

Q2 FY2023 (July 1, 2022 – September 30, 2022) Financial Announcement

November 10, 2022

Agenda:

- Consolidated Financial Summary
Hiroshi Kawamoto, Vice President & General Manager, Finance Unit
- Business Environment and Financial Estimates
Toshiki Kawai, Representative Director, President & CEO



Forward Looking Statements

- Disclaimer regarding forward-looking statements

Forward-looking statements with respect to TEL's business plan, prospects and other such information are based on information available at the time of publication. Actual performance and results may differ significantly from the business plan described here due to changes in various external and internal factors, including the economic situation, geopolitical risk, semiconductor/FPD market conditions, intensification of sales competition, safety and product quality management, intellectual property-related risks and impacts from COVID-19.

- Processing of numbers

For the amount listed, because fractions are rounded down, there may be the cases where the total for certain account titles does not correspond to the sum of the respective figures for account titles. Percentages are calculated using full amounts, before rounding.

- Foreign exchange risk

In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. Although some sales and expenses are denominated in foreign currencies, the impact of exchange rate fluctuations on profits is negligible, unless extreme fluctuations occur.

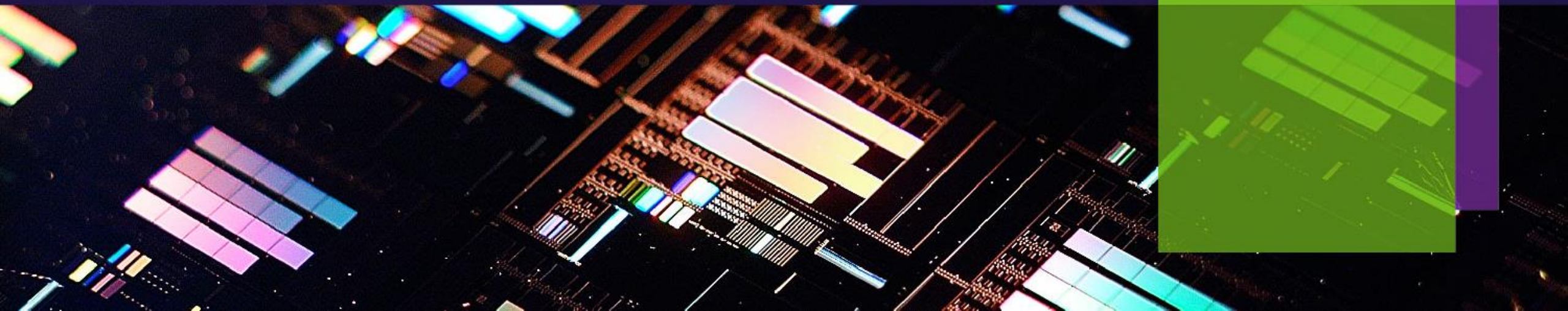
FPD: Flat panel display



Q2 FY2023 Consolidated Financial Summary

November 10, 2022

Hiroshi Kawamoto
Vice President & General Manager, Finance Unit



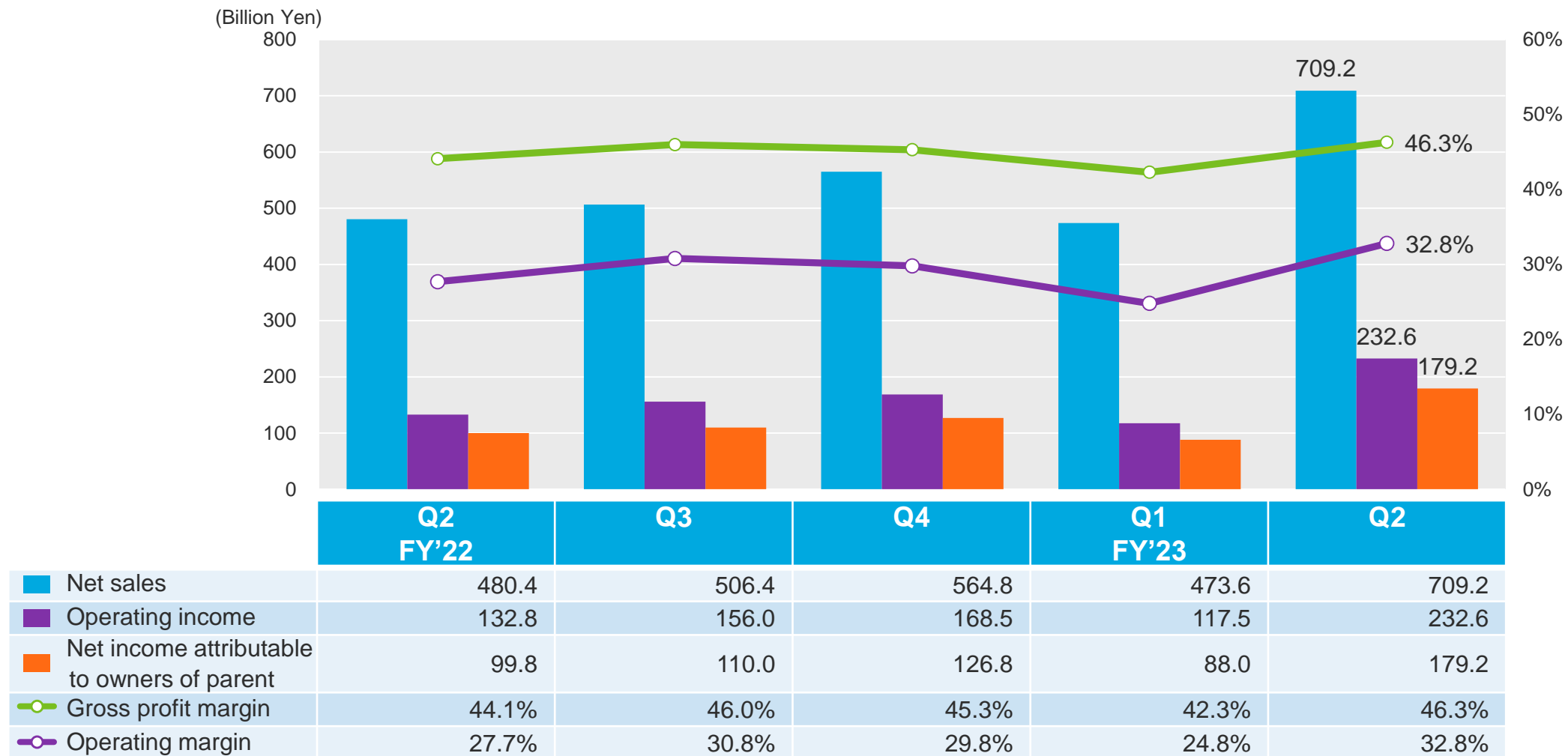
Financial Summary

(Billion Yen)

	FY2022			FY2023		vs. Q1 FY2023
	Q2	Q3	Q4	Q1	Q2	
Net sales	480.4	506.4	564.8	473.6	709.2	+49.7%
SPE	467.8	488.8	549.2	464.0	689.0	+48.5%
FPD	12.5	17.6	15.5	9.6	20.1	+109.5%
Gross profit	211.9	233.0	255.9	200.5	328.2	+63.7%
Gross profit margin	44.1%	46.0%	45.3%	42.3%	46.3%	+4.0pts
SG&A expenses	79.0	76.9	87.3	83.0	95.6	+15.2%
Operating income	132.8	156.0	168.5	117.5	232.6	+98.0%
Operating margin	27.7%	30.8%	29.8%	24.8%	32.8%	+8.0pts
Income before income taxes	135.0	155.5	168.1	117.6	235.2	+100.0%
Net income attributable to owners of parent	99.8	110.0	126.8	88.0	179.2	+103.5%
R&D expenses	41.1	38.5	44.1	42.1	49.1	+16.8%
Capital expenditures	14.5	17.4	14.7	18.0	17.3	-3.9%
Depreciation and amortization	8.8	9.6	10.2	9.7	9.8	+1.8%

1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. Although some sales and expenses are denominated in foreign currencies, the impact of exchange rate fluctuations on profits is negligible, unless extreme fluctuations occur.
2. Profit ratios are calculated using full amounts, before rounding.

