

Q1 FY2026 Earnings Briefing Q&A

■ Questions

- Q1 Could you explain the factors behind the revision of the WFE market outlook by application for CY2025 and the front half of CY2026?
- Q2 What are the factors driving the acceleration of market growth in the back half of CY2026? Has the WFE market assumption for CY2026 changed?
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- Q5 While the WFE market outlook for CY2025 has not changed significantly, TEL revised downward its earnings forecast for H2 FY2026. Does this indicate that TEL is losing market share, or does it mean there has been a significant change in the outlook for January to March of CY2026?
- Also, the presentation materials on page 13 cite several examples of fluctuations in customers' investment plans as the background for the forecast revision. Quantitatively, which factors have had the greatest impact?
- Q6 By revising the earnings forecast for H2 FY2026 at the time of the financial results announcement in July, does this mean that the outlook for customers' capital expenditures from March quarter of CY2026 has become considerably clearer?
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- Q10 Are there any trends of emerging chip manufacturers in China planning new equipment investments due to yield improvements, or additional new chip manufacturers entering the market and making investments?
- Q11 Please comment on TEL's market share in the WFE market excluding China. Are there any areas where TEL is losing market share?
- Q12 Are there any changes to the outlook for achieving the current Medium-term Management Plan? Considering the significant changes in the external environment since the plan was announced, is there a possibility of refreshing the Medium-term Management Plan, or does TEL intend to fully execute the current plan? Please share your thoughts.



■ Q&A

Q1 Could you explain the factors behind the revision of the WFE*¹ market outlook by application for CY2025 and the front half of CY2026?

A1 For CY2025, we have revised our outlook for leading-edge logic/foundry investments for some customers through communication with them. Although the NAND segment is weaker than initially expected, its small size in proportion to the WFE market as a whole limits the overall impact. Due to improvements in customers' production technologies and rebalancing of supply and demand, investments in the front half of CY2026 likely to be temporarily subdued.

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Q2 What are the factors driving the acceleration of market growth in the back half of CY2026? Has the WFE market assumption for CY2026 changed?

A2 The primary growth driver is the increase in leading-edge logic and HBM*² for AI servers. The number of GPUs integrated and the number of DRAM chips stacked in HBMs will expand significantly, increasing device scale. Investments for AI servers in CY2027 are expected to commence from the back half of CY2026, and TEL is currently reviewing the WFE market outlook for CY2026.

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Q3 Is there a concern that improvements in customers' productivity might further slowdown WFE market growth going forward?

A3 The semiconductor market is expected to reach a value of approximately \$1 trillion by CY2030, and the overall growth trend remains unchanged, with demand itself not declining. Customers prioritize supply-demand balance and profitability, and cost reductions are advancing through productivity and yield improvements. The WFE market is growing healthily, and technological innovation has been confirmed in the medium to long term. Further growth can be expected going forward.

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- Q4 Regarding the changes in the WFE market outlook, we understand that the market is expected to grow by 5% year-on-year in CY2025 but decline by 5% year-on-year in FY2026. Is this difference due to the three-month difference between the calendar year and fiscal year?
- A4 That is correct. For the WFE market in CY2025, part of the increase - approximately \$3 billion - was due to the impact of a strong yen, which affected the dollar-denominated sales of Japanese-made equipment. The remaining \$2 billion increase resulted from factors such as the pull-in of leading-edge logic investments. Our view that the WFE market will grow towards CY2026 along with device demand, remains unchanged. Regarding the revision to earnings forecasts, this reflects factors that include productivity improvements from customers' yield enhancements, optimization of supply-demand balance with an emphasis on profitability mainly among NAND customers, and a shift from upfront investments to more steady investments by some logic customers. We believe this does not mean that customers' capex plans have disappeared, but rather that there has been a delay of about half a year.

