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Investor Relations
Corporate Strategy Division
Tokyo Electron Limited

Q3 FY2026 Earnings Briefing Q&A

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TEL plans high net sales in Q4 FY2026, but how confident are you in achieving this plan? Is there a possibility of exceeding it? Was the low net sales in Q3 FY2026 in line with your expectations?
TEL plans high net sales in Q4 FY2026, but how confident are you in achieving this plan? Is there a possibility of exceeding it?

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Q9 The GPM in Q3 FY2026 appears to be low. Were there any one-time factors contributing to this decline? How much recovery do you anticipate in FY2027? Additionally, could you describe your pricing strategy to improve GPM?

Q10 TEL expects the CY2026 WFE market for NAND to be flat to slightly up compared to CY2025. Given that sales contributions from cryogenic etch equipment are starting, can we expect sales growth through market share gains in TEL's NAND business?

Q11 How confident are you in achieving the targets of the Medium-term Management Plan under the current environment?

Q12 My question is in regard to the 150 billion yen share buyback. Since FY2024, TEL has carried out share buybacks every year. What was the thinking behind setting this amount? Can this be considered a statement of intent toward achieving the Medium-term Management Plan target of 30% ROE?

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■ Q&A

Q1 What is your outlook by application for CY2026 WFE[*1] market growth?

A1 At present, we see the WFE market in CY2026 growing more than 15% versus CY2025. By application, we expect DRAM to grow about 20%, NAND to be roughly flat to slightly up, and non-memory to grow 15–20%. We assume a substantial increase in investment outside China, centered on AI server demand.

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Q2 In the CY2026 WFE market, in which half of the year do you expect customers to invest more—the front or back half?

A2 While further analysis is required, we expect customer investment to increase continuously throughout CY2026. Customers have already been pressing strongly for accelerated delivery schedules, and if they can secure additional cleanroom space going forward, we will supply equipment for that space.

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Q3 You mentioned that you expect the CY2026 WFE market to grow by more than 15%. Please outline the factors that could cause variations in market growth.

A3 Given the high level of current inquiries from customers, there is momentum for the WFE market to grow by more than 20% in CY2026. However, taking into account how well global semiconductor production equipment suppliers can respond, we have commented that the CY2026 WFE market will grow by more than 15%. For example, the availability of customers' cleanroom space and each supplier’s ability to procure parts and components could affect global equipment shipment volumes.

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Q4 How do you view the WFE market in China for CY2026? And by application? Also, what will TEL’s China sales look like?

A4 We view the CY2026 WFE market in China as being roughly the same size as CY2025. Compared with CY2025, we expect non-memory to increase and memory to decrease, offsetting each other. We expect TEL’s China sales to follow the same trends as the WFE market.

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Q5 On page 12 of the earnings presentation, you commented that investments for leading-edge semiconductors is expected to expand over the medium to long term. It seems semiconductor chip manufacturers are already planning projects further out. What are your outlooks for the WFE market in CY2027 and CY2028?

A5 While it is still too early to provide quantitative figures for CY2027 and CY2028, there is no doubt that demand will remain at a high level.
For CY2027, based on conversations with customers' top management, we expect very strong WFE demand for both memory and logic. CY2028 is much harder to predict, but we expect applications to expand in edge AI as well as AI servers. In fact, many plans to construct semiconductor fabs are in place for CY2030.
Looking beyond that, we expect continued technological innovation—e.g., gate all around to CFET[*2] in logic, VCT[*3] to 3D DRAM in DRAM, and higher stacking in NAND. We believe the WFE market, which supports these advances, will grow over the medium to long term.

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Q6 Investment in U.S. AI data centers is extremely strong and is outpacing WFE market growth. How do you expect this difference in growth rates to evolve?

A6 With massive investment going into AI data centers, a wider range of semiconductor applications is emerging, and semiconductor chip manufacturers are advancing technological innovation. As the intrinsic value of semiconductor devices rises, the share of total investment accounted for by semiconductor manufacturing equipment (capital intensity) is falling. Lower capital intensity means customers can generate more cash, and we believe that will translate into additional equipment demand.

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Q7 Was the low net sales in Q3 FY2026 in line with your expectations?
TEL plans high net sales in Q4 FY2026, but how confident are you in achieving this plan? Is there a possibility of exceeding it?

A7 Q3 FY2026 was a seasonal slowdown within our expectations. Market momentum has been strengthening considerably since around the time of SEMICON West in October 2025, and we are progressing with recognizing revenue for Q4 FY2026. While there is some upside potential if deliveries are further accelerated, we remain confident in meeting the targets we have announced.

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Q8 Sales to China decreased by 31% in Q3 FY2026. Can this be seen as a temporary investment adjustment by China customers for mature nodes?
When do you expect demand in China to recover?

A8 Emerging customers who invested from CY2023 to CY2024 are currently focusing on yield improvements, leading them to temporarily reduce their investments. This has resulted in a decline in sales to China. While we expect some shifts in various mixes going forward, we do not anticipate significant fluctuations in overall WFE demand in China or in TEL's sales from the region.

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Q9 The GPM in Q3 FY2026 appears to be low. Were there any one-time factors contributing to this decline? How much recovery do you anticipate in FY2027? Additionally, could you describe your pricing strategy to improve GPM?

A9 The decline in GPM in Q3 FY2026 was primarily due to temporarily lower sales levels, changes in the product mix, and increased fixed costs associated with growth investments. From Q4 FY2026 onwards, we expect an improvement in GPM driven by a recovery in sales volume, a higher proportion of sales from high value-added equipment, and growth in Field Solutions revenue resulting from increased customer fab utilization rates. We will continue to maximize the added value to customers by enhancing equipment utilization and productivity in order to appropriately adjust prices to reflect inflation and other cost factors.

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Q10 TEL expects the CY2026 WFE market for NAND to be flat to slightly up compared to CY2025. Given that sales contributions from cryogenic etch equipment are starting, can we expect sales growth through market share gains in TEL's NAND business?

A10 The NAND business environment is currently seeing increased customer fab utilization, which is entering a phase likely to lead to additional equipment investments. Considering customers' technology trends and their investment timing, we anticipate that significant sales contributions from cryogenic etch equipment may materialize in CY2027.

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Q11 How confident are you in achieving the targets of the Medium-term Management Plan under the current environment?

A11 While sales of 3 trillion yen and ROE of 30% are becoming achievable, reaching OPM of 35% remains challenging due to accelerated R&D expenses. We will capitalize on the robust market growth, expand sales of new products, and enhance GPM by delivering added value to customers and optimizing pricing, thereby making improvements to achieve the OPM target.

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Q12 My question is in regard to the 150 billion yen share buyback. Since FY2024, TEL has carried out share buybacks every year. What was the thinking behind setting this amount? Can this be considered a statement of intent toward achieving the Medium-term Management Plan target of 30% ROE?

A12 The scale of 150 billion yen was determined through a comprehensive assessment of factors including expected year-end cash on hand, the current capital policy, ROE, the total return amount, and others. While growth investments remain the primary use of surplus cash, in this case, we balanced growth investment with capital efficiency. There is no change in our target to achieve an ROE of 30% or higher.

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*1 WFE: Wafer Fab Equipment
*2 CFET: Complementary Field Effect Transistor
*3 VCT: Vertical Channel Transistor
FY202x refers to the financial year ending in March 202x.

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