Financial Performance



Financial Summary (H1)

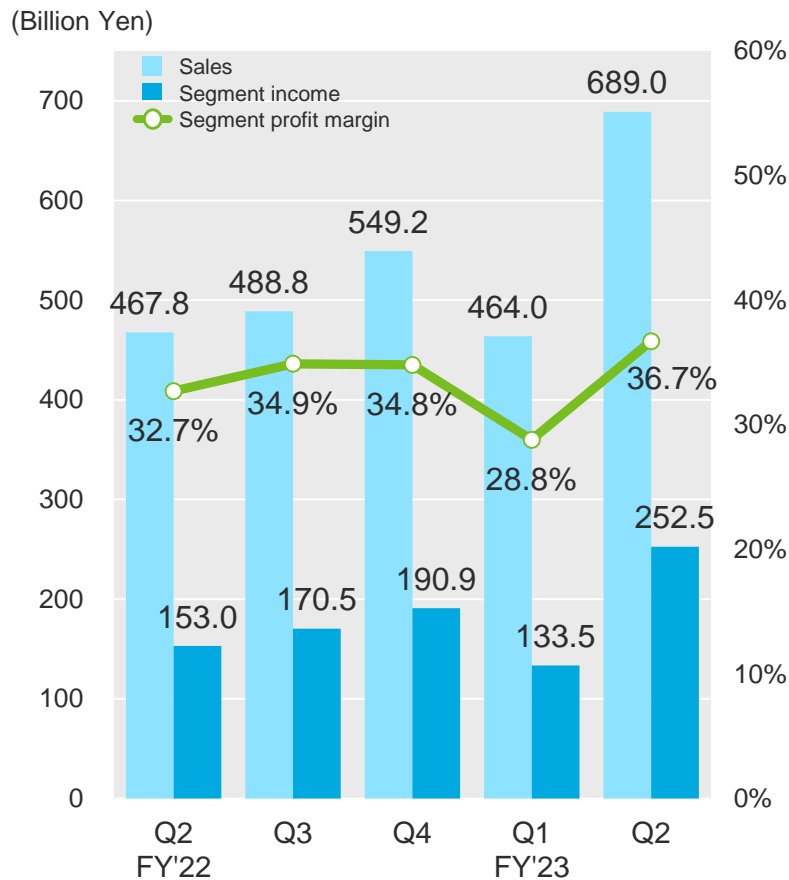
(Billion Yen)

	FY2022		FY2023	(Reference) FY2023 H1 estimates announced on Aug. 8
	H1	H2	H1	
Net sales	932.5	1,071.2	1,182.8	1,100.0
SPE	905.7	1,038.0	1,153.0	1,070.0
FPD	26.6	33.1	29.7	30.0
Gross profit	422.8	488.9	528.8	495.0
Gross profit margin	45.3%	45.6%	44.7%	45.0%
SG&A expenses	148.2	164.3	178.6	176.0
Operating income	274.6	324.6	350.1	319.0
Operating margin	29.5%	30.3%	29.6%	29.0%
Income before income taxes	273.0	323.6	352.9	319.0
Net income attributable to owners of parent	200.2	236.8	267.3	234.0
R&D expenses	75.5	82.7	91.3	
Capital expenditures	25.1	32.1	35.4	
Depreciation and amortization	16.7	19.9	19.6	

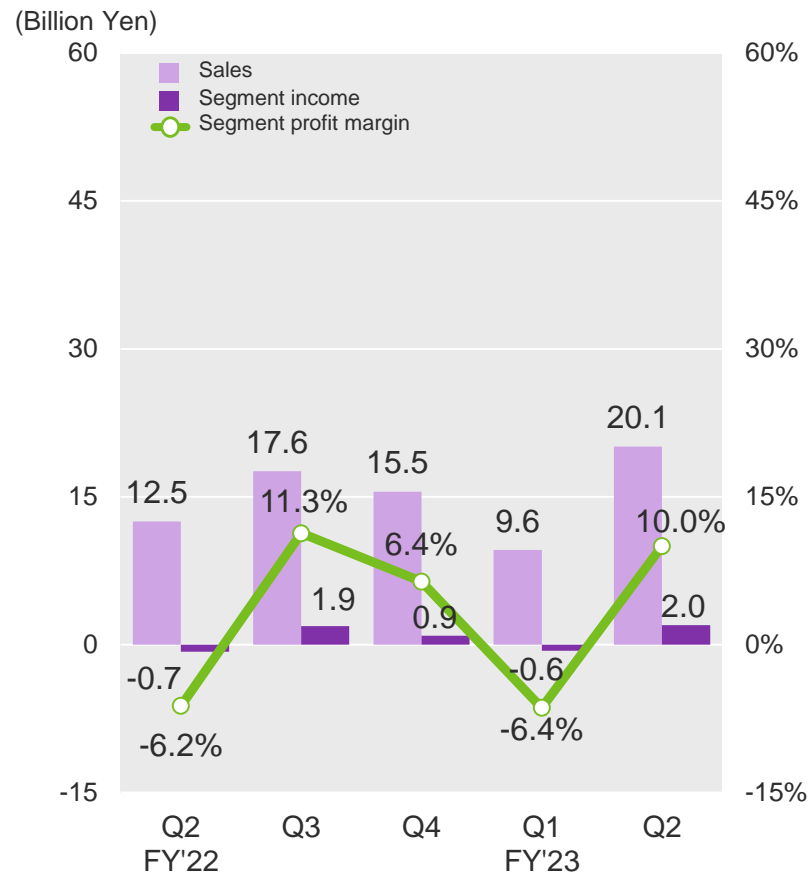
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Segment Information

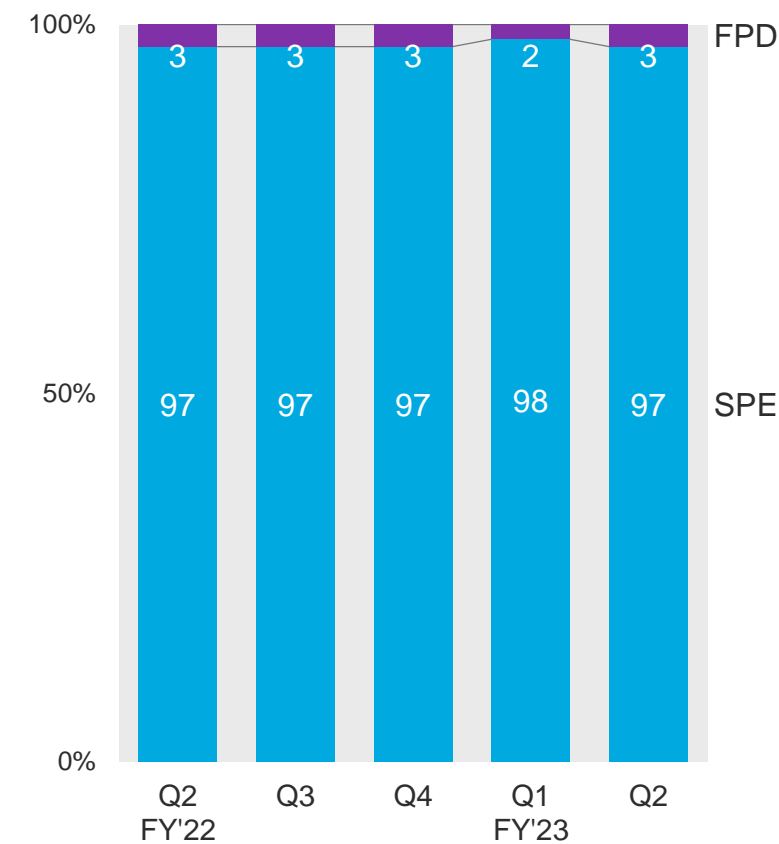
SPE (Semiconductor production equipment)



FPD (Flat panel display production equipment)

