May 2, 2025
Investor Relations
Corporate Strategy Division
Tokyo Electron Limited

Q4 FY2025 Earnings Briefing Q&A

■ Questions

Q1 Could you break down your WFE outlook by application for non-China and China? Also, has there been any change in customer investment attitude in light of the recent announcement regarding U.S. tariff measures?

Q2 While a certain level of investment from semiconductor chip manufacturers in China is anticipated this year, there is a possibility that export regulations to China may tighten further in the future. How do you view the recent changes in the Chinese WFE market and the potential impact of regulations going forward?

Q3 Could you explain the competitive landscape with U.S. and local Chinese equipment suppliers in China?

Q4 Could you explain why the sales and profit margin forecast for FY2026 indicates a decline in H1, followed by an increase in H2?

Q5 How visible is the demand for the H1 and H2 of FY2026? Additionally, is there a possibility of pull forward some of the demand from H2 to H1?

Q6 What are the factors for the increase in NAND sales in H2 FY2025 compared to H1, as well as the reasons for the anticipated increase in FY2026 sales YoY?

Q7 Our guidance for new SPE equipment sales in FY2026 indicates that the sales for DRAM are expected to decrease by nearly 20% compared to FY2025. What are the reasons behind this?

Q8 What are the expected impacts of tariff measures on business performance?

Q9 I see a significant increase in R&D expenses and capex for FY2026. What is the medium-term outlook for these levels? Will the scale of capex continue to increase significantly?

Q10 There seems to have been a shift in direction for the company in the past one to two years toward making large-scale R&D and capex. What are your thoughts on the timing of harvesting these investments and the timeline for achieving the targeted OPM in the medium-term management plan?

Q11 The sales of bonders/debonders reached 30 billion yen in FY2025. What are the forecasts for FY2026 and FY2027?

Q12 What is the expected market share for dielectric etch in CY2026, considering that the share reached 60% in CY2024 with significant growth?

■ Q&A

Q1 Could you break down your WFE*1 outlook by application for non-China and China? Also, has there been any change in customer investment attitude in light of the recent announcement regarding U.S. tariff measures?

A1 In CY2024, the non-China WFE accounted for approximately 55%, with a breakdown of DRAM at 17%, NAND at 5%, leading-edge logic at 20%, and others at 13%. China accounted for about 45%, out of about 70% for logic.
For CY2025, we expect DRAM to constitute 20%, NAND 10%, leading-edge logic 20%, and others 15%, with China representing about 35% of the total, of which 80% will be logic. We anticipate that the share of the Chinese WFE market will decline by about 10 percentage points YoY.
While we refrain from discussing details for CY2026, we estimate that DRAM will see growth driven by increasing investments from leading-edge customers, while NAND will remain flat. The main driver is expected to be leading-edge logic. Currently, we do not foresee a significant recovery in the Chinese market, projecting it to be at a similar level as in CY2025.
Regarding customer investment attitude following the announcement of tariff measures, our overall outlook remains unchanged.

▲Top

Q2 While a certain level of investment from semiconductor chip manufacturers in China is anticipated this year, there is a possibility that export regulations to China may tighten further in the future. How do you view the recent changes in the Chinese WFE market and the potential impact of regulations going forward?

A2 We do not expect export regulations to China to be relaxed. The assumptions we have for our forecasts have not changed.

▲Top

Q3 Could you explain the competitive landscape with U.S. and local Chinese equipment suppliers in China?

A3 The competitive landscape with U.S. equipment suppliers remains unchanged. TEL does not engage in backfilling under the cover of regulations and strives for fair competition.
The local Chinese equipment suppliers are benefiting from national policies and have significantly increased their market share domestically. Given the current regulatory environment, we expect Chinese equipment suppliers to continue to grow their sales.
Despite this environment, technological innovation in semiconductors will continue to advance, thereby increasing opportunities for us to provide value globally. We plan to expand our market share on a global scale, not limited to China.

▲Top

Q4 Could you explain why the sales and profit margin forecast for FY2026 indicates a decline in H1, followed by an increase in H2?

A4 In H1 FY2026, there is a temporary lull in customer investments, leading to a decline in sales compared to H2 FY2025. Additionally, high levels of R&D expenses and rising labor costs are contributing to slightly lower profit margins. In H2, we expect strong demand from AI servers, along with anticipated investments related to PCs and smartphones, resulting in an increase in both sales and profit margins.

▲Top

Q5 How visible is the demand for the H1 and H2 of FY2026? Additionally, is there a possibility of pull forward some of the demand from H2 to H1?

A5 For H1 FY2026, we believe the figures are quite solid as we have already received orders in most cases. We are also seeing strong inquiries for H2. While there is a possibility of customers pulling requests forward from H2 to H1 depending on their budget situation, we have announced the most likely figures as our financial estimates.

