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Investor Relations
Corporate Strategy Division
Tokyo Electron Limited

Q4 FY2026 Earnings Briefing Q&A

■ Questions

Q1 On slide 15 of the earnings presentation, the WFE market trend shown in the chart appears to indicate about $120 billion for CY2025, about $150 billion for CY2026, and about $170 billion for CY2027. Is that the growth outlook you forecast?

Q2 For the CY2026 WFE market, what is your breakdown by application?

Q3 What percentage of the CY2026 WFE market do you expect China to represent?

Q4 Previously TEL has not usually commented on the WFE market outlook for the next year. By providing a CY2027 outlook this time, are you saying visibility has improved? Also, is the $170 billion CY2027 figure a baseline supported by customer investment commitments already in hand?

Q5 On slide 16 of the earnings presentation, you show FY2027 revenue drivers and indicate that coater/developer sales are expected to rise more than 50% YoY. What are the drivers of that growth and how certain is it? Also, advanced packaging sales are shown rising more than 60% YoY. What are the main contributors to that increase?

Q6 For bonding-related equipment, how much revenue growth do you expect compared with FY2026?

Q7 You show that New Equipment sales in H1 FY2027 are expected to grow roughly 40% YoY, and that the uptrend will continue into H2. That suggests you plan to outperform the WFE market. What are the factors that you believe will enable sales to increase above the WFE market growth rate?

Q8 Revenue growth for H1 FY2027 appears considerably high. Are there any special factors such as pull-forwards from H2 or push-outs from the prior year? Also, what do you expect for the growth rate in FY2028?

Q9 You revised the disclosure period for guidance and did not provide guidance for H2 FY2027. Was that decision driven by the potential for major customers' plans to change, or influenced by recent geopolitical developments in the Middle East? Also, when you commented that H2 FY2027 will exceed H1, was that based on the current order backlog?

Q10 Regarding the change in the guidance disclosure period, many of your peers disclose guidance only up to the next quarter (three months). Did you choose a half-year basis because you have a relatively high degree of confidence based on customer order visibility?

Q11 Your etch share in CY2025 declined by about 5 percentage points versus CY2024. What caused this decline?

You assume roughly +25% WFE market growth in CY2026 versus CY2025, and also assume FY2027 etch revenue growth about +25%. This suggests your plan for FY2027 may not fully reflect a material recovery in market share. What actions are you taking to regain the share?

Q12 Field Solutions sales in FY2026 grew 16.3% YoY, representing a strong increase. What were the main drivers, and will this trend continue in FY2027?

Q13 FY2027 is the final year of the Medium term Management Plan. How confident are you in achieving the revenue target of 3 trillion yen? Also, an OPM of 35% seems challenging given your guidance in H1 FY2027. What are the headwinds and when do you expect to reach that level?

Q14 Revenue for coater/developers is expected to grow by more than 50% in FY2027. Will you increase prices for these tools to improve GPM?

Q15 As you develop the next Medium term Management Plan over the coming year, what will you prioritize and what challenges will you focus on?

TEL

■ Q&A

Q1 On slide 15 of the earnings presentation, the WFE[*1] market trend shown in the chart appears to indicate about $120 billion for CY2025, about $150 billion for CY2026, and about $170 billion for CY2027. Is that the growth outlook you forecast?

A1 Yes, that is our outlook on the WFE market. We expect the market to be larger in CY2027 than in CY2026. At the same time, we are seeing many new inquiries and requests to move deliveries forward, so the CY2026 market could also come in above our baseline depending on customers' investment timing. That is why we presented the WFE market outlook as a range.

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Q2 For the CY2026 WFE market, what is your breakdown by application?

A2 In CY2025, the split was roughly 35% memory and 65% logic. For CY2026, we expect memory to increase slightly, to around 40%, and logic to be about 60%.

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Q3 What percentage of the CY2026 WFE market do you expect China to represent?

A3 We see China's percentage of the WFE market to be in the high-30% range in CY2025, and in the mid-30% range in CY2026.

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Q4 Previously TEL has not usually commented on the WFE market outlook for the next year. By providing a CY2027 outlook this time, are you saying visibility has improved? Also, is the $170 billion CY2027 figure a baseline supported by customer investment commitments already in hand?

A4 Saying that we have customer commitments in hand would be an overstatement. However, when we factor in the plans customers have communicated to us, we believe WFE market in CY2027 could reach a level around $170 billion. At the same time, we must remain vigilant about geopolitical risks such as the blockade in the Strait of Hormuz.

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Q5 On slide 16 of the earnings presentation, you show FY2027 revenue drivers and indicate that coater/developer sales are expected to rise more than 50% YoY. What are the drivers of that growth and how certain is it? Also, advanced packaging sales are shown rising more than 60% YoY. What are the main contributors to that increase?

A5 For coater/developers, demand is coming from the full spectrum of lithography processes, from leading-edge processes such as EUV to more general processes. This is driving very substantial revenue growth. For advanced packaging, we are receiving very strong inquiries for both leading-edge logic and HBM applications. Growth will be driven not only by coater/developers and etch and deposition tools used in advanced packaging, but also by bonders and laser-related equipment.

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Q6 For bonding-related equipment, how much revenue growth do you expect compared with FY2026?

A6 FY2026 bonding-related revenues were at a 30-billion-yen scale. We expect a very large increase in FY2027. Our plan is to grow cumulative sales of bonding and laser-related equipment to 500 billion yen over the five years from 2026 through 2030, so within the next one to two years we expect annual sales to exceed 100 billion yen.

