

## Moderator: Opening Remarks

Now it's time for us to start the Tokyo Electron Financial Announcement of the third quarter of the fiscal year ending on March 31, 2024. Thank you very much for joining us today despite your busy schedule. I am Koichi Yatsuda from the IR Department, acting as a moderator for today's session. Now I would like to introduce today's attendees.

Mr. Toshiki Kawai, Representative Director, President and CEO.

**Kawai:** I'm Toshiki Kawai. Thank you for joining us.

Next, Mr. Hiroshi Kawamoto, Senior Vice President and General Manager in charge of the Finance Unit.

**Kawamoto:** I am Hiroshi Kawamoto.

Prior to the presentations, let me explain the flow of today's conference. First of all, Mr. Kawamoto and Mr. Kawai will make presentations. After that, until 6:30 Japan time, we will have a question-and-answer session where we take questions from the audience. This meeting uses two channels of WebEx for simultaneous interpretation between Japanese and English. As we explained in our email, you are kindly requested to use apps on PCs or mobile terminals if you plan to ask questions. But if you are not going to ask questions, then you can use telephones. Since this conference is intended for institutional investors and analysts, we would appreciate your understanding that we receive questions only from institutional investors and analysts as usual. We will post the audio contents of this conference in Japanese and English on our website within a couple of days. It would be appreciated if you could also visit our website.

Now, Mr. Kawamoto will present the consolidated financial summary. Mr. Kawamoto, please.

## Q3 FY2024 Consolidated Financial Summary

### Hiroshi Kawamoto - Senior Vice President and General Manager, Finance Unit

Good afternoon. I am Hiroshi Kawamoto of the Finance Unit. I would like to present the consolidated financial summary of the third quarter of the fiscal year ending in March 2024.

#### Financial Summary (Quarterly): Slide 4

First of all, I would like to present the quarterly financial summary. I will mainly refer to the figures in the blue box. In the third quarter, we generated net sales of ¥463.6 billion, a 8.4% increase from the previous quarter, mainly due to increasing sales to China. Gross profit was ¥222.1 billion, a 17.1% increase from the previous quarter, and gross profit margin was 47.9%, a rise of 3.6 percentage points because of the growing proportion of high value-added products. Operating income was ¥132.4 billion, a 37.8% increase from the previous quarter. Operating margin was 28.6%, a rise of 6.1 percentage points, due to the increase of gross profit margin and the decline of SG&A-to-sales ratio. Net income attributable to owners of parent was ¥101.5 billion, a 38.7% increase from the previous quarter. For the year-over-year basis shown in the right most column, though net sales declined by 0.9%, both gross profit and operating income increased thanks to the improved product mix as I said earlier. R&D expenses were ¥49.7 billion as we continue R&D investment for future growth. Capital expenditures were ¥31.8 billion due to the construction of the development building in Kyushu among others, while depreciation and amortization was ¥13.8 billion.

#### Financial Performance (Quarterly): Slide 5

This is a graphic representation of the financial summary shown on the previous page in chronological order, just for your information.

#### Composition of Net Sales by Region (FY2024 Q1-Q3): Slide 6

This slide shows net sales by region. As we switched to a single-segment disclosure from this fiscal year, here is the composition of company-wide net sales by region. As for the net sales composition in the third quarter, following the second quarter, the proportion of sales to China rose to as high as 46.9% due to active WFE investment in mature nodes in this region.

#### **SPE New Equipment Sales by Application (Quarterly): Slide 7**

This shows SPE new equipment sales by application. In the third quarter, from the bottom of this chart, sales to non-memory customers accounts for 65%, non-volatile memory accounts for 4%, and DRAM accounts for 31%. Sales to DRAM customers and non-memory customers showed a rise from the previous quarter due to active WFE investment by Chinese customers as was in the second quarter.

#### **Field Solutions Sales (Quarterly): Slide 8**

This slide shows Field Solution sales. In the third quarter, sales were ¥104.4 billion, remaining unchanged from the second quarter, as parts sales recovered though modification sales were sluggish.

#### **Balance Sheet (Quarterly): Slide 9**

This slide shows the balance sheet. Total assets were ¥2.2174 trillion. Cash and cash equivalents were ¥352.4 billion. Notes and accounts receivable (trade and contract assets) were ¥335.0 billion. Inventories were ¥778.0 billion, increasing by ¥29.4 billion due to procurement in preparation for future market recovery. Investment and other assets amounted to ¥332.1 billion, growing by ¥23.5 billion from the previous quarter. Next, for the liabilities and net assets shown on the right-hand side, liabilities were ¥639.7 billion, decreasing by ¥21.6 billion. Net assets were ¥1.5776 trillion, increasing by ¥47.3 billion yen from the previous quarter due to net income of ¥101.5 billion and dividend payment. The equity ratio was 70.5%.

#### **Cash Flow (Quarterly): Slide 10**

This slide shows the cash flow. In the third quarter, the cash flow from operating activities was ¥95.0 billion. The cash flow from investing activities was minus ¥34.4 billion. The cash flow from financing activities was minus ¥69.3 billion, primarily due to dividend payment. As a result, the free cash flow was ¥60.6 billion.

This is all about the consolidated financial summary of the third quarter of this fiscal year. Thank you very much.

#### **Moderator: Introduction of the next presentation**

Next, Mr. Kawai will report on the business environment and financial estimates. Mr. Kawai, please.

