

# Q3 FY2020 (October – December 2019) Financial Announcement

January 30, 2020

Agenda:

- Q3 FY2020 Consolidated Financial Summary  
Yoshikazu Nunokawa, Corporate Director, Executive Vice President & General Manager
- Business Environment and Financial Estimates  
Toshiki Kawai, Representative Director, President & CEO



# Forward Looking Statements

- Disclaimer regarding forward-looking statement

Forecast of Tokyo Electron (TEL)'s performance and future prospects and other sort of information published are made based on information available at the time of publication. Actual performance and results may differ significantly from the forecast described here due to changes in various external and internal factors, including the economic situation, semiconductor/FPD market conditions, intensification of sales competition, safety and product quality management, and intellectual property-related risks.

- 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.

- Exchange risk

In principle, export sales of TEL's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

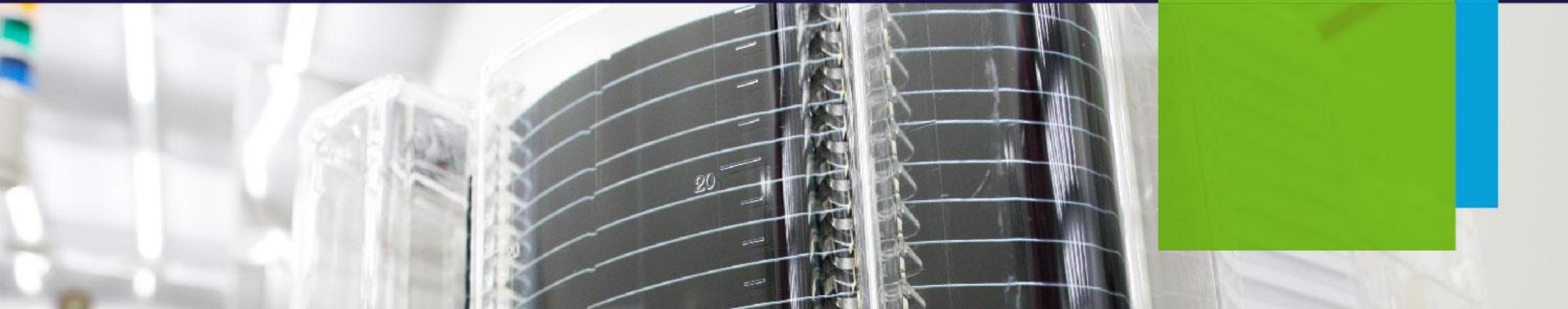
FPD: Flat panel display

# Q3 FY2020 Consolidated Financial Summary

January 30, 2020

Yoshikazu Nunokawa

Corporate Director, Executive Vice President & General Manager, Finance Division



# Financial Summary

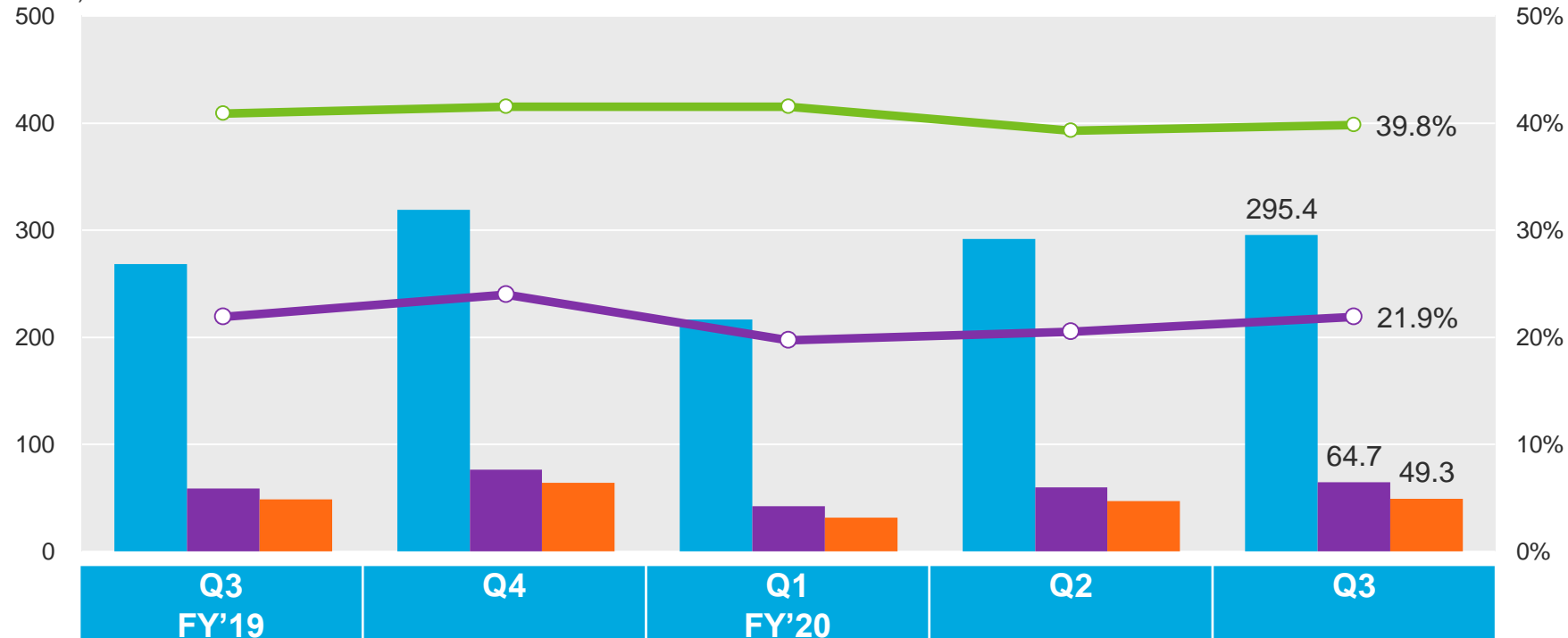
(Billion Yen)