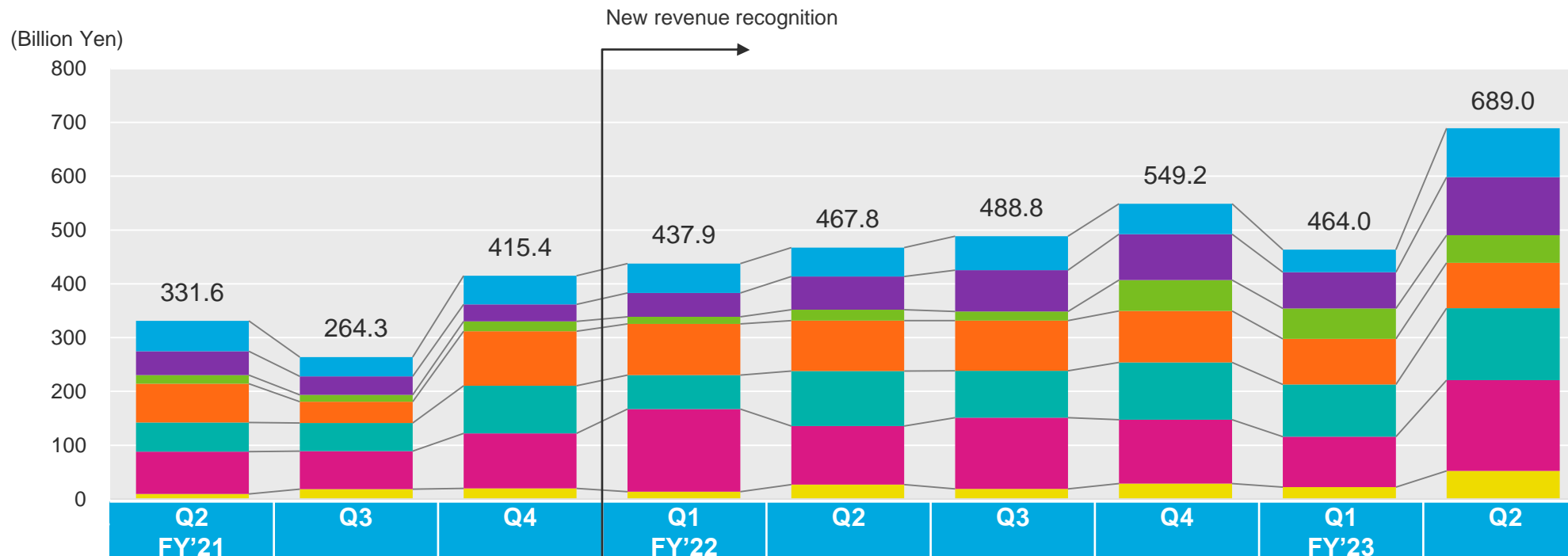


Composition of Net Sales



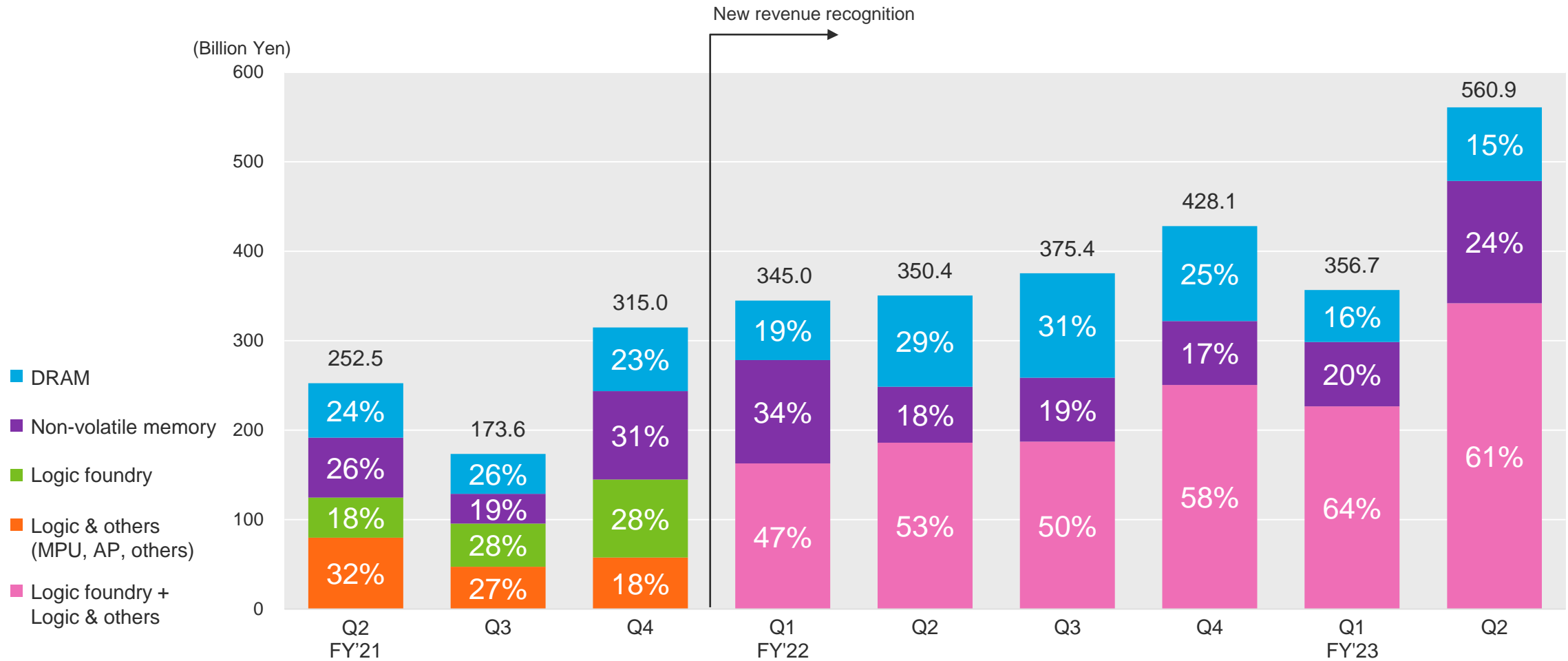
1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research, etc. and other general and administrative expenses are not included in the above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

