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Investor Relations
Corporate Planning Division
Tokyo Electron Limited

Q2 FY2027 Earnings Briefing Q&A

■ Questions

Q1 What is your outlook by application for the WFE market in CY2026 and CY2027?

Q2 Does the forecast of more than $210 billion for the WFE market in CY2027 reflect supply constraints, or is it based on an aggregation of customer demand?

Q3 What factors led to the upward revision of the CY2027 WFE market outlook? If WFE investment increases significantly in CY2027, is there a possibility of a pullback in CY2028?

Q4 TEL's net sales in CY2026 appear likely to grow by approximately 40% year on year, about 10 pts above WFE market growth of around 30%. Considering the factors behind TEL's share gains and its production situation, can TEL continue to outperform WFE market growth in CY2027?

Q5 Regarding the sales outlook by product, the previous view was for growth of more than 50% year on year for coaters/developers and more than 25% for etch in FY2027. Has the outlook changed overall?

Q6 H2 FY2027 is expected to benefit from higher sales and the effect of price optimization beginning in Q4. Given these positive factors, why is GPM in H2 FY2027 forecast at approximately 48%, roughly the same level as in Q2?

Q7 Is there a possibility that GPM will reach 50% in Q4 FY2027? If TEL reaches this level in early FY2028 and its sales continue to expand thereafter, should 50% be regarded as the floor for full-year GPM in FY2028?

Q8 U.S. competitors have set their GPM target at around 55%. Does TEL envision a similar level over the long term?

Q9 To what extent are surcharges for expedited deliveries and the pass-through of higher parts/component costs reflected in the H2 FY2027 forecast? Will price optimization begin to make a full contribution to gross profit from FY2028?

Q10 Considering the price gap with U.S. competitors caused by exchange-rate fluctuations, should we expect price optimization to continue beyond this round and into the next fiscal year and thereafter?

Q11 Are there any constraints or bottlenecks in procurement in relation to current sales and inquiries through FY2028? TEL has explained that sufficient production capacity is in place for H2 FY2027. How will TEL's factories and overall supply chain respond to further sales growth and the possibility that AI-related inquiries exceed the current outlook?

Q12 We view this initiative as a business opportunity for TEL and do not believe that it entails any obligations for the company.

■ Q&A

Q1 What is your outlook by application for the WFE[*1] market in CY2026 and CY2027?

A1 We expect the WFE market in CY2026 to be approximately $160 billion, with logic/foundry and memory accounting for about 60% and 40%, respectively. By application, we expect DRAM to be in the high-$40 billion range, NAND in the mid-$10 billion range, logic/foundry in the high-$80 billion range, and factory automation, wafer-level packaging and other applications at approximately $10 billion. We also expect advanced nodes to account for approximately 30% of the logic/foundry market.
We also expect the WFE market in CY2027 to exceed $210 billion. Logic/foundry and memory are expected to account for approximately 50% each, with logic/foundry slightly higher. By application, we expect DRAM to be in the low-$70 billion range, NAND in the high-$10 billion range, logic/foundry at approximately $100 billion, and factory automation, wafer-level packaging and other applications in the low-$10 billion range. We also expect advanced nodes to account for between 35% and just under 40% of the logic/foundry market.

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Q2 Does the forecast of more than $210 billion for the WFE market in CY2027 reflect supply constraints, or is it based on an aggregation of customer demand?

A2 The forecast is based on an aggregation of customers' capital investment plans. Given the current strong level of inquiries, there could be further upside.

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Q3 What factors led to the upward revision of the CY2027 WFE market outlook? If WFE investment increases significantly in CY2027, is there a possibility of a pullback in CY2028?

A3 The main factor is a clear shift in the applications driving semiconductor demand from traditional PCs and smartphones toward data- and AI-centric applications, expanding the role of semiconductors. We are also receiving additional inquiries associated with the expansion of applications such as agentic AI, physical AI and new data centers. At present, our discussions with customers do not indicate a slowdown in CY2028.

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Q4 TEL’s net sales in CY2026 appear likely to grow by approximately 40% year on year, about 10 pts above WFE market growth of around 30%. Considering the factors behind TEL's share gains and its production situation, can TEL continue to outperform WFE market growth in CY2027?

A4 Our core businesses in coaters/developers, etch, deposition and cleaning address large markets that are essential to semiconductor manufacturing. We believe these businesses can outperform the WFE market. In particular, our coaters/developers, with a market share of more than 90%, are receiving inquiries from around the world and are expected to be a key driver of growth above the WFE market.
We also expect the 3D integration of advanced packaging to grow significantly from CY2027 onward and view it as a growth opportunity. For probers, the increasing number of test processes is generating very strong inquiries for both CY2027 and CY2028. Based on these factors, we believe we can formulate a plan aimed at outpacing WFE market growth.