	FY2019		FY2020			vs. Q2 FY2020
	Q3	Q4	Q1	Q2	Q3	
Net sales	268.1	319.0	216.4	292.0	295.4	+1.2%
SPE	239.5	288.7	198.1	271.8	282.0	+3.7%
FPD	28.5	30.1	18.2	20.1	13.3	-33.4%
Gross profit	109.7	132.2	89.8	114.6	117.5	+2.5%
Gross profit margin	40.9%	41.5%	41.5%	39.3%	39.8%	+0.5pts
SG&A expenses	51.0	55.8	47.3	54.7	52.8	-3.4%
Operating income	58.7	76.4	42.5	59.9	64.7	+8.0%
Operating margin	21.9%	24.0%	19.7%	20.5%	21.9%	+1.4pts
Income before income taxes	60.5	79.8	44.5	62.0	64.6	+4.1%
Net income attributable to owners of parent	48.8	64.1	31.8	46.8	49.3	+5.3%
R&D expenses	26.5	30.0	25.6	31.2	29.8	-4.2%
Capital expenditures	11.8	14.9	7.6	22.0	13.2	-39.9%
Depreciation and amortization	6.2	7.3	6.0	6.7	7.6	+13.4%

1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated using full amounts, before rounding.

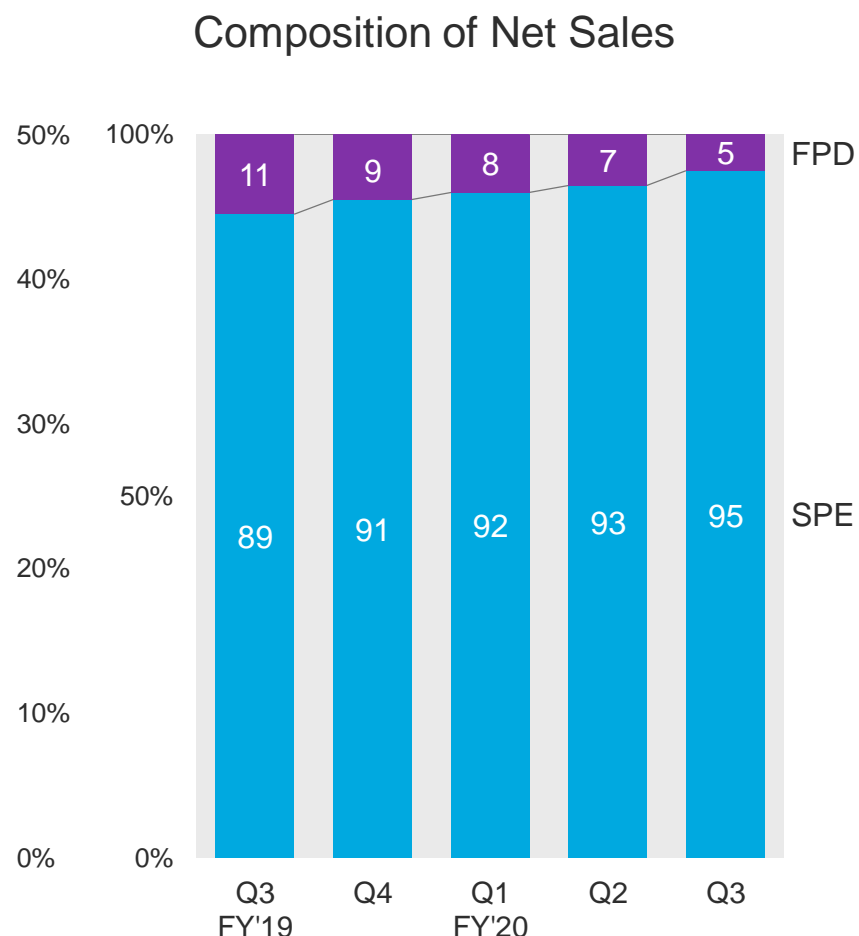
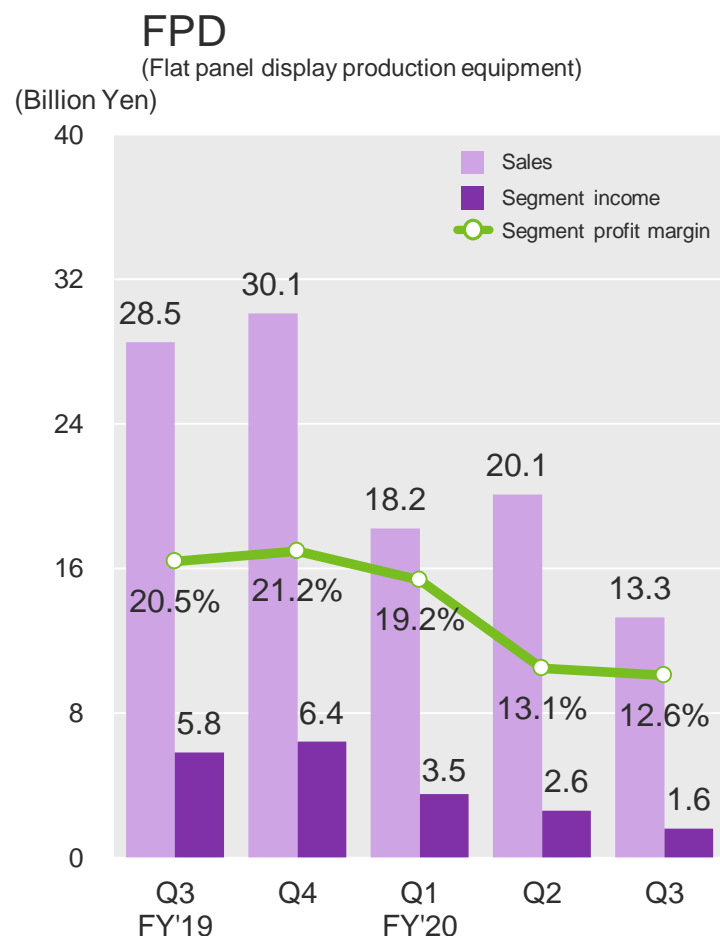
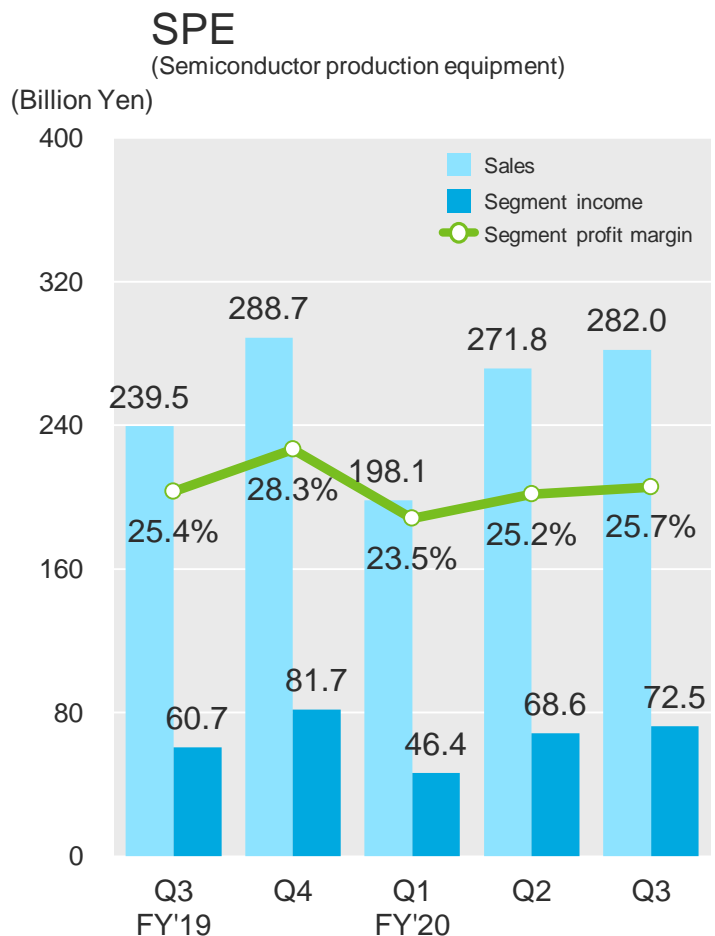
# Financial Performance

