

Moderator: Opening remarks

It's time for us to begin Tokyo Electron's Financial Announcement for the second quarter of the fiscal year ending March 31, 2022. Thank you very much for joining us today despite your busy schedules. I am Yatsuda of the IR Department, acting as the moderator of today's session.

I would now like to introduce today's attendees. Mr. Toshiki Kawai, Representative Director, President, & CEO. Next, Mr. Yoshikazu Nunokawa, Corporate Director, Executive Vice President, & General Manager of the Global Business Platform Division, Finance Unit. Mr. Tsuneishi, the Chairman of the Board, will be absent today due to other business. He will participate in the next financial briefing.

Prior to today's presentation, I will explain the flow of today's meeting. First, Mr. Nunokawa and Mr. Kawai will make presentations. After that, until 6:00 o'clock Japan Time, we will have a question-and-answer session, where we will take questions from the audience. This briefing will be conducted using two channels of Webex with simultaneous interpretation between Japanese and English. As we announced by email, you can participate by phone if you would like to listen to the audio only or you can use the Webex application on your PC or mobile device if you would like to ask questions. In addition, we will only take questions from institutional investors and analysts because this briefing is intended for them.

We will post the audio of this briefing in Japanese and English on our website within a couple of days, so please access it on our website if necessary.

Let's move on to the presentation session. First, Mr. Nunokawa will explain the "Q2 FY2022 Consolidated Financial Summary". Mr. Nunokawa, please.

Q2 FY2022 Consolidated Financial Summary

Yoshikazu Nunokawa – Corporate Director, Executive Vice President & General Manager, Global Business Platform Division

Good afternoon. My name is Nunokawa, and I'm responsible for the Finance Division. Now let me explain to you the FY2022Q2 consolidated financial announcement outline.

Financial Summary (H1): Slide 4

Here, we look at the performance of the half year. The net sales of the first half were 932.5 billion yen, and it was above the forecast that was announced on August 16. It was the highest net sales ever for the half year.

For SPE net sales, new PORs contributed to net sales, and field solutions achieved very good net sales. Because of this, we achieved 905.7 billion yen, which was above our forecast. Net sales for FPD were 26.6 billion. This was in line with our forecast.

The gross profit margin was 45.3%. For operating margin, it was 29.5%. Both were above our forecast. For the half year, both gross profit margin and operating margin were the highest ever.

Financial Summary (Quarterly): Slide 5

This slide is our quarterly performance.

Net sales in Q2 increased 6.3% compared to the previous quarter to reach 480.4 billion yen. Following Q1, we recorded the highest-ever quarterly net sales.

By segment, SPE net sales were 467.8 billion yen, and this was the highest-ever quarterly net sales. FPD net sales achieved 12.5 billion yen.

The gross profit margin was 44.1%. The operating margin was 27.7%, maintaining a very high level. It

was lower than the previous quarter, but the main factor behind it was the increase in R&D expenses.

Financial Performance (Quarterly): Slide 6

This slide shows the performance about which I just spoke in a graph format.

Segment Information (Quarterly): Slide 7

This slide is divided by segment information.

SPE net sales were 467.8 billion yen. The profit margin was 32.7%. In addition to steady sales in SPE products, Field Solutions net sales were very good and therefore net sales increased from the previous quarter. We continue to enjoy a very high profit margin.

For FPD, net sales were 12.5 billion yen, and profit margin was -6.2%. We continue investing in future growth, and we are seeing a steady progress against this year's plan. SPE accounted for 97% and FPD accounted for 3% of our Q2 net sales.

SPE Division: Sales by Region (Quarterly): Slide 8

This slide shows SPE division sales by region. Mainly, we have seen the growth in our Taiwanese and North American markets.

SPE Division: New Equipment Sales by Application (Quarterly): Slide 9

This slide shows SPE division new equipment sales by application.

The result was, from the bottom, logic 53%, non-volatile memory 18%, and DRAM 29%.

Because of the customers' investment timing in memory, there were some changes in the ratio. In the first half of this fiscal year, the logic-to-memory ratio was 1:1.

Field Solutions Sales (Quarterly): Slide 10

This shows the Field Solutions sales.

The second quarter reached 120.5 billion yen. In addition to the strong parts and services, we think the growth of the modification sales helped reach this number as it went up significantly from the previous quarter.

Balance Sheet (Quarterly): Slide 11

Next is our balance sheet.

Our total assets were 1,634 billion yen. Our cash and cash equivalent were 420.4 billion yen. Trade, account receivable, and contract assets were 301 billion. Inventory was 394.1 billion.

Next is our total liability and net assets. Liability was 448.1 billion yen. Net assets were 1,185.8 billion yen. Due to the retained earnings growth, it went up from the previous quarter, and the equity ratio became 71.8%.

