

Moderator: Opening Remarks

Now it's time for us to start the Tokyo Electron Financial Announcement for the fiscal year ending in March 2024. Thank you very much for joining us today despite your busy schedule. I am Koichi Yatsuda from the IR Department, acting as the 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 6:15 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 few days. It would be appreciated if you could also visit our website.

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

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 fiscal year ending in March 2024.

FY2024 (April 2023 - March 2024) Financial Highlights: Slide 4

First of all, I would like to present the financial highlights of FY2024. From the left, this slide shows net sales, operating income, and net income attributable to owners of parent in chronological order. For net sales, due to the slowdown in customer capital investment, we generated ¥1.8305 trillion, which was a decline of 17.1% on a year-over-year basis. By contrast, gross profit margin hit a record level because of the growing proportion of sales in high profit margin products. We delivered operating income of ¥456.2 billion and net income of ¥363.9 billion. ROE declined to 21.8% on a year-over-year basis.

Financial Summary: Slide 5

This shows the financial summary for the fiscal year ending in March 2024. The results surpassed the financial estimates we announced in February in net sales, profit, and profit margin. I will mainly refer to the figures in the blue box. In FY2024, we generated net sales of ¥1.8305 trillion, a 17.1% decline on a year-over-year basis due to the slowdown in customer WFE spending as I said before. Gross profit margin was 45.4%, hitting a record level because of the growing proportion of sales in high value-added products as I said earlier. We delivered operating income of ¥456.2 billion, a decline of 26.1%. Operating profit margin was 24.9%, a 3.1 percentage point decline. This was due to investment in future growth particularly in R&D investments, despite a decline in net sales. Net income attributable to owners of parent was ¥363.9 billion, a drop of 22.8% on a year-over-year basis. R&D expenses were ¥202.8 billion, an

increase of 6.1% on a year-over-year basis since we kept R&D investment for future growth as I said earlier. This is a record high. Capital expenditures were ¥121.8 billion along with the construction of development buildings in Yamanashi, Miyagi, and Kumamoto and the construction of the Iwate distribution center. Depreciation and amortization were ¥52.3 billion, a 21.9% increase from the previous fiscal year because of the growing number of evaluation tools for our development activities.

Financial Summary (Quarterly): Slide 6

This slide shows the quarterly-based financial summary. In the fourth quarter, we generated net sales of ¥547.2 billion, a 18.0% increase from the third quarter. We delivered gross profit of ¥256.1 billion, an increase of 15.3%. Gross profit margin was 46.8%, a decline of 1.1 percentage points, as a result of strategic replacement of leased tools as well as recording one-off costs including disposition of inventories. Operating income was ¥145.2 billion, an increase of 9.6% from the previous quarter. Operating profit margin was 26.5%, a drop of 2.1 percentage points from the third quarter because of the decline in gross profit margin and increase of R&D expenses and labor costs coupled with our business performance. Income before income taxes was ¥157.8 billion, a 17.4% increase from the third quarter due to extraordinary income generated as we sold off land and buildings along with the relocation of the head office of our American subsidiary. Net income attributable to owners of parent was 124.9 billion yen, a 23.1% increase from the third quarter.

Composition of Net Sales by Region (FY2024 Q1-Q4): Slide 7

This slide shows net sales by region. As we switched to a single-segment disclosure from FY2024, here is the composition of company-wide net sales by region. As you can see here, gradual recovery of net sales is evident after bottoming out in the first quarter. In general, net sales by region in the fourth quarter remained flat or showed an increase from the third quarter. The proportion of sales in China in FY2024 topped 40% as Chinese customers' investments for mature nodes were active throughout the year while there were adjustments in the capital investments for leading-edge nodes.