(Billion Yen)



Net sales	268.1	319.0	216.4	292.0	295.4
Operating income	58.7	76.4	42.5	59.9	64.7
Net income attributable to owners of parent	48.8	64.1	31.8	46.8	49.3
Gross profit margin	40.9%	41.5%	41.5%	39.3%	39.8%
Operating margin	21.9%	24.0%	19.7%	20.5%	21.9%

# Segment Information

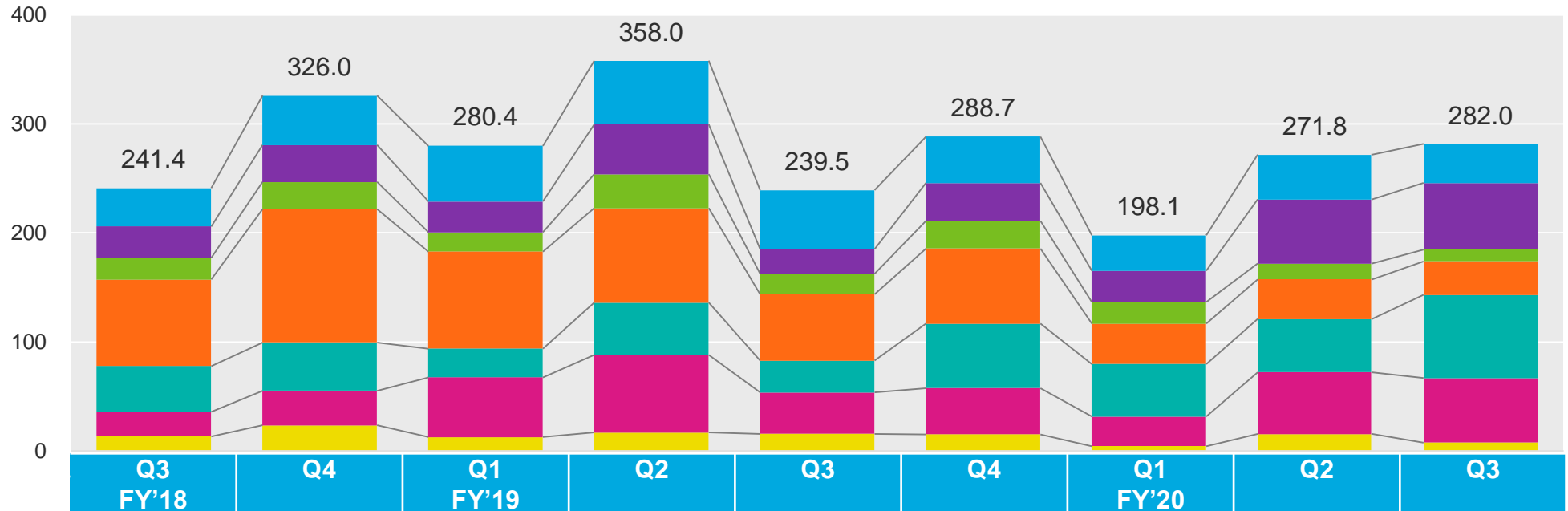


1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research, etc. and other general and administrative expenses are not included in the above reportable segments.
3. Composition of net sales figures is based on the sales to customers.



