

Moderator: Opening remarks

Now it's time for us to start the Tokyo Electron Financial Announcement for the Fiscal Year Ending in March 2022. Thank you very much for joining us today despite your very busy schedule. I am Yatsuda of the IR Department, serving as the moderator for today's session.

I would like to introduce today's attendees. Mr. Tetsuo Tsuneishi, Corporate Director, and Chairman of the Board. (I am Tsuneishi. I'm going to resign in the Shareholders General Meeting in June, but I hope I can see you before that. So, I'd like to say a few words on that occasion. Thank you very much for joining us today.) Next, Mr. Toshiki Kawai, Representative Director, President and CEO. (I'm Kawai, nice to meet you everybody.) Next, Mr. Yoshikazu Nunokawa, Corporate Director, Executive Vice President and General Manager of the Global Business Platform Division, Finance. (I'm Nunokawa. Nice to meet you, everybody.)

Prior to the presentations, let me 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, if you prefer to listen to the audio only, you can participate by phone but if you plan to ask questions, please use the Webex application on your PC or mobile devices. In addition, since this briefing is intended for institutional investors and analysts, we will take questions from institutional investors and analysts only.

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

So let's move on to the presentation session. First, Mr. Nunokawa will explain the consolidated financial summary. Mr. Nunokawa, please.

FY2022 Consolidated Financial Summary

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

Good afternoon. I am Nunokawa, and I am responsible for the Finance. I would like to present the consolidated financial summary of the fiscal year ending in March 2022.

FY2022 Financial Highlights: Slide 4

This slide shows the financial highlights for the fiscal year ending in March 2022. As we were able to cope well with rapidly growing SPE demand, in fiscal 2022 we generated net sales of ¥2 trillion 3.8 billion, increasing by 43% on a year-on-year basis. Net sales exceeded ¥2 trillion for the first time for us.

Gross profit was ¥911.8 billion. The gross profit margin was 45.5%. Operating income was ¥599.2 billion, and operating margin was 29.9%, all of which, together with net sales, set remarkably high new records. Also, ROE was 37.2%, which also significantly surpassed the midterm management goal of 30% or more.

Financial Summary: Slide 5

This shows the financial summary. As I said before, net sales increased by 43.2% on a year-on-year basis, achieving ¥2 trillion 3.8 billion, which exceeded the financial estimates that we announced on February 10 by ¥53.8 billion.

By segment, SPE net sales was ¥1 trillion 943.8 billion, a 47.8% year-on-year increase, which surpassed our estimates. FPD net sales was ¥59.8 billion, a 28.6% decrease from the previous fiscal year, which

was in line with our estimates.

The gross profit margin was 45.5%, which increased by 5.1%pts on a year-on-year basis. The operating margin was 29.9%, which increased by 7.0 %pts from the previous year due to the increase of gross profit margin and drop of SG&A and sales ratio. Earnings per share was ¥2,807, hitting a record high, driven by the profit growth.

Financial Summary (Quarterly): Slide 6

This slide shows the quarterly-based financial summary. Net sales in the fourth quarter was ¥564.8 billion, an 11.5% increase from the third quarter, delivering our highest ever quarterly net sales.

For SPE, we generated ¥549.2 billion in net sales, a 12.4% increase from the third quarter. In fiscal 2022, net sales steadily grew quarter-by-quarter as we implemented proactive procurement and production to cope with rapid market expansion and succeeded in capitalizing on the demand growth. For FPD, we generated ¥15.5 billion in net sales, a decline of 12.1% from the third quarter.

The gross profit margin was 45.3% and operating margin was 29.8%, showing a decline from the third quarter. This is due to the timing of recognizing SG&A costs such as R&D expenses. The profit margin was kept at a high level.

Segment Information: Slide 7

Next, this shows the segment information. For SPE, sales was ¥1 trillion 943.8 billion. Segment income was ¥667.4 billion and the segment profit margin was 34.3%. The new PORs we won contributed to net sales to maintain a high profit margin. We set a record high profit margin.

For FPD, sales was ¥59.8 billion, segment income was ¥3.8 billion, and the segment profit margin was 6.5%. While the profit margin decreased due to the decline in sales, along with the adjustments of the customers' FPD CapEx, we continued making investment for our future growth.

For composition of net sales, SPE sales accounted for 97% because of the increase of SPE sales, while FPD sales accounted for 3%.

SPE Division: New Equipment Sales by Product: Slide 8

This shows SPE new equipment sales by product. SPE new equipment sales in fiscal 2022 amounted to ¥1 trillion 499 billion, a 56% increase on a year-on-year basis. Of all products, we generated more sales than the previous fiscal year as the share of our key equipment increased in calendar 2021 and we succeeded in coping with the rapid growth in demand.

SPE Division: New Equipment Sales by Application: Slide 9

This shows SPE new equipment sales by application. In fiscal 2022, sales in every application increased. In particular, sales to logic/foundry and DRAM manufacturers showed a significant increase. For logic/foundry, in calendar 2021 the customers' active investment in a wide range of device nodes from the leading edge to mature nodes contributed to our sales. For DRAM, our sales growth was driven by the customers' CapEx recovery as well as the new PORs we won last year.

Field Solutions Sales: Slide 10

Next, this slide shows Field Solutions sales. In fiscal 2022, Field Solutions sales was ¥455.9 billion, recording a 26% year-on-year increase. Driven by growth in installed bases and the high utilization rate of customers' fabs, our parts and service sales maintained strong growth following the previous fiscal year. In fiscal 2022, sales from the modification business also showed a significant year-on-year increase, driven by the strong demand for mature device nodes.