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Q5 Regarding the sales outlook by product, the previous view was for growth of more than 50% year on year for coaters/developers and more than 25% for etch in FY2027. Has the outlook changed overall?

A5 We did not update sales growth rates by product this time, but sales of almost all product categories are increasing more than previously forecast. Customers' capital investment has expanded particularly sharply for coaters/developers, where we have a market share of more than 90%.

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Q6 H2 FY2027 is expected to benefit from higher sales and the effect of price optimization beginning in Q4. Given these positive factors, why is GPM in H2 FY2027 forecast at approximately 48%, roughly the same level as in Q2?

A6 Compared with the actual GPM of 47.4% in H1 FY2027, we expect GPM to improve by approximately 1pt to 48.3% in H2 FY2027. Some high-margin items were brought forward into H1 FY2027, while the H2 FY2027 forecast incorporates costs associated with increased production and accelerated delivery schedules.

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Q7 Is there a possibility that GPM will reach 50% in Q4 FY2027? If TEL reaches this level in early FY2028 and its sales continue to expand thereafter, should 50% be regarded as the floor for full-year GPM in FY2028?

A7 GPM could reach 50% in Q4 FY2027 if revenue recognition for tool start-ups is brought forward. However, as this also depends on customers' utility readiness, we will refrain from commenting on the likelihood of achieving that level.
We have not disclosed our financial forecast for FY2028 and therefore will refrain from mentioning specific figures. Nevertheless, based on the expected growth of the WFE market and anticipated improvements in profitability, we aim to further improve GPM.

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Q8 U.S. competitors have set their GPM target at around 55%. Does TEL envision a similar level over the long term?

A8 There are substantial opportunities to provide high-value-added products and services, and we also expect greater efficiency and lower costs as demand expands. We operate our business based on the idea that "profit is a measure of the value of our products and services" and we will continue working to further improve profitability.

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Q9 To what extent are surcharges for expedited deliveries and the pass-through of higher parts/component costs reflected in the H2 FY2027 forecast? Will price optimization begin to make a full contribution to gross profit from FY2028?

A9 Customers understand the incremental costs associated with increased production and accelerated delivery schedules, and we are also making steady progress in reflecting higher parts/component costs in selling prices. Of the approximately 1pt improvement from H1 to H2 of H1 FY2027, we expect roughly half to come from higher production volume and the other half from the price optimization we have been implementing. We expect the price optimization to begin making a full contribution from FY2028.

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Q10 Considering the price gap with U.S. competitors caused by exchange-rate fluctuations, should we expect price optimization to continue beyond this round and into the next fiscal year and thereafter?

A10 Price optimization is not a one-time measure. We will appropriately reflect higher costs arising from inflation, exchange-rate fluctuations and overseas support expenses in selling prices while ensuring customers' understanding.
We will also enhance the value we provide to customers through higher yields enabled by technological innovation, improved equipment utilization leveraging AI, and new products and upgrades, and sell our products and services at appropriate prices.

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Q11 Are there any constraints or bottlenecks in procurement in relation to current sales and inquiries through FY2028? TEL has explained that sufficient production capacity is in place for H2 FY2027. How will TEL's factories and overall supply chain respond to further sales growth and the possibility that AI-related inquiries exceed the current outlook?

A11 In light of the current strong level of inquiries, the procurement of some parts/components requires close management. However, we expect visibility regarding procurement and shipments through FY2028 to improve around the end of CY2026 or the beginning of CY2027.
We proactively expanded production capacity by constructing the Tohoku Production and Logistics Center along with automated warehouses, and securing production space at other factories. For etch systems, which represent the largest market, the Miyagi Innovative Production Center scheduled for completion in summer 2027 will provide additional capacity. While ingenuity and effort will be required, we believe we can respond to the situation.
For the supply chain, we will obtain long-term demand information from customers at an early stage, share one- to two-year forecasts with suppliers, secure parts/components with potential supply constraints in advance, and maintain appropriate inventory levels. We will also prepare lists of those parts/components to respond appropriately. Under strong partnerships with suppliers, we will support them as necessary to meet demand. We recognize that further production increases will require industry-wide improvement efforts.

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Q12 Regarding the “Semiconductor Manufacturing Project to be Implemented under the Japan-U.S. Strategic Investment Initiative announced by the Ministry of Economy, Trade and Industry of Japan on October 15, 2026, does this present business opportunities for TEL, and does TEL have any obligations associated with the initiative?

A12 We view this initiative as a business opportunity for TEL and do not believe that it entails any obligations for the company.

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*1 WFE: Wafer Fab Equipment

FY20xx refers to the fiscal year ending March 20xx.

This document summarizes the Q&A session from the earnings briefing.