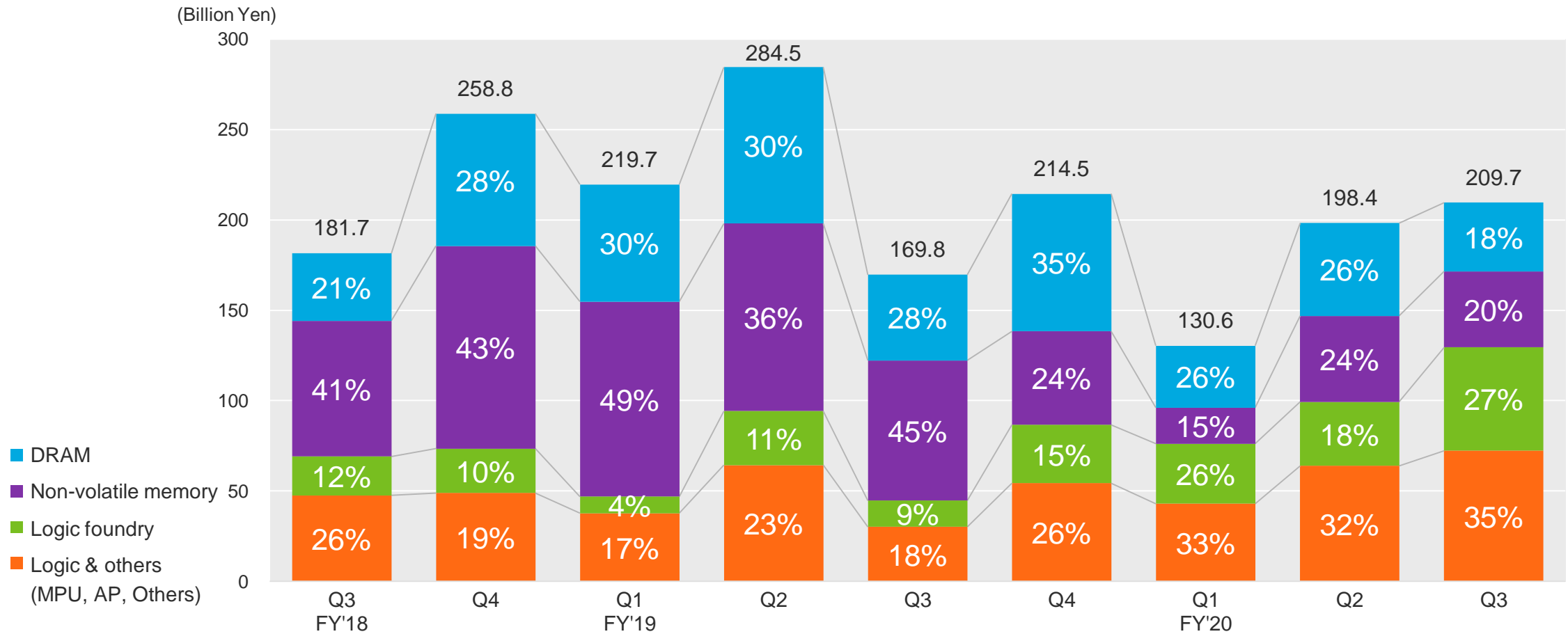
# SPE Division: Sales by Region

(Billion Yen)



	Q3 FY'18	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2	Q3
Japan	35.1	45.1	51.1	58.0	54.0	42.7	32.5	41.0	35.9
North America	29.1	33.9	28.4	45.9	22.7	34.7	28.5	58.8	61.0
Europe	19.6	25.0	17.7	31.3	18.6	25.3	20.2	14.4	10.8
South Korea	79.4	122.3	88.9	86.5	60.9	68.9	36.9	36.4	31.0
Taiwan	42.1	44.3	26.3	48.0	29.3	59.1	48.3	48.7	76.2
China	22.6	31.8	54.9	71.3	38.0	42.5	27.0	56.8	59.1
S. E. Asia, Others	13.2	23.4	12.7	16.8	15.6	15.2	4.4	15.5	7.7

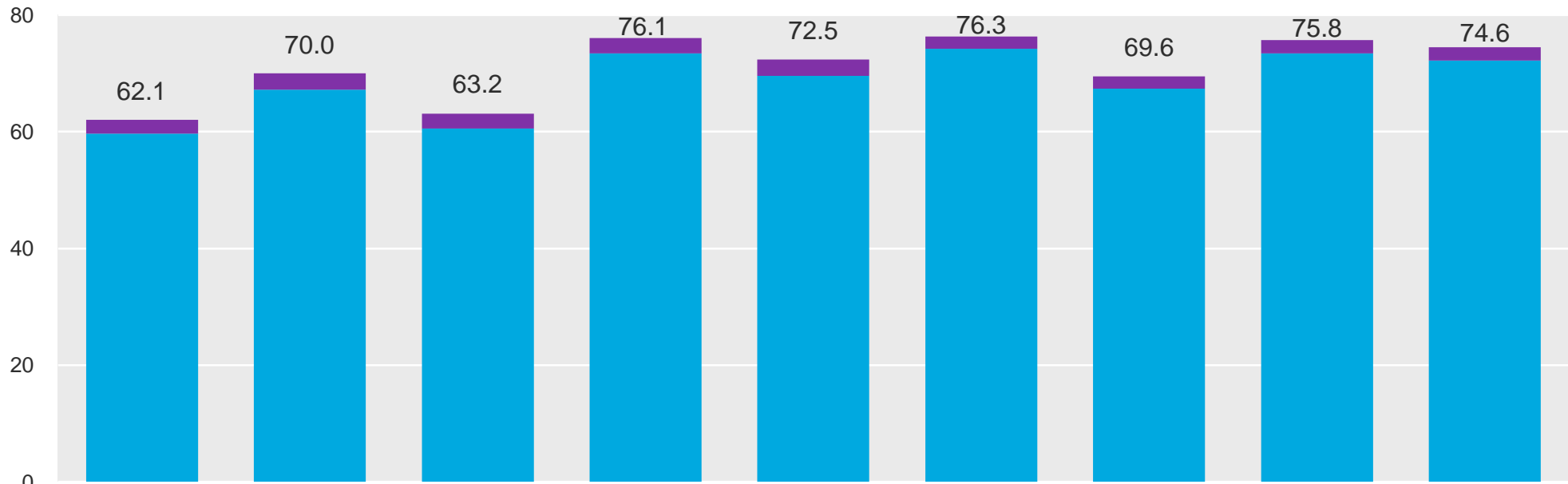
# SPE Division: New Equipment Sales by Application





# Field Solutions Sales

(Billion Yen)