SPE Division: Sales by Region

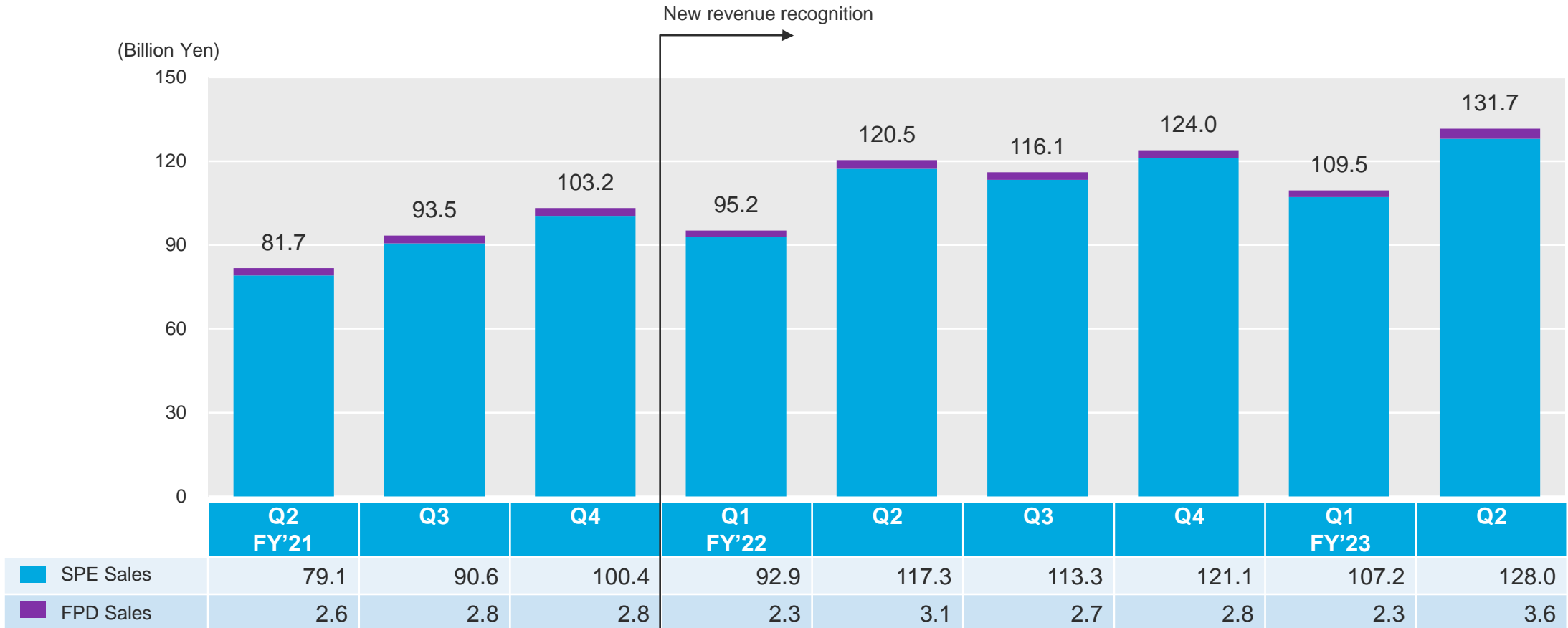


	Q2 FY'21	Q3	Q4	Q1 FY'22	Q2	Q3	Q4	Q1 FY'23	Q2
Japan	56.8	36.1	53.6	54.8	53.9	63.1	56.9	42.0	90.5
North America	44.0	34.5	31.2	43.9	61.8	76.8	85.3	67.3	108.3
Europe	16.3	12.7	18.6	13.4	20.3	17.0	57.1	56.5	50.9
South Korea	72.1	39.3	101.4	95.3	93.5	93.0	95.9	85.1	84.2
Taiwan	53.9	52.5	88.2	62.8	102.5	87.4	106.3	96.8	133.8
China	79.1	70.5	102.2	153.6	108.8	132.2	118.8	94.0	168.6
S. E. Asia, Others	9.2	18.4	20.0	13.8	26.7	18.9	28.7	22.0	52.5

SPE Division: New Equipment Sales by Application



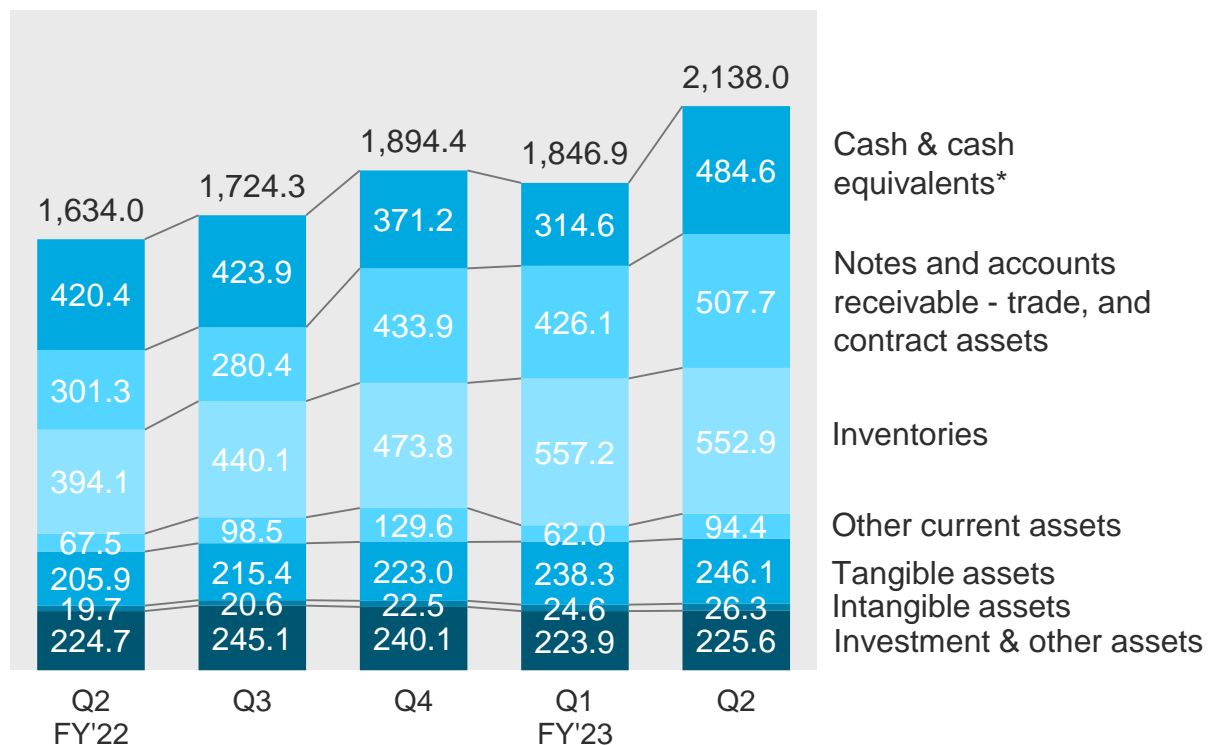
Field Solutions Sales



Balance Sheet

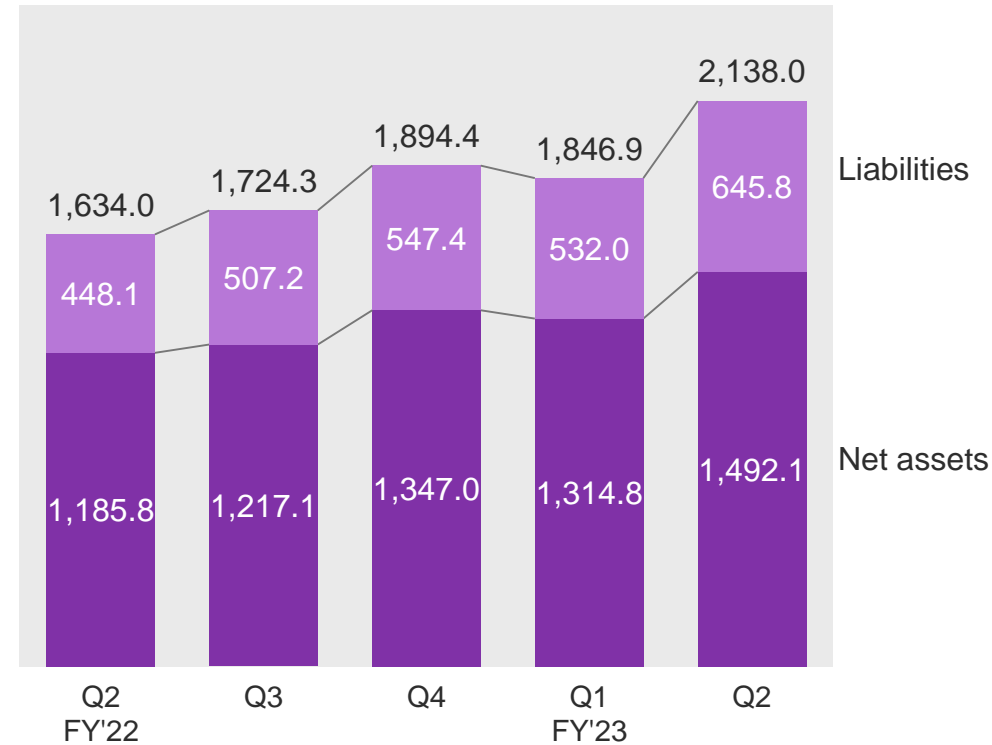
Assets

(Billion Yen)



