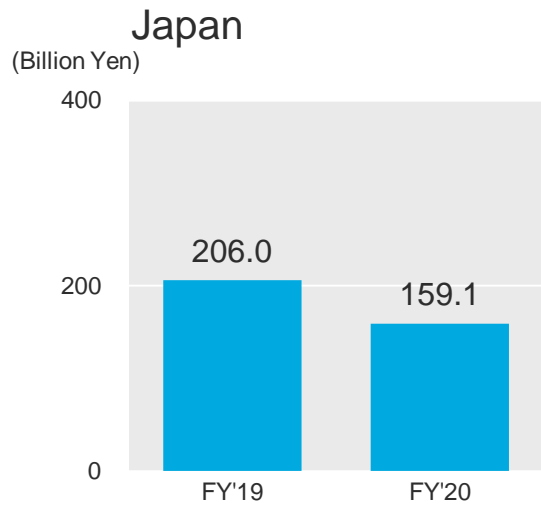
SPE Division: Sales by Region (Quarterly)

(Billion Yen)

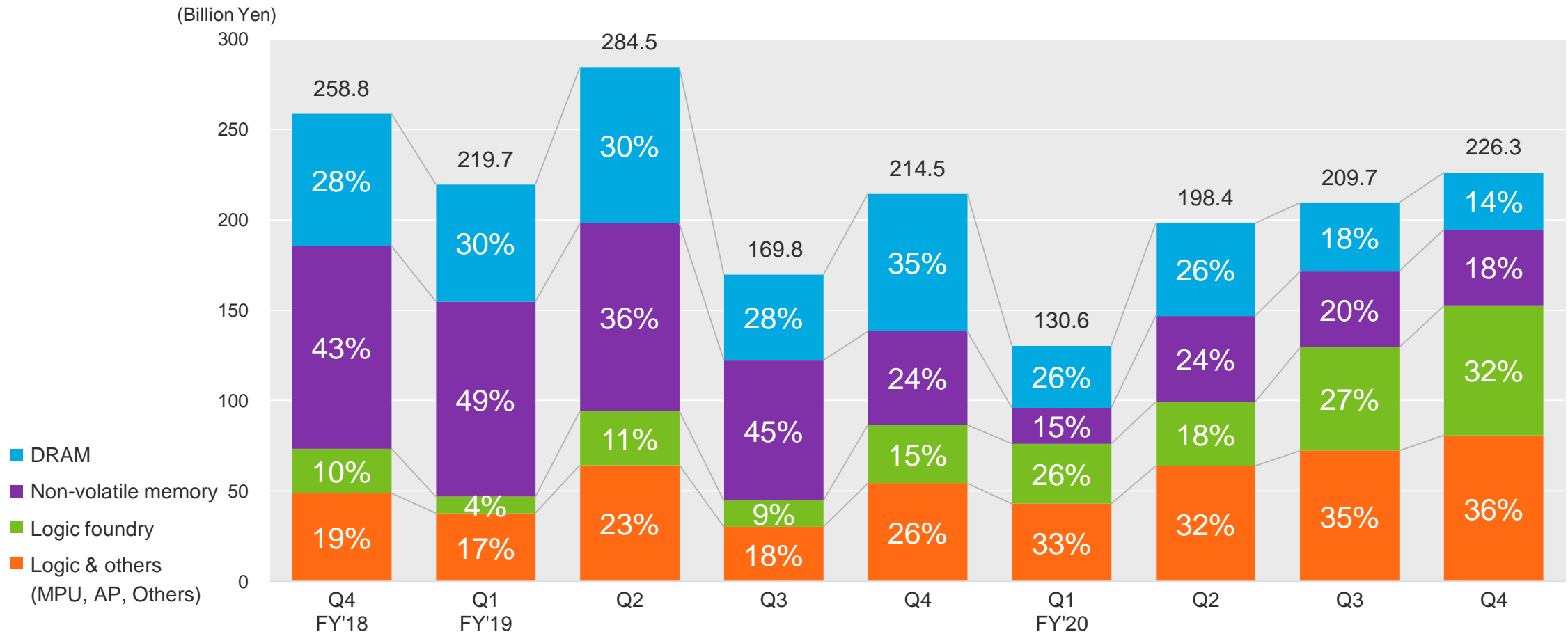


	Q4 FY'18	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2	Q3	Q4
Japan	45.1	51.1	58.0	54.0	42.7	32.5	41.0	35.9	49.6
North America	33.9	28.4	45.9	22.7	34.7	28.5	58.8	61.0	57.2
Europe	25.0	17.7	31.3	18.6	25.3	20.2	14.4	10.8	13.3
South Korea	122.3	88.9	86.5	60.9	68.9	36.9	36.4	31.0	47.1