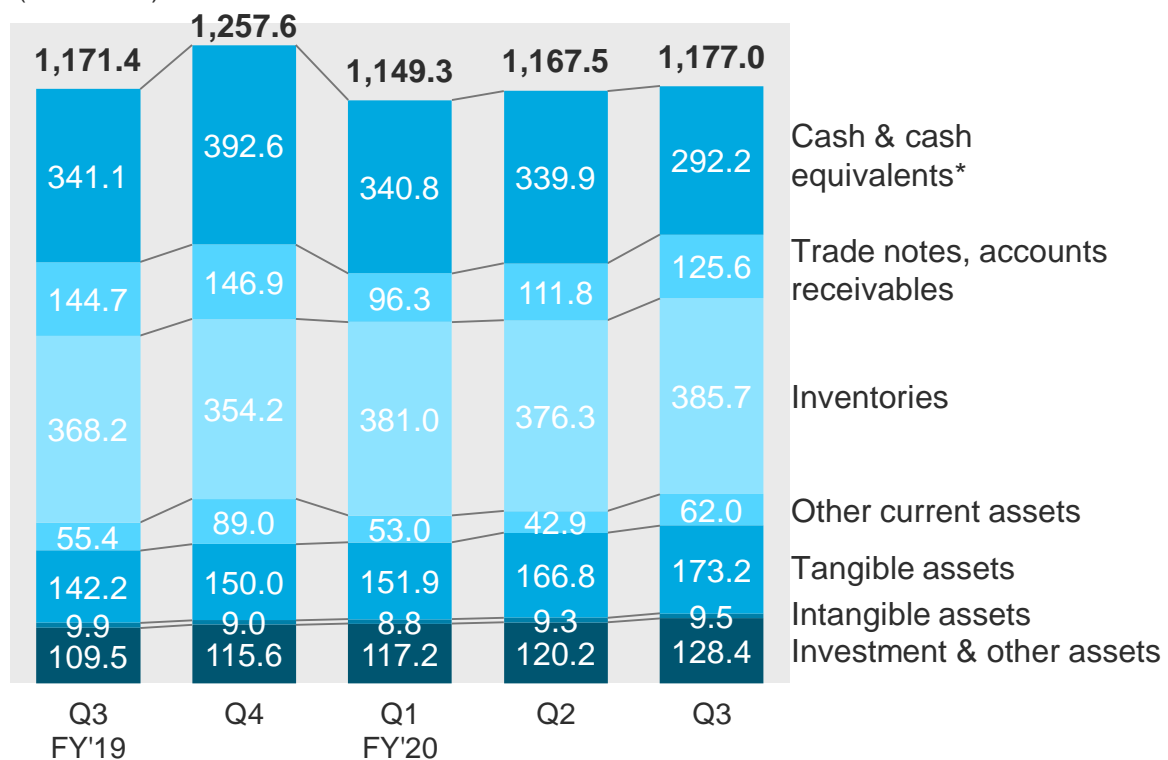


	Q3 FY'18	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2	Q3
SPE Sales	59.7	67.2	60.6	73.4	69.6	74.2	67.4	73.4	72.2
FPD Sales	2.4	2.8	2.5	2.7	2.8	2.1	2.1	2.3	2.3

# Balance Sheet

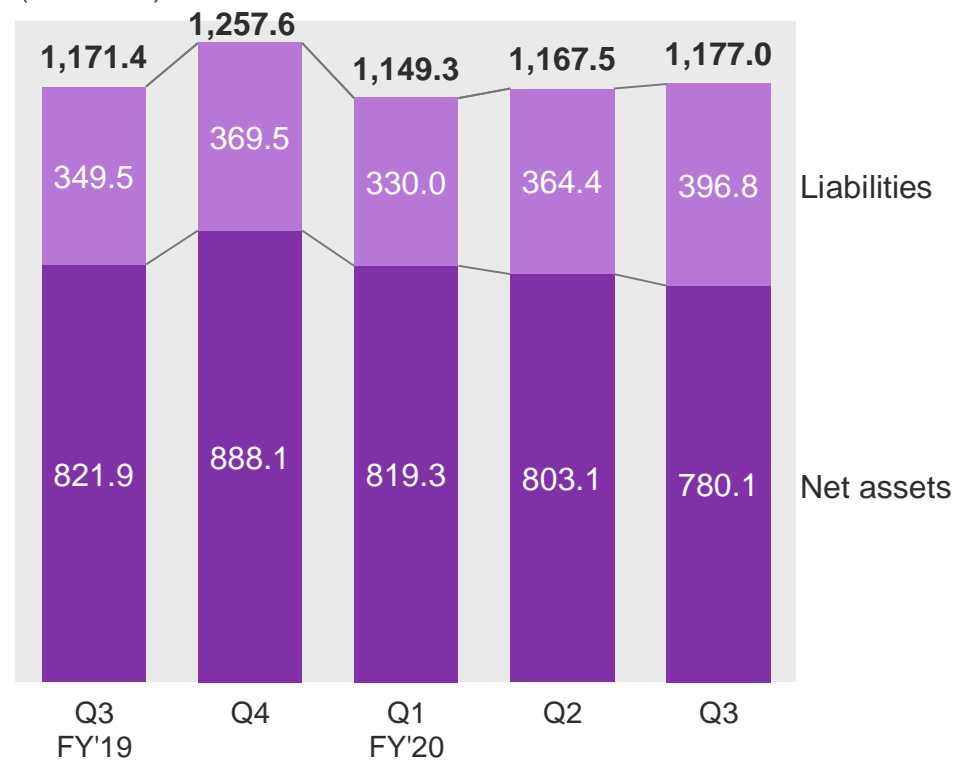
## Assets

(Billion Yen)