SPE New Equipment Sales by Application: Slide 8

This shows SPE new equipment sales by application. In the fiscal year ending March 2024 at the bottom of this chart, sales to non-memory customers accounted for 66%, non-volatile memory accounted for 7%, and DRAM accounted for 27%. For DRAM, both absolute amount and proportion of sales showed a rise due to active investments by Chinese customers. For non-volatile memory, both absolute amount and proportion of sales declined, as capital investments were continuously low due to inventory adjustments by customers. For non-memory, although customer spending on leading-edge nodes reduced, our sales for mature nodes were strong.

Field Solutions Sales: Slide 9

This slide shows Field Solution sales. In FY2024, sales were ¥428.5 billion, a 9.6% decrease on a year-over-year basis. Along with a decline in the utilization rate of customers' fabs, sales dropped both in the parts and service business, and the business of used equipment and modifications.

Balance Sheet (Quarterly): Slide 10

This slide shows the balance sheet. Total assets were ¥2.4564 trillion yen. Cash and cash equivalents were ¥472.5 billion. Notes and accounts receivable (trade and contract assets) were ¥391.4 billion. Inventories were ¥762.9 billion. Inventories declined by ¥15 billion as demand showed a gradual recovery while we strategically secured inventories. Investment and other assets amounted to ¥386.2 billion, growing by ¥54.1 billion from the previous quarter due to the rising price of shares we owned. For the liabilities and net assets shown on the right-hand side, liabilities were ¥696.2 billion, increasing by ¥56.4 billion partly due to income taxes payable. Net assets were ¥1.7601 trillion, increasing by ¥182.5 billion from the previous quarter due to the rising price of shares we owned, while we recorded net income of

¥124.9 billion. The equity ratio was 71.1%

Cash Flow (Quarterly): Slide 11

This slide shows the cash flow. In the fourth quarter, the cash flow from operating activities was ¥139.0 billion. The cash flow from investing activities was minus ¥20.3 billion. Cash flow from financing activities was minus ¥600 million yen. As a result, free cash flow was ¥118.7 billion.

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

Moderator: Introduction to 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.

FY2024 Highlights: Slide 13

Let me start with the full-year business highlights in FY2024. In FY2024, although leading-edge chipmakers suppressed their investments, investments on capacity enhancements of mature nodes were pulled forward. As a result, we revised our financial estimates upward during the fiscal year. The results for FY2024 were in line with the revised estimates, generating net sales of ¥1.8305 trillion, operating income of ¥456.2 billion, and net income of ¥363.9 billion. Preparing for future growth, we implemented record-high R&D investment of ¥202.8 billion. In July 2023, construction of a new development building in Yamanashi was completed. We made good progress in winning PORs, with high value-added strategic products for high volume production as well as for development. We won volume-production PORs and development PORs with a broad range of our products including cryogenic etching, conductor etching, super-critical dry, and bonders/debonders for HBM, and we are making steady progress toward achievement of the Mid-term Management Plan. We also achieved numerous results in non-financial areas such as sustainability. We pulled forward the target year of net zero achievement including Scope 3 by ten years to CY2040, which is part of our mid-term environmental goals. In April 2024, we were selected for "the SX Brands 2024" established by METI and the Tokyo Stock Exchange.

Business Environment (WFE Market Outlook as of May 2024): Slide 14

Next, I will present the business environment. There have been no changes in our WFE market outlook that we announced in the previous financial announcement in February. Toward CY2025, the market is currently recovering in general. The CY2024 WFE market is expected to be \$100 billion in size. We expect that investment for leading-edge DRAM will start to recover from late CY2024, driven by growing demand for DDR5 and HBM among others. In CY2025, following DRAM, a full-fledged recovery in capital investments is also expected for NAND and advanced logic/foundry. One of the drivers is AI servers whose annual growth rate is 31%. In addition, AI will be mounted not only to servers but also to PCs and smartphones. Also there will be a demand to replace those products purchased during the COVID-19 crisis, and businesses are actively investing in IT systems. These factors are expected to further boost semiconductor demand. Driven by these factors, the WFE market is expected to achieve two-digit growth in CY2025.