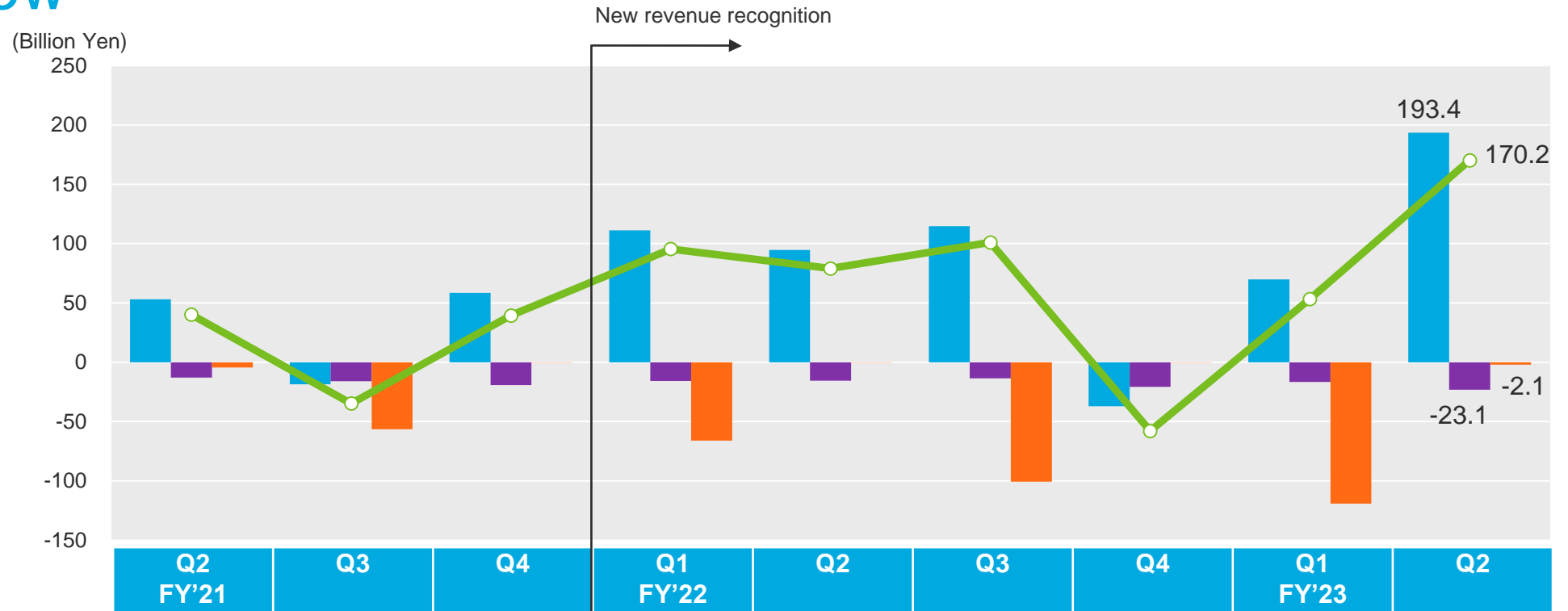
Liabilities & Net Assets

(Billion Yen)



* Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

Cash Flow



	Q2 FY'21	Q3	Q4	Q1 FY'22	Q2	Q3	Q4	Q1 FY'23	Q2
Cash flow from operating activities	53.1	-18.6	58.6	111.2	94.6	114.6	-37.1	69.9	193.4
Cash flow from investing activities*1	-12.8	-16.0	-19.1	-15.7	-15.5	-13.5	-20.7	-16.6	-23.1
Cash flow from financing activities	-4.4	-56.4	-0.1	-65.9	-0.2	-100.7	-0.2	-119.1	-2.1
Free cash flow*2	40.2	-34.7	39.4	95.5	79.0	101.0	-57.9	53.3	170.2
Cash on hand*3	358.9	269.0	311.5	341.7	420.4	423.9	371.2	314.6	484.6

*1 Cash flow from investing activities excludes changes in time deposits and short-term investments.

*2 Free cash flow = cash flow from operating activities + cash flow from investing activities (excluding changes in time deposits and short-term investments).

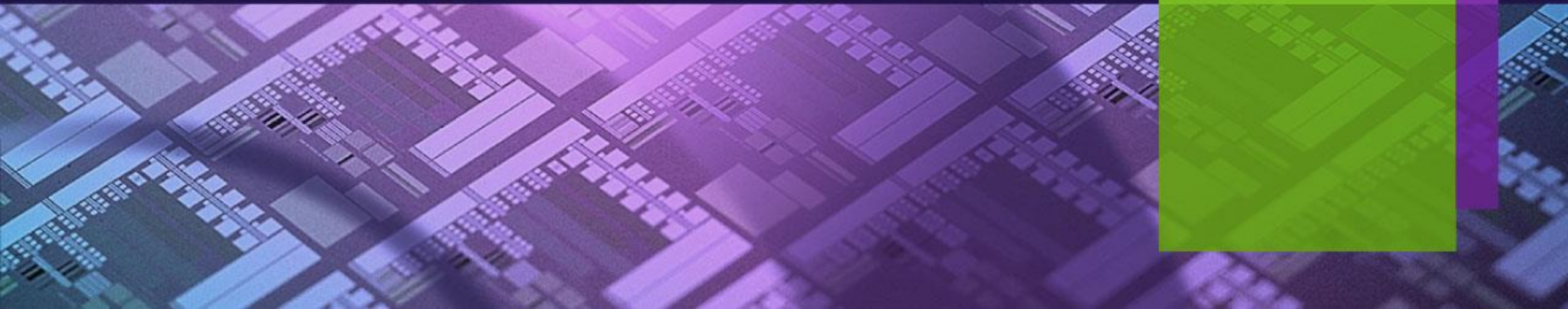
*3 Cash on hand includes cash and cash equivalents + time deposits and short-term investments with original maturities of more than three months.



Business Environment and Financial Estimates

November 10, 2022

Toshiki Kawai
Representative Director, President & CEO



CY2022 Business Environment (Outlook as of November 2022)

- WFE*¹ market
 - Expect to grow approx. +10% YoY.
No change to the expected medium- to long-term market growth driven by ongoing digital shift in society
- FPD production equipment market (TFT array process*²)
 - Expect to increase slightly.
Increased investment accompanying adoption of new applications in automotive, etc., and new technologies for mobile. The transition from LCD to OLED progressing from small panels, expected to expand to large panels.

*1 WFE (Wafer fab equipment): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. Wafer fab equipment refers to the production equipment used in front-end production and in wafer-level packaging production.

*2 TFT array process: The processes of manufacturing the substrates with the electric circuit functions that drive displays

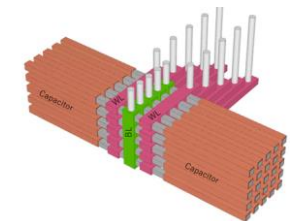
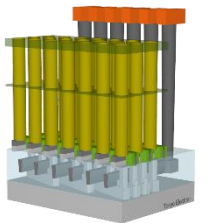
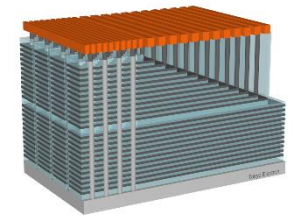
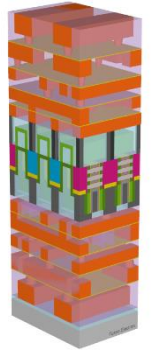
FY2023 Q2 Business Progress

- Record-high quarterly net sales (¥709.2B) and operating margin (32.8%)
 - Significant sales growth in all products for Logic and NAND
 - Field Solutions business also saw an increase in upgrades/modifications towards memory chip scaling and multi layering
- Overcame confusion around procurement/distribution to achieve large production, shipment volumes
 - Medium-term Management Plan targets: confirmed our dynamic capabilities for responding to changes in the environment towards achieving our net sales target of \geq ¥3 trillion.
The strength of TEL's supply chain was again proven
- Steady progress in acquiring POR*, driven by strategic products, and selection of new development equipment to ensure future growth

*POR (Process of record): Certification of the adoption of equipment in customers' semiconductor production processes

Highlights

- Cleaning: Acquired POR for leading-edge logic with next generation scrubber enabling double-sided processing, and power device with cleaning process
- Deposition: Introducing demo tools; new low-resistance metal CVD targeting contact and interconnect for leading-edge logic, HKMG*¹ single wafer CVD for memory, and new application/next generation hard mask PVD. Acquired POR for SiC power device with ALD
- Etch: Development progressing for new HARC etch and chemical etch for new structures
- Coater/developer: R&D for High-NA EUV MOR*² progressing smoothly
- Wafer bonder: Acquired POR for NAND, evaluation ongoing for Backside PDN*³
- Laser edge trimming: Multiple inquiries to reduce environment load, development ongoing
- Wafer prober: Acquired POR for NAND with new prober equipped with tester
- Integration: Collaboration began based on TEL's integration solution for DRAM