Balance Sheet (Quarterly): Slide 11

This shows the balance sheet. Total assets were ¥1 trillion 894.4 billion. Cash and cash equivalents was ¥371.2 billion. Accounts receivables and contract assets were ¥433.9 billion, and inventories increased from the previous quarter to ¥473.8 billion due to the implementation of the procurement and production strategy, designed in line with our future sales plan. Liabilities were ¥547.4 billion. Net assets were ¥1 trillion 347.0 billion. The equity ratio was 70.5%.

Inventory Turnover and Accounts Receivable Turnover: Slide 12

This shows the inventory turnover and accounts receivable turnover. The inventory turnover was 86 days, remaining unchanged from the previous quarter. The accounts receivable turnover increased from the previous quarter to 79 days because of the account receivables increase.

Cash Flow: Slide 13

My last slide shows the cash flow. The cash flow from operating activity was minus ¥37.1 billion, mainly because of the accounts receivables increase. The cash flow from investing activities was minus ¥20.7 billion. The cash flow from financing activities was minus ¥200 million. The free cash flow was minus ¥57.9 billion.

This concludes my presentation about the consolidated financial summary. Thank you very much.

Moderator: Introduction of the next presentation

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

Business Environment and Financial Estimates

Toshiki Kawai – Representative Director, President & CEO

Once again, I'm Kawai. Now let me make a presentation on the business environment and financial estimates.

FY2022 Business Highlights: Slide 15

Let me start with the business highlights of the fiscal year ending in March 2022. As Mr. Nunokawa reported earlier, we hit a record-high in all areas, including net sales and profits in fiscal 2022. Our current financial model was set toward the fiscal year ending in March 2024, including net sales of ¥2 trillion, operating margin of 30% and ROE of 30% or more. We have achieved this fiscal model two years earlier than the original timeline.

By leveraging our strategic high value-added products, we successfully won PORs, which contributed to the improvement in net sales, profits, and market share of key products. For Field Solutions, due to the high utilization rate of customers' fabs, the demand for modifications, parts and services remained strong and we generated annual net sales exceeding ¥450 billion for the first time.

The supply shortage of various materials, including semiconductors, continue in the global market, but we believe that we achieved net sales of ¥2 trillion as we were able to address the demand, thanks to the strong and committed cooperation of our partners. Towards future growth, we spent record high amounts on R&D expenses and CapEx.

CY2022 Business Environment (Outlook as of May 2022): Slide 16

Next, I will talk about business environment. For the WFE market in CY2022, we expect about a 20%

growth now, slightly higher than the one we announced in the February earnings conference. Driven by strong semiconductor demand, along with the progress of the digital shift in society such as datacenters, investment in a broad range of generations is expected to continue. For FPD fabrication equipment (TFT array process) market, our perspective remains unchanged. In calendar 2022, a slight increase is expected on a year-on-year basis.

CY2022 WFE Market by Application: Slide 17

Next, I will talk about the WFE market outlook by application. By reflecting the current trend of customer investment, we have revised the outlook as shown in this slide. For logic/foundry, we previously expected 20%-plus growth, but we have revised it upward to about 25% year-on-year growth. For DRAM, our outlook remains unchanged, and we expect about a 15% increase. For non-volatile memory, we previously expected about a 5% growth, but we have revised it upwards to about a 10% growth.

FY2023 Financial Estimates: Slide 18,19

Next, I will present the financial estimates for the fiscal year ending in March 2023. In fiscal 2023, on a full-year basis, we expect net sales of ¥2 trillion 350 billion, gross profit of ¥1 trillion 75 billion, operating income of ¥716 billion, and net income of ¥523 billion, all of which are expected to hit record highs. For full-year profit margins, we also expect record highs, specifically gross profit margin of 45.7% and operating margin of 30.5%.

FY2023 SPE Division New Equipment Sales Forecast: Slide 20

This slide shows the SPE new equipment sales forecast in fiscal 2023. As shown here, we expect to generate ¥850 billion in the first half and achieve the milestone of ¥1 trillion in the second half of the year. The full-year SPE new equipment sales is expected to be ¥1 trillion 850 billion, a 23% increase from the previous fiscal year.

FY2023 R&D Expenses, Capex Plan: Slide 21

Next, this shows our plan for R&D expenses and CapEx. In fiscal 2023, we plan to spend ¥190 billion on R&D expenses, which is a 20% increase from the previous fiscal year and capital investment of ¥75 billion, a 30% year-on-year increases, both of which are expected to hit record highs. And we project depreciation expenses of ¥46 billion.

On March 31, we announced a new development building construction in Kumamoto Prefecture. Also today, we issued a press release about a new development building in Miyagi Prefecture. We will accelerate proactive R&D and capital investment to cope with growing markets and meet ever diversifying needs for leading-edge technology.

FY2023 Dividend Forecast: Slide 22

Next, this slide shows the dividend forecast. Based on the financial estimate for this fiscal year and payout ratio of 50%, we plan to pay full year dividends per share of ¥1,678, which is expected to set a new record.

Medium-term Management Plan: Slide 23

As presented so far, we have achieved the financial model that we developed in 2019 based on an assumption of net sales of ¥2 trillion, two actual years ahead of the original timeline.

Aiming at further growth and corporate value enhancement, we are now preparing a new midterm management plan. On June 8, we will hold the new midterm management plan announcement meeting and the secretariat will send invitations to you. I would be very grateful if you could join us in this meeting.

Thank you very much. This concludes my presentation.