Business Opportunities and Focus Areas: Slide 15

In parallel, semiconductor technology innovation will further advance. For logic, investment for the 2 nm node will finally start. To achieve low power consumption and high-speed CPU, gate-all-around nanosheet and backside PDN structure will likely play a core role in technological inflection. For DRAM, to realize DDR5 high-speed working memory, EUV lithography and high-k metal gate will be introduced. HBM packaging technology to realize high-bandwidth, high-storage, and high-speed memory will be evolving even more. For NAND, to realize larger storage, initiatives to deliver a high-stacking structure of 300 layers will begin. In addition, the NAND manufacturing process is expected to adopt multi-tier stacking and bonding technology to bond memory cells and peripheral circuits fabricated on different wafers. Our company offers a broad product portfolio in line with such future technology inflection. We believe the areas indicated in boldface, in particular, will provide us with great business opportunities. We aim to expand market share in these high value-added areas.

R&D Investment for Future Growth: Slide 16

In order to make sure we capitalize on these business opportunities, we are investing actively in R&D. In addition to the development of strategic products to achieve the Mid-term Management plan, to make us ready for longer-term sustained growth, we are developing technologies for next-generation and beyond, increasing domestic and overseas development sites, and enhancing our resources. To go beyond the enhancement of standalone equipment performance, we have initiated new initiatives such as smart manufacturing and robotics leveraging digital-based technology while visualizing future semiconductor manufacturing.

Investment for Future Growth (FY2025 to FY2029): Slide 17

As I presented in the previous financial announcement in February, in order to maximize our growth potential, we are planning R&D expenses of ¥1.5 trillion and capex of ¥700 billion in the coming five years. We consider that it is people that drive our company's growth, and that our employees are sources for value creation. Based on this belief, we plan to hire 2000 people every year, with the plan of hiring ten thousand people in total in the next five years.

FY2025 Financial Estimates: Slide 19

As I said earlier, driven by growing demand for AI-related devices, the WFE market is currently recovering in general. Toward CY2025, WFE spending on advanced logic is expected to start in a full-fledged manner. Accordingly, in FY2025 we expect net sales of ¥2.2 trillion, gross profit of ¥1.022 trillion, operating income of ¥582 billion, and net income of ¥445 billion. Gross profit and gross profit ratio are expected to record an all-time high. Under such a business environment, we are planning to invest ¥250 billion in research and development in order to capture future growth opportunities as much as possible.

FY2024 SPE New Equipment Sales Forecast: Slide 20

This slide shows the SPE new equipment sales forecast. As you can see here, net sales are recovering in general, after bottoming out in the first half of FY2024. This chart shows little change in the proportions of different applications, but toward the second half of this fiscal year, the proportion of investment in advanced nodes is expected to increase.

FY2025 R&D Expenses and Capex Plan: Slide 21

This shows our plan for R&D expenses and capex. In FY2025, both R&D expenses and capex are expected to hit a record high. We expect R&D expenses of ¥250 billion, capex of ¥170 billion, and depreciation of ¥63 billion as I said earlier.

Acquisition of Treasury Stock: Slide 22

The Board of Directors meeting held today decided to implement share repurchase of up to ¥80 billion. This decision was made in accordance with our capital policy by comprehensively taking account of various factors such as investment for future growth based on expected mid- and long-term profit increase and current cash position. We will continue to manage our balance sheet flexibly.

FY2025 Dividend Forecast: Slide 23

This slide shows the dividend forecast. Based on the FY2025 financial estimates and the payout ratio of 50%, the full-year dividend per share is expected to be ¥481.

Total Return Amount: Slide 24

This is my last slide, showing total return amount. The total return amount in this fiscal year, totaling the dividend per share that I presented earlier, and share repurchase is expected to be ¥303.3 billion, hitting a record high level.

This concludes my presentation. Thank you very much for listening.