*1 HKMG: High-k Metal Gate

*2 MOR: Metal Oxide Resist

*3 PDN: Power Delivery Network

FY2023 Financial Estimates

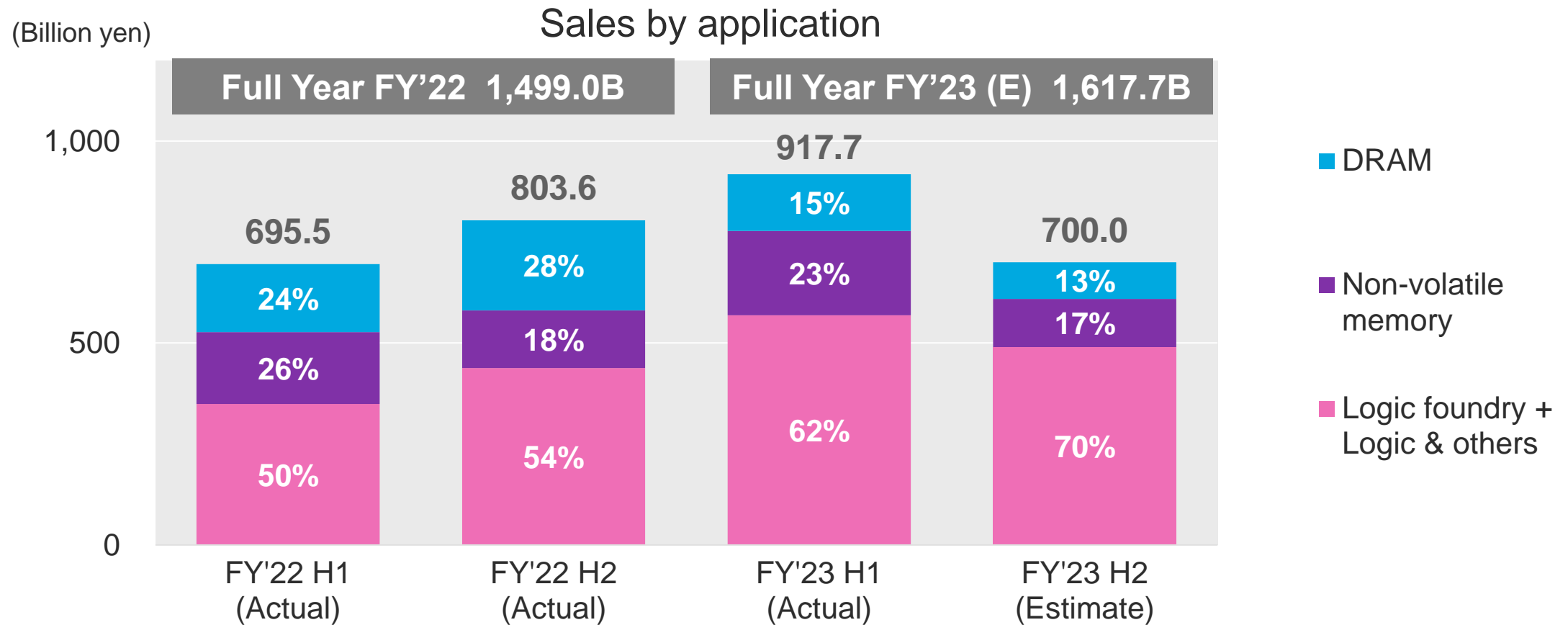
FY2023 Financial Estimates

*Adjustments: changes from the figures announced on August 8, 2022. (Billion yen)

	FY2022	FY2023			
	Actual	Actual	New estimates		Adjustments*
	Full Year	H1	H2	Full Year	Full Year
Net sales	2,003.8	1,182.8	917.1	2,100.0	-250.0
SPE	1,943.8	1,153.0	892.9	2,046.0	-249.0
FPD	59.8	29.7	24.3	54.0	-1.0
Gross profit	911.8	528.8	381.2	910.0	-165.0
Gross profit margin	45.5%	44.7%	41.6%	43.3%	-2.4pts
SF&A expenses	312.5	178.6	185.3	364.0	+5.0
Operating income	599.2	350.1	195.8	546.0	-170.0
Operating margin	29.9%	29.6%	21.3%	26.0%	-4.5pts
Income before income taxes	596.6	352.9	196.1	549.0	-167.0
Net income attributable to owners of parent	437.0	267.3	132.6	400.0	-123.0
Net income per share (Yen)	2,807.84	1,715.27	-	2,564.93	-792.70

Revised financial estimate to reflect changes in capex plans of semiconductor manufacturers

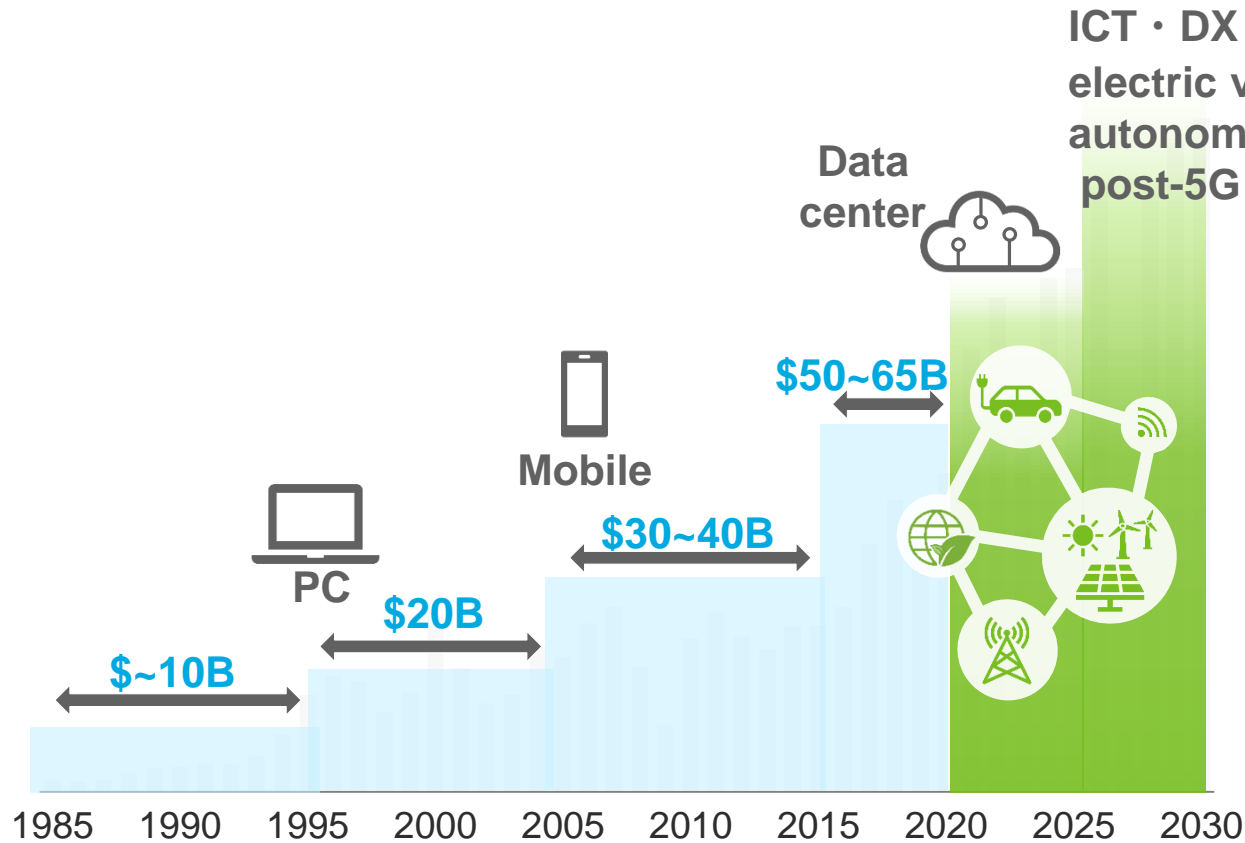
FY2023 SPE Division New Equipment Sales Forecast



On a CY basis, we expect growth of approx. 20%.
 The FY base is also expected to grow by approx. 8%
 compared to the record high achieved in the previous fiscal year

Initiatives for Medium- and Long-term Growth

WFE Market



“SEMI is currently tracking **67 new 300mm fabs or major additions of new lines** expected to start construction from 2022 to 2025.”