▲Top

Q6 What are the factors for the increase in NAND sales in H2 FY2025 compared to H1, as well as the reasons for the anticipated increase in FY2026 sales YoY?

A6 In FY2025, as the NAND market gradually recovered, TEL's market share also increased. In CY2025, investment in NAND is expected to grow, contributing to the increase in sales for FY2026. It is important to note that the current investments are not greenfield (capacity enhancement) investments but rather brownfield (technology migration) investments, and inquiries for brownfield investments are increasing significantly.

▲Top

Q7 Our guidance for new SPE equipment sales in FY2026 indicates that the sales for DRAM are expected to decrease by nearly 20% compared to FY2025. What are the reasons behind this?

A7 While the sales for DRAM in FY2026 are projected to decline compared to the previous year, we expect some slight growth on a CY basis that will exceed the WFE market growth. Specifically, while DRAM investments in China are expected to decrease, we anticipate growth in non-China markets. Excluding China, we expect an increase in sales of more than 10%.

▲Top

Q8 What are the expected impacts of tariff measures on business performance?

A8 At present, the anticipated sales forecast for North America, which is expected to be impacted by the tariffs, is approximately 8% of FY2026 total sales, and we consider this to be limited. We will continue to closely monitor future trends, and should there be any decisions made, we aim to explore the best solutions based on discussions with our customers. We are accelerating the development of new products that can provide productivity benefits that surpass these costs, should the tariffs be imposed. Our mission is to contribute to semiconductor technology innovation and high productivity in semiconductor manufacturing. This is the *raison d'être* of a semiconductor manufacturing equipment supplier and is considered our foremost priority in business and something we intend to address appropriately.

▲Top

Q9 I see a significant increase in R&D expenses and capex for FY2026. What is the medium-term outlook for these levels? Will the scale of capex continue to increase significantly?

A9 We have announced a plan for over 1.5 trillion yen in R&D investment and over 700 billion yen in capex over the five years starting from FY2025. Considering the future market and the growth potential of TEL, we have no intention of easing this plan. For capex in FY2026, the completion of new development buildings in Miyagi and Kumamoto this year will have a substantial impact, and investments in a new production facility in Miyagi amounting to approximately 100 billion yen will also lead to increased capex from FY2026 onward. We expect to continue making investments of a certain scale while assessing macroeconomic trends and the situation of the semiconductor chip market.

▲Top

Q10 There seems to have been a shift in direction for the company in the past one to two years toward making large-scale R&D and capex. What are your thoughts on the timing of harvesting these investments and the timeline for achieving the targeted OPM in the medium-term management plan?

A10 We are not making investments without deep consideration. We conduct quarterly reviews of the fixed-cost ratio relative to sales and undertake initiatives aimed at improving our profit margins.
For H2 FY2026, we plan for net sales of 1.45 trillion yen and an OPM of over 30%. If we are to achieve this plan for two consecutive halves, our sales will approach the target of the medium-term management plan.
While an OPM of over 35% is an ambitious goal, we expect the proportion of high-value-added products for AI servers and PCs/smartphones to further increase, contributing to the improvement of our GPM.
We are evaluating our growth path toward FY2027 and FY2028 as progressing smoothly.

▲Top

Q11 The sales of bonders/debonders reached 30 billion yen in FY2025. What are the forecasts for FY2026 and FY2027?

A11 The sales of bonders in FY2025 increased approximately threefold compared to FY2023. We are advancing evaluations not only for temporary bonders/ debonders for HBM*2, but also for bonder applications in logic BSPDN*3 and 3D NAND, leading us to anticipate continued significant growth in the future.

▲Top

Q12 What is the expected market share for dielectric etch in CY2026, considering that the share reached 60% in CY2024 with significant growth?

A12 We are very excited about the etch business. There are substantial growth opportunities in leading-edge fields. In particular, we hold an overwhelming position in capacitor etching for DRAM. Additionally, we anticipate further growth in the etch business over the next few years in areas such as cryogenic etch and the slit process for NAND, and interconnect processes in advanced packaging. Mass production of 400-layer 3D NAND adopting cryogenic etch is expected to commence in CY2026, contributing to sales. We have won mass production POR*4 from one customer, while we continue evaluations with two other customers. TEL is differentiating itself with unique technologies that are not offered by our competitors, such as converting a sine wave of RF to a rectangular wave to enhance the verticality of ion incident angle, alongside its cryogenic etch technology.

▲Top

*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. WFE refers to the production equipment used in front-end production and in wafer-level packaging production.
*2 HBM (High Bandwidth Memory)
*3 BSPDN (Backside Power Delivery Network) : Structures that arrange power delivery networks on the backside of wafer
*4 POR (Process of Record): Certification of the adoption of equipment in customers' semiconductor production processes

FY202x refers to the financial year ending in March 202x.

The content above is a summary of the Q&A session.
An audio recording synchronized with the slides is available here.