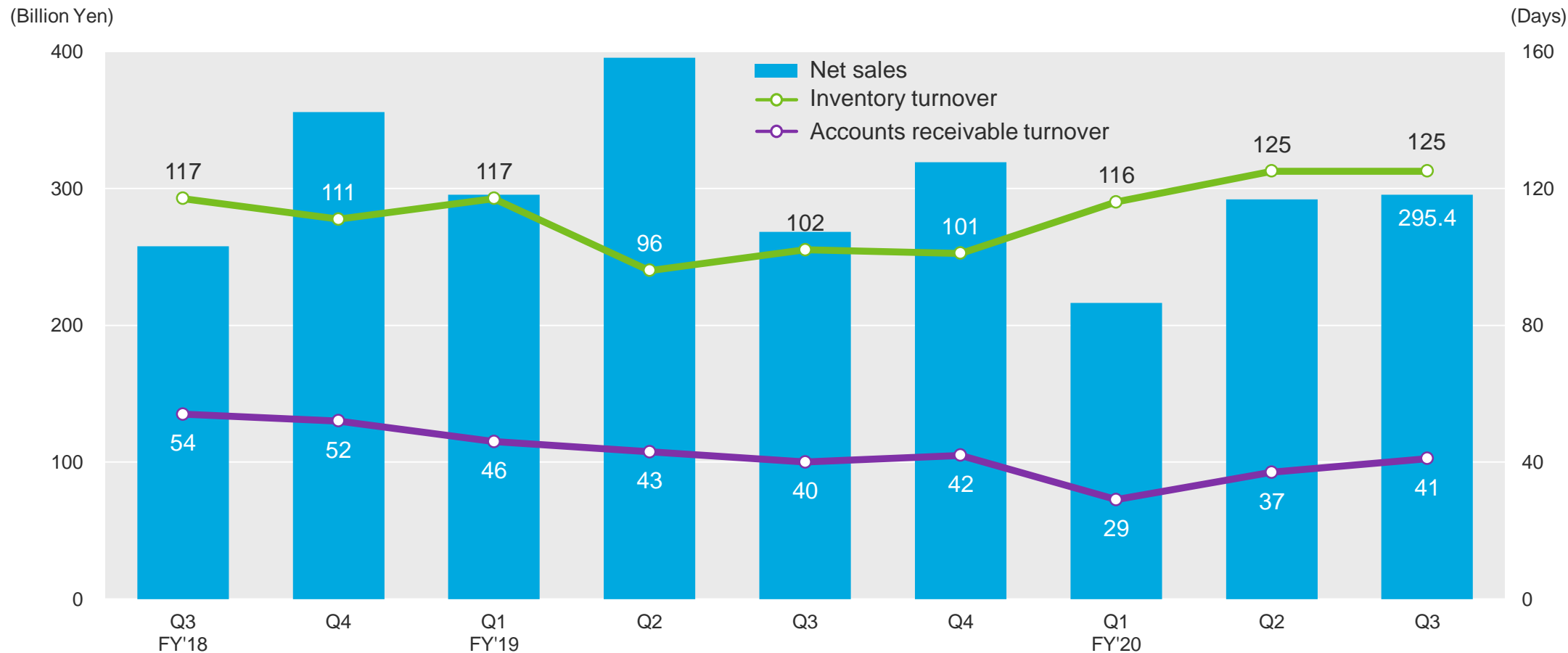


## Liabilities & Net Assets

(Billion Yen)

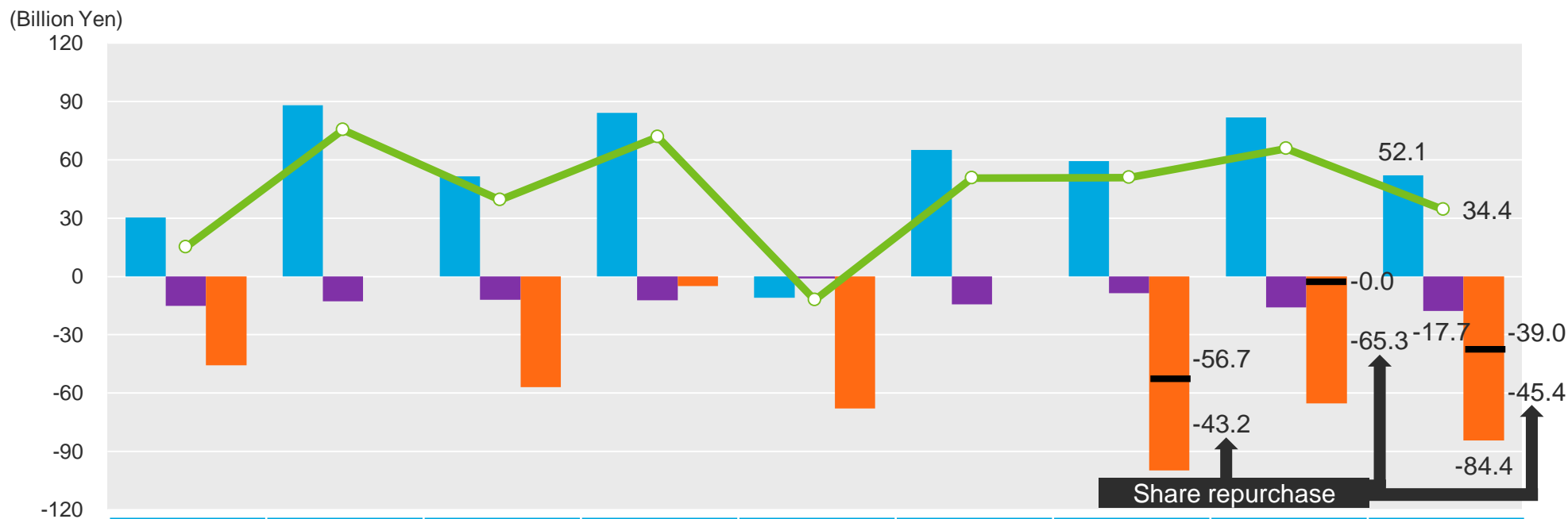


# Inventory Turnover and Accounts Receivable Turnover



Turnover days = inventory or accounts receivable at the end of each quarter / last 12 months sales x 365

# Cash Flow



	Q3 FY'18	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2	Q3
Cash flow from operating activities	30.4	88.1	51.4	84.0	-11.0	65.0	59.4	81.7	52.1
Cash flow from investing activities*1	-15.2	-12.8	-12.1	-12.2	-1.1	-14.4	-8.5	-15.8	-17.7
Cash flow from financing activities	-45.7	-0.0	-56.9	-5.0	-67.8	-0.0	-99.9	-65.4	-84.4
Free cash flow*2	15.1	75.3	39.3	71.7	-12.1	50.5	50.9	65.8	34.4
Cash on hand*3	301.2	373.8	355.5	423.7	341.1	392.6	340.8	339.9	292.2

\*1 Cash flow from investing activities excludes changes in deposits with periods to maturity of over 3 months.

\*2 Free cash flow = cash flow from operating activities + cash flow from investing activities excluding changes in deposits with periods to maturity of over 3 months.

\*3 Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.