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- Q5 While the WFE market outlook for CY2025 has not changed significantly, TEL revised downward its earnings forecast for H2 FY2026. Does this indicate that TEL is losing market share, or does it mean there has been a significant change in the outlook for January to March of CY2026?
Also, the presentation materials on page 13 cite several examples of fluctuations in customers' investment plans as the background for the forecast revision. Quantitatively, which factors have had the greatest impact?
- A5 It means that the outlook for March quarter of CY2026 has significantly changed. Initially, we expected the WFE market in CY2026 to grow at a double-digit rate and anticipated sales growth from Q4 FY2026. However, productivity improvements and changes in customers' investment strategies occurred. Regarding our market share, we are maintaining share in the areas where we participate. While there may be timing differences in deliveries and variations in product mix compared to our peers, the forecast revision is not due to a loss of market share.
Among the examples on page 13 of the presentation, we believe that the most significant impacts come from three factors: changes in investment plans reflecting a cautious view of the supply-demand balance in NAND; a reduction in legacy investments by emerging chip manufacturers in China; and revisions to capital expenditures by leading-edge logic customers.

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Q6 By revising the earnings forecast for H2 FY2026 at the time of the financial results announcement in July, does this mean that the outlook for customers' capital expenditures from March quarter of CY2026 has become considerably clearer?

A6 Please understand that the revision reflects changes in customers' investment strategies and information disclosed in their earnings calls. Believing it important to maintain comprehensive dialogue with capital markets, we decided to revise the earnings forecast when we observed changes in customers' capex trends in the front half of CY2026 and signs of impact on TEL's performance.

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Q7 Regarding quarterly net sales, is it correct to understand that the bottom will be in CY2026 March quarter?

A7 While we need to carefully examine when the bottom will be, we believe it will be in March quarter or possibly in June quarter of CY2026. However, considering that the latest AI server chips are scheduled for launch in the back half of CY2027, there is also a possibility of a sharp recovery, and we will continue to monitor the situation closely.

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Q8 Regarding the sales forecast by application for FY2026, which applications have changed significantly compared to the previous earnings call on April 30?

A8 As shown on page 15 of the earnings presentation, the SPE new equipment sales forecast for H2 FY2026 has been revised downward from the previous forecast of 1.1 trillion yen to 880 billion yen this time. The non-memory composition ratio remains unchanged at 59% from the previous forecast; however, the absolute amount has decreased. This reflects a revision in the investment plans of some logic customers. For non-volatile memory, both the composition ratio and the absolute amount have decreased compared to the previous forecast, reflecting adjustments in investment plans by NAND manufacturers who are carefully monitoring supply-demand balances.

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Q9 Will WFE investment in China decline from the back half of CY2025 through the front half of CY2026?

A9 As there are a large number of customers in China, it is difficult to predict short-term trends. That said, the full-year China WFE market size is estimated to be approximately \$45 billion in CY2025, and we expect it to remain at a similar level in CY2026.

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Q10 Are there any trends of emerging chip manufacturers in China planning new equipment investments due to yield improvements, or additional new chip manufacturers entering the market and making investments?

A10 At this point, we do not see such trends. When yield improvements lead to new investments, we can first expect an increase in parts and service sales driven by higher utilization rates of existing equipment; however, so far, there are no signs of this occurring.

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Q11 Please comment on TEL's market share in the WFE market excluding China. Are there any areas where TEL is losing market share?

A11 We believe TEL has not lost market share in the leading-edge areas, which is our key focus for growth. According to multiple research firms, the WFE market growth rate in CY2024 was in the single digit, whereas TEL's sales growth rate in U.S. dollars was +23%. This was a very positive outcome, especially amid the ongoing depreciation of the yen.

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Q12 Are there any changes to the outlook for achieving the current Medium-term Management Plan? Considering the significant changes in the external environment since the plan was announced, is there a possibility of refreshing the Medium-term Management Plan, or does TEL intend to fully execute the current plan? Please share your thoughts.

A12 At present, we are not considering a revision. However, as announced, the outlook for CY2026 has changed, and the timing of achieving the Medium-term Management Plan's targets may be delayed. On the other hand, despite various headwinds such as geopolitical risks and inflation-driven price increases, we have improved our GPM by approximately 6 percentage points over the past five years. In addition, we have been able to steadily develop our business in focus areas, achieving positive results such as increased market share and securing PORs^{*3} for new products. Our expectations for future technological innovation remain unchanged, and our policy to continue investment for growth aimed at the future also remains unchanged.

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*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 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](#).