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Q7 You show that New Equipment sales in H1 FY2027 are expected to grow roughly 40% YoY, and that the uptrend will continue into H2. That suggests you plan to outperform the WFE market. What are the factors that you believe will enable sales to increase above the WFE market growth rate?

A7 The growth in the CY2026 WFE market will be driven by leading-edge areas in which TEL is focused and strong. Revenue contributions from these segments will allow us to outpace the overall WFE market growth.

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Q8 Revenue growth for H1 FY2027 appears considerably high. Are there any special factors such as pull-forwards from H2 or push-outs from the prior year? Also, what do you expect for the growth rate in FY2028?

A8 There are no extraordinary one-off factors. The current business environment is driven by very strong demand for AI-server related equipment. We are unable to provide a quantitative forecast for FY2028 at this time, but our view for the CY2027 WFE market is in the range of $150 billion to $170 billion, as noted in the presentation. Potential upsides include accelerated AI-related investment, expanded spending on NAND capacity in response to tight supply, and faster investment in physical AI development. We intend to seize these opportunities.

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Q9 You revised the disclosure period for guidance and did not provide guidance for H2 FY2027. Was that decision driven by the potential for major customers' plans to change, or influenced by recent geopolitical developments in the Middle East? Also, when you commented that H2 FY2027 will exceed H1, was that based on the current order backlog?

A9 Demand is very strong at the moment. Although we have not received all firm orders for H2, inquiry levels suggest that our production slots for H2 will be filling rapidly. However, there are multiple sources of potential variability—such as customer production yields, clean room availability, geopolitical developments, and energy issues. To avoid causing confusion in the capital markets, we concluded that it is more appropriate going forward to disclose guidance on a semiannual (six-month) basis, where our visibility and confidence are higher.

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Q10 Regarding the change in the guidance disclosure period, many of your peers disclose guidance only up to the next quarter (three months). Did you choose a half-year basis because you have a relatively high degree of confidence based on customer order visibility?

A10 We aim to explain market situations to investors who follow our announcements as clearly as possible. Considering our view that TEL's performance is unlikely to change materially within a six-month window, we judged that disclosing guidance on a half-year basis would be appropriate.

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Q11 Your etch share in CY2025 declined by about 5 percentage points versus CY2024. What caused this decline?
You assume roughly +25% WFE market growth in CY2026 versus CY2025, and also assume FY2027 etch revenue growth about +25%. This suggests your plan for FY2027 may not fully reflect a material recovery in market share. What actions are you taking to regain the share?

A11 The share decline in CY2025 reflected three major factors: 1) delivery timing from CY2024 to CY2025, 2) customer mix, and 3) customers' delivery adjustments due to regulatory issues.
Looking at tool selection, we continue to maintain strong positions in DRAM capacitor and interconnect processes, and the adoption of our tools in conductor etch is expanding. As DRAM and leading-edge logic markets grow, we see increasing opportunities to capture market share.

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Q12 Field Solutions sales in FY2026 grew 16.3% YoY, representing a strong increase. What were the main drivers, and will this trend continue in FY2027?

A12 As semiconductor demand rises and customers' fab utilization increases, parts and service revenues are trending upward accordingly.

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Q13 FY2027 is the final year of the Medium-term Management Plan. How confident are you in achieving the revenue target of 3 trillion yen?
Also, an OPM of 35% seems challenging given your guidance in H1 FY2027. What are the headwinds and when do you expect to reach that level?

A13 We anticipate revenue in H2 FY2027 to be higher than in H1, and achievement of the Medium-term Management Plan's revenue target of 3 trillion yen or more is coming into view. As for the OPM, rapid currency fluctuations and inflation have raised fixed costs as a proportion of sales, which is suppressing margins. In addition to appropriate price adjustments to pass through cost increases, we are undertaking productivity enhancements, product upgrades, and new model introductions to increase value and enable further price realization. Our aim is to raise GPM to over 50% within roughly two years, which would allow us to reach a high level of OPM.

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Q14 Revenue for coater/developers is expected to grow by more than 50% in FY2027. Will you increase prices for these tools to improve GPM?

A14 The impact of rising fixed costs is not limited to coater/developers, but affects all product lines. We will engage with customers carefully to explain the situation and negotiate appropriate price adjustments to optimize pricing across our portfolio.

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Q15 As you develop the next Medium-term Management Plan over the coming year, what will you prioritize and what challenges will you focus on?

A15 Our vision is to be "A company filled with dreams and vitality that contributes to technological innovation in semiconductors." The key technological challenges we intend to focus on are advancing further scaling and achieving heterogeneous integration.
In the frontend processes that drive scaling, we will pursue share and SAM expansion particularly in large market areas such as etch and deposition. We will also expand our share and SAM in advanced packaging—which is key to heterogeneous integration—with our portfolio of bonders, laser-related equipment, and device probers.
Furthermore, regarding WFE market growth, we will introduce higher-value products to increase revenue.
We view the current Medium-term Management Plan as a milestone. Through an "Aggressive Business and Proactive Management" approach, we will pursue world-class profitability while vigorously seizing sales growth opportunities.

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*1 WFE: Wafer Fab Equipment
FY202x refers to the financial year ending in March 202x.

The content above is a summary of the Q&A session.