#### **Business Environment and Financial Estimates**

##### **Toshiki Kawai - Representative Director, President & CEO**

I am Toshiki Kawai. I will report on the business environment and financial estimates.

## Business Environment (WFE Market Outlook as of February 2024): Slide 12

Let me start with the business environment. The full year forecast for WFE market size in CY2023 is around \$95 billion, though our forecast at the previous financial announcement was 85 to 90 billion dollars. We have revised the forecast upward as customers in China pulled their investment forward. The full year forecast for WFE market size in CY2024 is \$100 billion, comparable to the record high level in CY2022. We expect that Chinese customers will continue their investment, and from the second half of the year, investment for the leading-edge DRAM is expected to recover. In CY2025, following the recovery of investment for DRAM in CY2024, we expect WFE spending for NAND and leading-edge logic/foundries will also show a full-fledged recovery. The recovery will be driven by AI servers which will grow at a CAGR of 31%. AI servers will provide broad business opportunities, including leading-edge CPU, DRAM and NAND, as well as GPU for generative AI and HBM, in which memory devices are 3D stacked. In addition, AI will be mounted not only on servers but also to PCs and smartphones. We can also expect demand to replace those products purchased during the COVID-19 crisis, and businesses are active in their IT investment. All these factors are expected to boost semiconductor demand. Therefore, two-digit growth is expected in CY2025 WFE market.

## Q2 FY2024 Business Progress: Slide 13

This shows business progress in the third quarter of fiscal year ending March 2024. Regarding financial performance, as Mr. Kawamoto presented earlier, both net sales and profit proceeded according to plan. Penetration of our strategic products and the development and evaluation activities for future growth are proceeding steadily, as per the mid-term management plan. As an example, we are making good progress in winning PORs in the HARC etching system for DRAM, Si etching system, and backside bevel cleaning system for advanced logic devices. Evaluation of the cryogenic etching technology, that I introduced previously, is proceeding smoothly toward its introduction to high-volume manufacturing. Orders for wafer bonders and de-bonders for HBM installed in high-volume manufacturing lines show a sharp increase, and inquiries have more than doubled from our expectation six months ago.

In SEMICON Japan in December 2023, we released a new product, a new piece of technology, and new environmental goals. The first one is laser lift-off technology. In 3D packaging, to further improve semiconductor performance, laser lift-off technology can be used instead of the water thinning process separate an integrated circuit from a silicon wafer using a laser after the integrated circuit is permanently bonded with another integrated circuit on another wafer. This is an innovative technology, which can simplify the conventional process flow, and drastically reduce environmental impact. Deionized water consumption, for example, is reduced by more than 90%. The second product is Ulucus-G. Leveraging our proprietary technology, Ulucus-G achieves ultra flat wafers, essential for leading-edge devices which are processed with EUV and high-density 3D packaging. With these new technologies, we will promote semiconductor technology innovation and drive the WFE market growth.

As for the environment, we have pulled forward the target year of net-zero achievement by ten years to 2040. Accordingly, we have revised the environmental goal for our products. The new goal is 35% reduction of CO<sub>2</sub>-equivalent emissions per wafer from FY2021. We strive for the conservation of the global environment, and actively lead net zero achievement efforts.

## FY2024 Financial Estimates: Slide 15

Next, I will present the financial estimates for FY 2024. Reflecting the financial results in the third quarter and current circumstances, we have revised the estimates for net sales upward by ¥100 billion. Full year financial estimates of ¥1.830 trillion for net sales, ¥817 billion for gross profit, ¥445 billion for operating income, and ¥340 billion for net income attributable to owners of parent. Net sales in the second half of this fiscal year are expected to recover to exceed ¥1 trillion.

### **FY2024 SPE New Equipment Sales Forecast: Slide 16**

This slide shows the SPE new equipment sales forecast in the fourth quarter. As shown here, SPE new equipment sales are recovering, after bottoming out in the first quarter.

### **FY2024 R&D Expenses and Capex Plan: Slide 17**

This shows our plan for R&D expenses and capex. There have been no changes. In FY 2024, we expect R&D expenses of ¥205 billion, capex of ¥124 billion, and depreciation of ¥57 billion, all of which are expected to hit a record high.

### **Semiconductor Market to become a \$1 Trillion Market by CY2030: Slide 18**

To realize both digitalization and decarbonation for global environment conservation, semiconductor devices are becoming more and more important and have more applications. By CY2030, the semiconductor device market is expected to reach 1 trillion dollars in size, as you can see over here.

### **Investment for Future Growth (FY2025 to FY2029): Slide 19**

In order to maximize our growth potential under such circumstance, we are planning R&D expenses of ¥1.5 trillion and capex of ¥700 billion in the coming five years. We strongly believe it is people that drive company growth, and that our employees are sources for value creation. Based on this belief, we plan to hire 2000 people every year with 10,000 people in total in five years to come.

### **FY2024 Dividend Forecast: Slide 20**

This slide shows the dividend forecast. The interim dividend per share was ¥148, and based on the upward revision of financial estimates, the year-end dividend is expected to be ¥219.

### **Total Return Amount: Slide 21**

This is my last slide, showing total return amount over the past few years. The total return amount in this fiscal year, totaling the dividend per share that I presented earlier and share repurchase, is expected to be ¥290.2 billion, hitting a record high.

Thank you very much. This concludes my presentation.