Taiwan	44.3	26.3	48.0	29.3	59.1	48.3	48.7	76.2	83.1
China	31.8	54.9	71.3	38.0	42.5	27.0	56.8	59.1	50.6
S. E. Asia, Others	23.4	12.7	16.8	15.6	15.2	4.4	15.5	7.7	7.7

SPE Division: Sales by Region

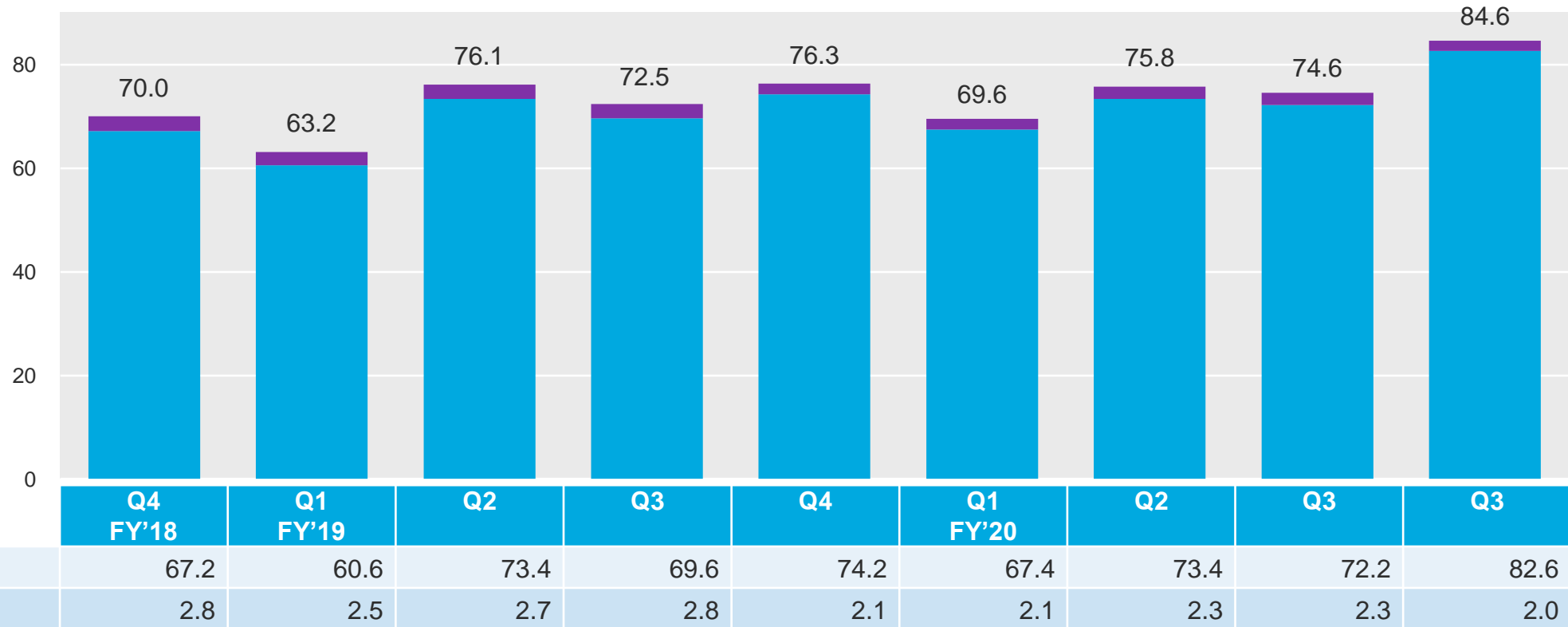


SPE Division: New Equipment Sales by Application (Quarterly)



Field Solutions Sales (Quarterly)

(Billion Yen)



TELTM

TOKYO ELECTRON