# Completion of Share Buyback/Decision to Cancel Shares

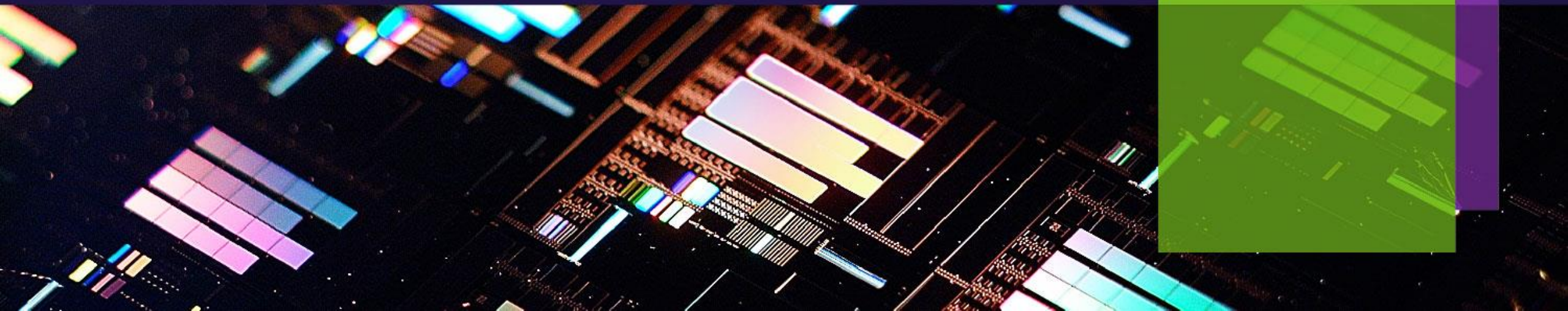
- The share buyback announced in May 2019 was completed on December 31, 2019
  - Total number of shares acquired: 8,392,000 shares
  - Total cost of acquisition: 149,999,373,492 yen
- Resolved to cancel 8,000,000 shares of treasury stock
  - Represents 4.84% of issued shares
  - Number of outstanding shares after the cancellation: 157,210,911 shares
  - The 392,000 shares not cancelled are planned to be used for share subscription rights as stock-linked compensation



# Business Environment and Financial Estimates

January 30, 2020

Toshiki Kawai  
Representative Director, President & CEO



# Business Environment (Outlook as of January 2020)

## ▶ WFE\*<sup>1</sup> capex

We see CY2020 investment for logic/foundry continuing at last year's high level and expect memory investment to enter a recovery. We expect overall investment to increase YoY

## ▶ FPD production equipment capex for TFT array process\*<sup>2</sup>

In CY2020 we see capex rising by around 15% on expected increased investment in G6 and G8.5 OLED (for mobile and TV, respectively), and continued investment in G10.5 LCD

\*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



# CY'20 WFE Market and Business Opportunities by Application

- **Logic/Foundry**
  - Market environment: Maintaining high level of investment from CY2019, mainly in latest to 14nm generations
  - Opportunities: Business expansion in more complex patterning processes
- **Non-volatile memory**
  - Market environment: Price of memory began rising as inventory adjustments progressed. Expect investment to resume in stages. Investment growing with transition from 9X to 12X generation
  - Opportunities: Differentiation through high value-added etch and clean
- **DRAM**
  - Market environment: Price of memory stopped declining. Expect resumption of investment after inventory normalizes in H1. Approx. 80% of capex to be for 1Y/1Znm generations
  - Opportunities: Combined patterning in latest generation

Responding towards full scale recovery in WFE market

# FY2020 Business Progress (Q1-Q3)

- SPE business strategy progress continues as planned
  - Advancing capture of PORs\*<sup>1</sup> in key fields
    - Etch: Captured PORs in the growing IoT/automotive sectors, orders increased
    - Deposition: Made progress in capturing PORs in leading-edge logic, as well as in critical processes for memory
    - Clean: Promotion of bevel cleaning progressing well. Orders for new models also grew
  - Field Solutions continues to be strong with growth in installed base, despite adjustments in the WFE market
- Sales of new FPD production equipment products proceeding as planned
  - Impressio™ 3300 PICP\*<sup>2</sup>™ G10.5 plasma etch system for high definition FPD
  - Elius™ inkjet printing system for manufacturing OLED panels

\*1 POR (Process of record): Certification of the adoption of equipment in customers' semiconductor production processes

\*2 PICP: Plasma source for producing extremely uniform high density plasma on substrate

# FY2020 Financial Estimates

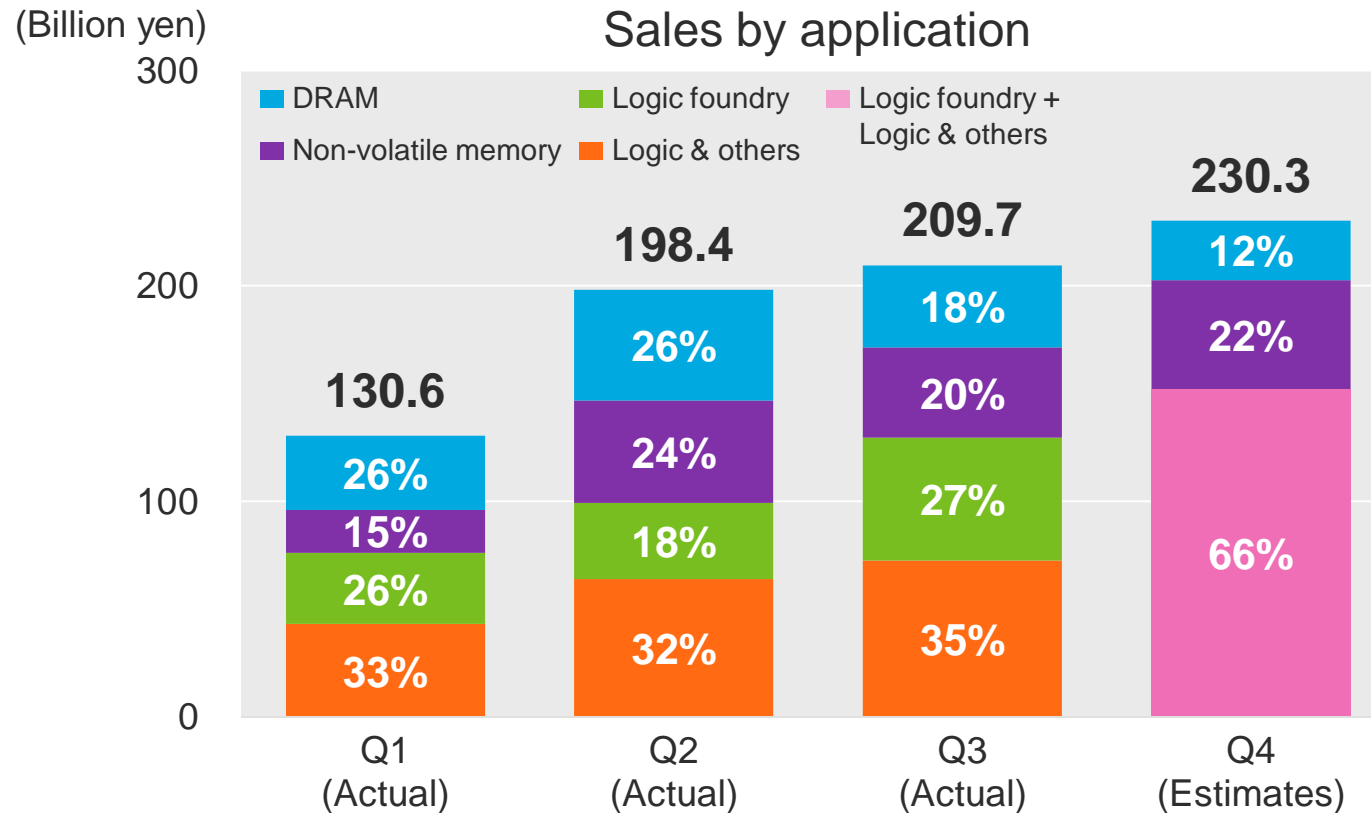
# FY2020 Financial Estimates (no change from Oct. 31, 2019 announcement)