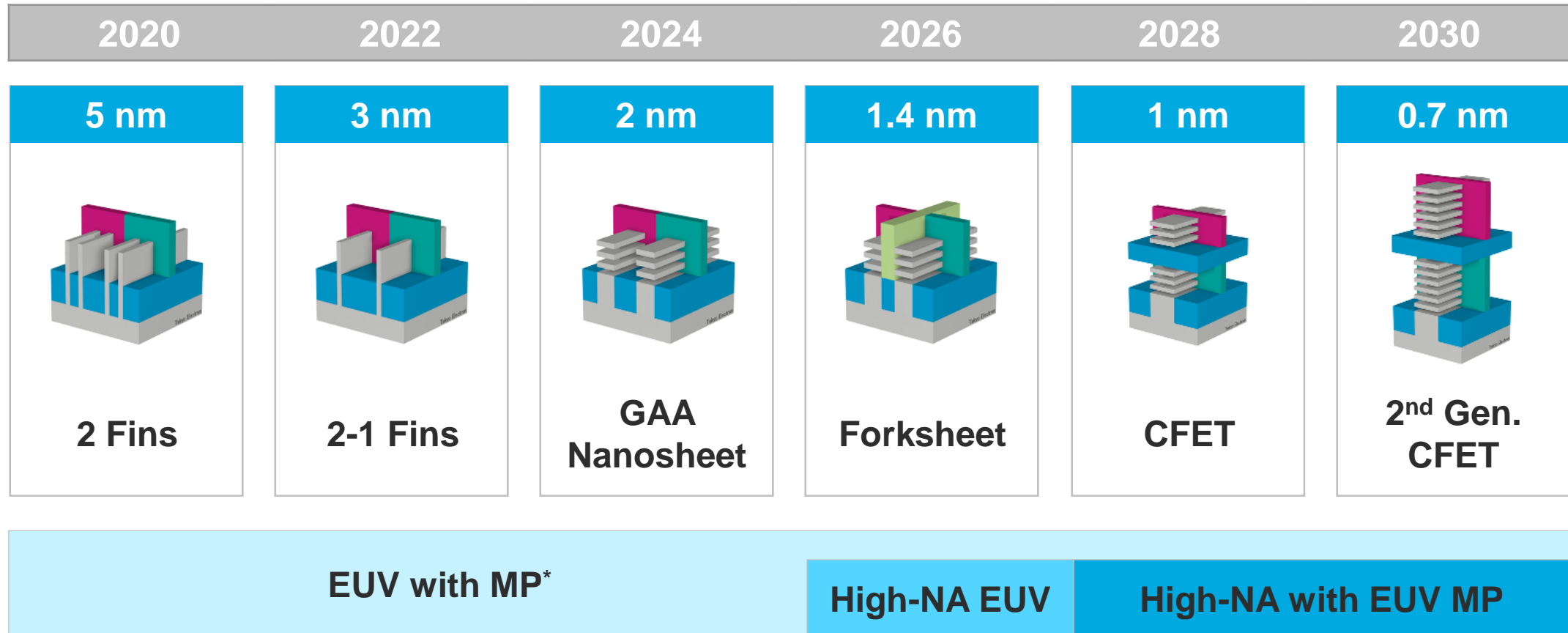
Ajit Manocha, SEMI President and CEO
October 11, 2022

Source : Techinsights Manufacturing Analysis Inc. (VLSI)(1985-2021)
Charts/graphics created by Tokyo Electron based on Techinsights Manufacturing Analysis Inc. (VLSI).

WFE market continues to grow in the medium- to long- term

Evolution of Logic Device Structure and EUV Lithography Technology

Year of HVM (20k wpm)



MP: Multiple patterning

Joint Development of High-NA EUV with imec and ASML

imec-ASML Joint High-NA EUV Research Laboratory



June 2021 Press Release

Tokyo Electron to Collaborate with imec-ASML Joint High NA EUV Research Laboratory

Tokyo Electron (TEL; Head Office: Minato-ku, Tokyo; President: Toshiki Kawai) announced today the company will introduce its leading-edge Coater/Developer to the imec-ASML joint high NA EUV research laboratory (joint high NA lab) in Veldhoven, the Netherlands. The equipment will be integrated inline* with EXE:5000, ASML's next-generation high NA EUV lithography system with a 0.55 numerical aperture (NA), scheduled to be operational in 2023. By collaborating with imec and ASML, TEL will continue to pursue technological development to meet the ongoing scaling needs of its customers.

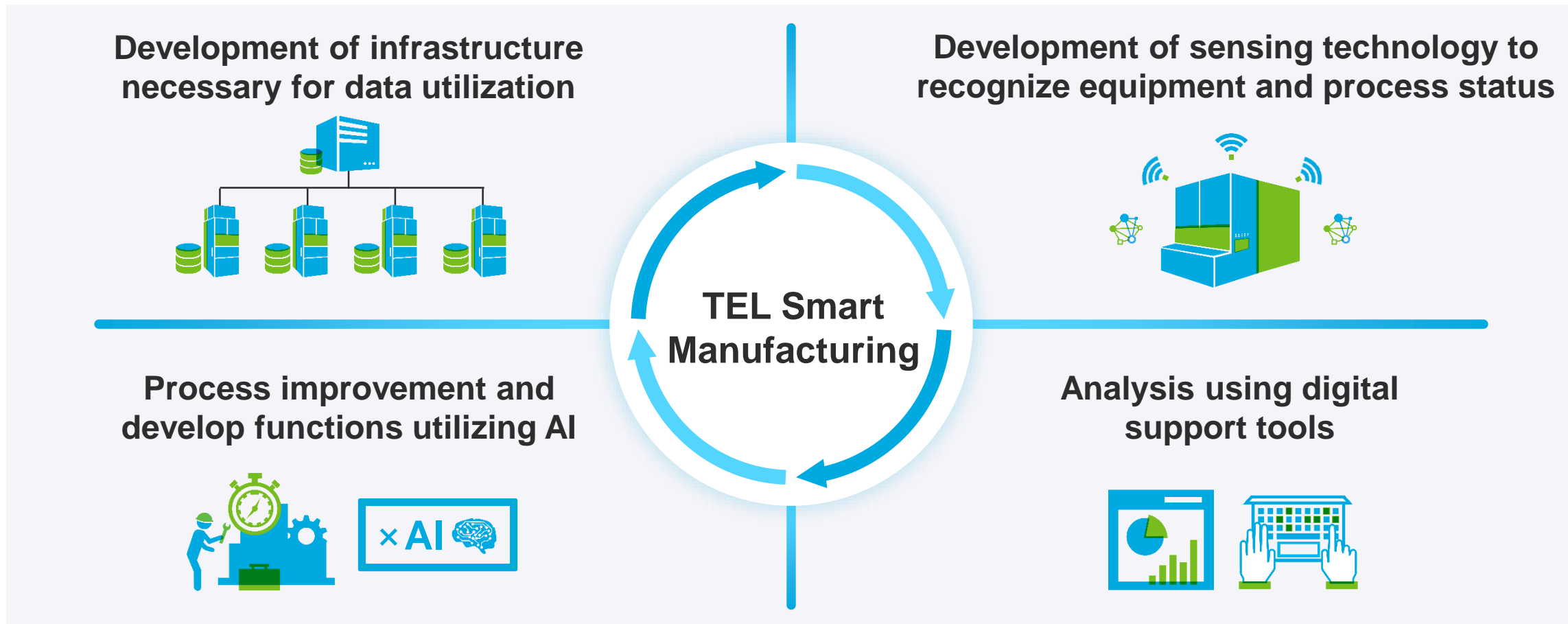
We are facilitating collaboration to develop leading-edge devices