Inventory Turnover and Accounts Receivable Turnover (Quarterly): Slide 12

This slide shows inventory turnover and accounts receivable turnover in days.

The inventory turnover period was 86 days. The receivables turnover period was 66 days.

Cash Flow (Quarterly): Slide 13

Finally, cash flow. Our operating cash flow was 94.6 billion yen.

Transcript

Our investment cash flow was -15.5 billion yen. Our financial cash flow was -200 million yen. Our free cash flow was 79 billion yen.

That concludes our consolidated financial statement briefings.

Moderator: Introduction of the next presentation

Now, Mr. Kawai, the CEO, will be talking about the "Business Environment and Financial Estimates". Mr. Kawai, please.

Business Environment and Financial Estimates

Toshiki Kawai – Representative Director, President & CEO

Good afternoon, my name is Kawai. I will talk about the business environment and financial estimates.

Business Environment (Outlook as of November 2021): Slide 15

I will begin with the business environment. At the August financial results meeting, we expected the CY2021 WFE market to grow around 40% year on year. But, driven by semiconductor demand due to society's digital shift, both leading edge and mature generations product investment are increasing. Because of this, the CY2021 WFE market growth is expected to approach 50% year on year.

There is no change in the FPD TFT array process equipment market and a 20% year-on-year reduction is forecast.

CY2021 WFE Market and Business Opportunities by Application: Slide 16

Let us now look at the by-application outlook for the WFE market.

For logic and foundry, we expected the growth rate of 45%. This time, this number was increased to 60%. Our DRAM forecast remained at a growth rate of about 60%. For non-volatile memory, we made a slight increase from the last time. We now expect a year-on-year increase of about 20%.

FY2022 H1 Business Progress: Slide 17

Next, I will talk about the first half progress of FY2022 business.

As Mr. Nunokawa reported, both net sales and profits from the first half were by far the highest ever numbers recorded. If you look closely, core products were adopted for high volume production. Field Solutions business progressed as expected. In the Field Solutions business, the half-yearly net sales were above 200 billion yen. And, looking toward our medium-term management plan, products important for scaling and patterning achieved new PORs. In addition, there was a new product release for wafer probers. Demand for them is expected to grow because of the evolution of advanced packaging technologies.

To prepare for the WFE market expansion, we completed the Miyagi Technology Innovation Center. We entered the MOU to introduce equipment to the imec-ASML joint research laboratory, and we started up the E-compass supply chain initiative to create environmentally friendly high-performance equipment. With the accelerated shift to the data society, we will contribute to the technological innovation of semiconductors through these activities.

FY2022 Financial Estimates: Slide 18

Next is our financial estimates for FY2022.

FY2022 Financial Estimates: Slide 19

Because of our first half results and the strong demand for our equipment, we have increased our estimates.

Since the August announcement, our full-year sales will increase by 50 billion, to 1,900 billion yen. Our gross profit will increase by 37 billion to 861 billion yen. Our operating income will increase by 43 billion to 551 billion yen. Our net income will increase by 30 billion to 400 billion yen.

Then, the full-year profit ratios will be, for example, GPM 45.3% and OPM 29%. That is our new estimate. So, when combining the sales, operating income, and operating profit margin, we are going to record our highest year of income ever. We will continue to complete our mid-term plan.

FY2022 SPE Division New Equipment Sales Forecast: Slide 20

Next, I will talk about the FY2022 SPE division new equipment sales estimates.

As you can see, first half year sales were 695.5 billion yen, exceeding our previous half-year record of 504.3 billion yen from FY2019H1. Last half, we will also increase sales to 734.5 billion yen. Our full year new equipment sales are going to increase by 48% over previous year to 1,430 billion yen. Our calendar year new equipment sales growth will come to close to 60% increase over the previous year, outperforming the WFE market growth ratio. The application mix will stay the same.

FY2022 R&D Expenses, Capex Plan: Slide 21

Next, I will review R&D cost and Capex planning.

They will remain unchanged. In FY2022, both will be record highs. Our R&D expenses will be 165 billion yen and our Capex expenses will be 64 billion. Those are our expectations. We then expect depreciation and amortization to be 43 billion. Because of the expanding market and the diversification of the latest technology requirements, we will accelerate R&D and Capex aggressively.

FY2022 Dividend Forecast: Slide 22

Finally, I will discuss our dividend forecast. Based on the current financial estimates and our 50% payout ratio, we increased our estimates. The dividend-per-share is expected to be 1,284 yen for full year. That would again be the record high dividend amount.

On October 29, our company was selected for the TOPIX Core 30, which is an honor for us. We strive to enhance our corporate values to pursue semiconductor technological innovation and provide high value-added products and services. That is all from me. Thank you.