Business Opportunities and Focus Areas by FY2025

	Logic	DRAM	NAND
Requirements for devices	Low power • high-speed CPU	High-speed Working Memory (DDR5)	High-capacity storage
Technological changes	<ul style="list-style-type: none"> ▪ GAA Nanosheet ▪ Backside PDN 	<ul style="list-style-type: none"> ▪ EUV ▪ HKMG CMOS Peripheral 	<ul style="list-style-type: none"> ▪ Multi-layer stacking ▪ Multi-tier stacking ▪ Peripheral Bonding ▪ Introduction of new materials for memory cells
Business opportunities	<ul style="list-style-type: none"> ▪ Selective Etch ▪ Deposition with new materials ▪ Supercritical cleaning ▪ Bonding/ Laser Edge Trimming 	<ul style="list-style-type: none"> ▪ Coater/Developer for EUV ▪ Deposition with new materials ▪ Supercritical cleaning 	<ul style="list-style-type: none"> ▪ HARC Etch ▪ Wet Etch, New Drying technology ▪ New low-resistance metal ▪ Bonding ▪ Wafer warpage suppression technology

Growth opportunities for our business are ever-expanding

Further Expansion of Field Solutions Business



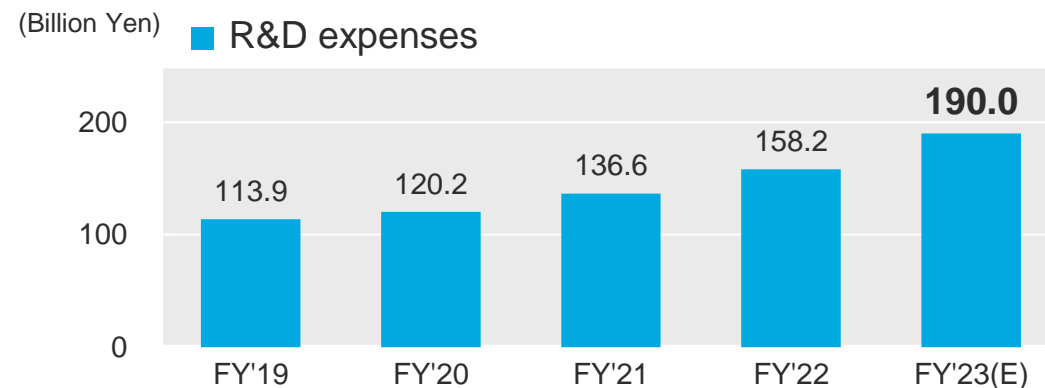
Opportunities are expanding, including for IoT, telecommunications, Metaverse, and Green.
Driving DX to maximize equipment performance and improve productivity

Medium-term Management Plan

Financial Targets (~FY2027)	
Net sales	≥ 3 trillion yen
OP margin	≥ 35%
ROE	≥ 30%

FY2023 R&D Expenses, Capex Plan

- R&D Expenses ¥190.0B
 - Continue investing based on focus areas and sustainable growth
- Capex ¥75.0B
 - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation ¥46.0B



New development building
(Coater/Developers, Surface preparation systems)

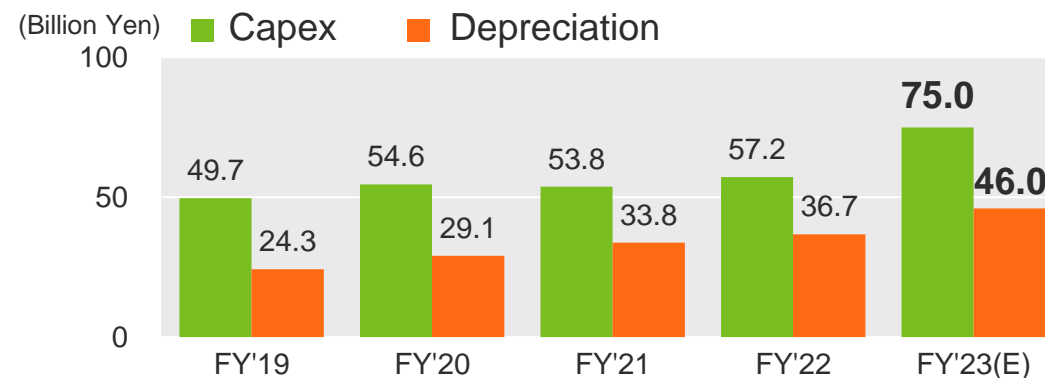


Koshi-city, Kumamoto Prefecture:
approx. ¥30.0B construction cost
(Completion scheduled for fall 2024)

New development building
(Etch systems)

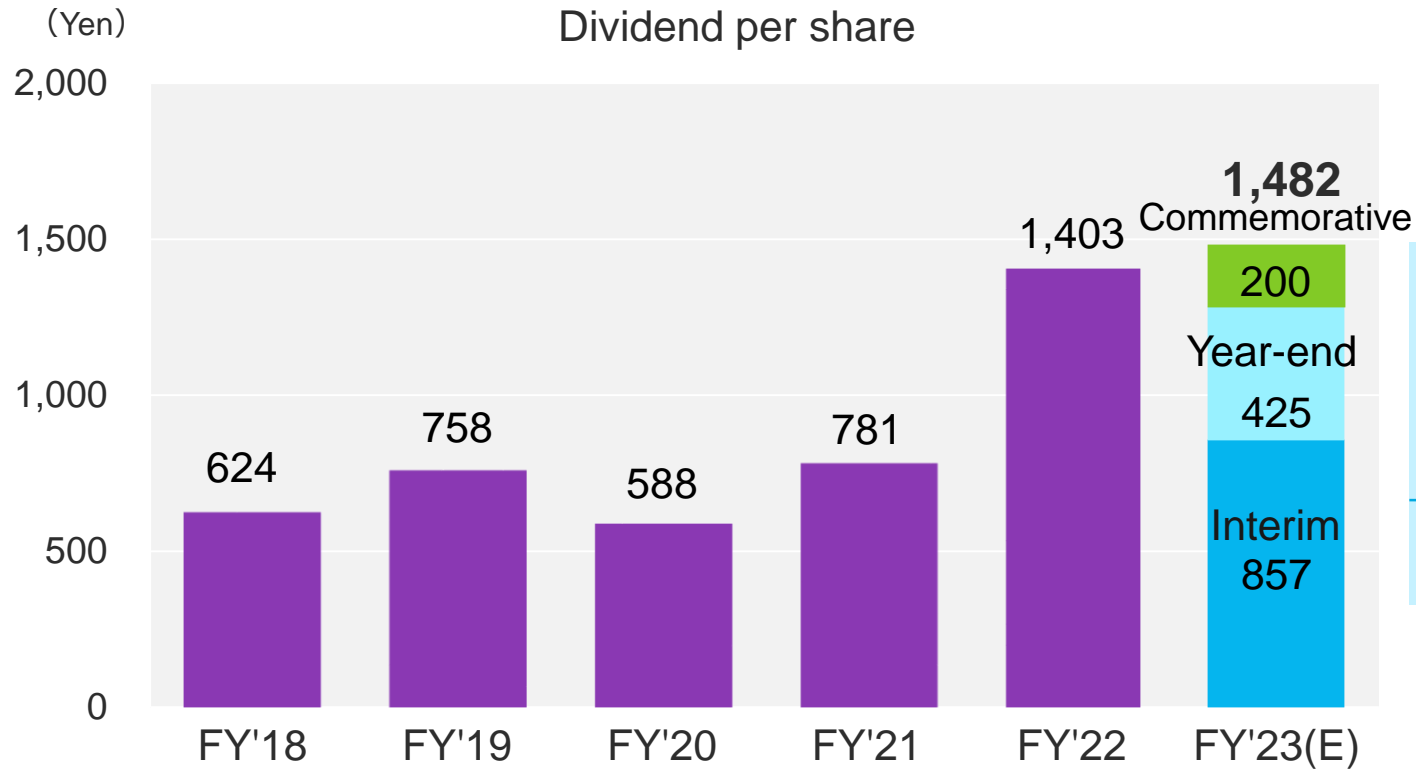


Taiwa-cho, Miyagi Prefecture:
approx. ¥47.0B construction cost
(Completion scheduled for spring 2025)



To improve production efficiency for further growth, R&D expenses are expected to exceed 1 trillion yen and CAPEX 400 billion yen over the next 5 years

FY2023 Dividend Forecast



TEL shareholder return policy

Dividend payout ratio: 50%

Annual DPS of not less than 150 yen

We will review our dividend policy if the company does not generate net income for two consecutive fiscal years

We will flexibly consider share buybacks

Expect to pay annual DPS of 1,482 yen, including the 60th anniversary commemorative dividend of 200 yen

TEL | 60[↑] years