(Billion yen)

	FY2019 (Actual)	FY2020 (Estimates)				Full year YoY change
		1 <sup>st</sup> half	2 <sup>nd</sup> half	Full year		
		Actual	Estimates	Estimates		
Net sales	1,278.2	508.4	601.5	1,110.0	-13.2%	
SPE	1,166.7	470.0	564.9	1,035.0	-11.3%	
FPD	111.2	38.3	36.4	74.8	-32.8%	
Gross profit	526.1	204.5	240.4	445.0	-81.1	
Gross profit margin	41.2%	40.2%	40.0%	40.1%	-1.1pts	
SG&A expenses	215.6	102.0	117.9	220.0	+4.3	
Operating income	310.5	102.4	122.5	225.0	-85.5	
Operating margin	24.3%	20.2%	20.4%	20.3%	-4.0pts	
Income before income taxes	321.5	106.6	122.3	229.0	-92.5	
Net income attributable to owners of parent	248.2	78.7	91.2	170.0	-78.2	
Net income per share (Yen)	1,513.58	490.18	-	1,074.47	-439.11	

## Progressing well towards financial estimates

# FY2020 SPE Division New Equipment Sales Forecast



Logic/foundry remains solid  
 Expect higher sales for memory next fiscal year

# FY2020 R&D Expenses, Capex Plan (no change from Oct. 31, 2019 announcement)

- R&D Expenses ¥123.0B
  - Continue investing based on focus areas and sustainable growth
- Capex ¥56.0B
  - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation ¥33.0B

New production buildings

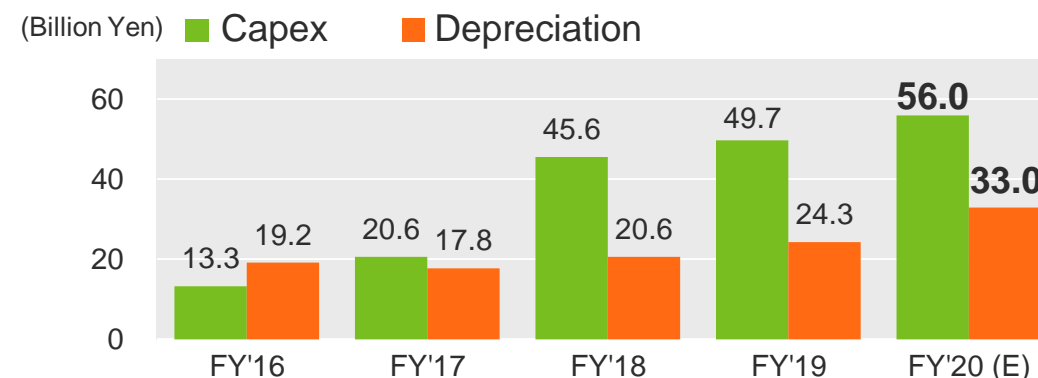
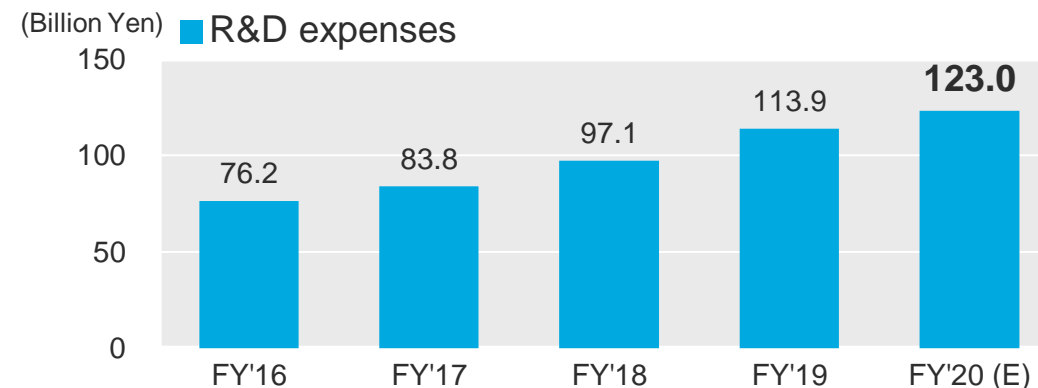
(deposition systems, gas chemical etch systems, test systems)



Nirasaki City, Yamanashi Prefecture:  
approx. ¥13.0B construction cost  
(Scheduled to begin operation in August 2020)

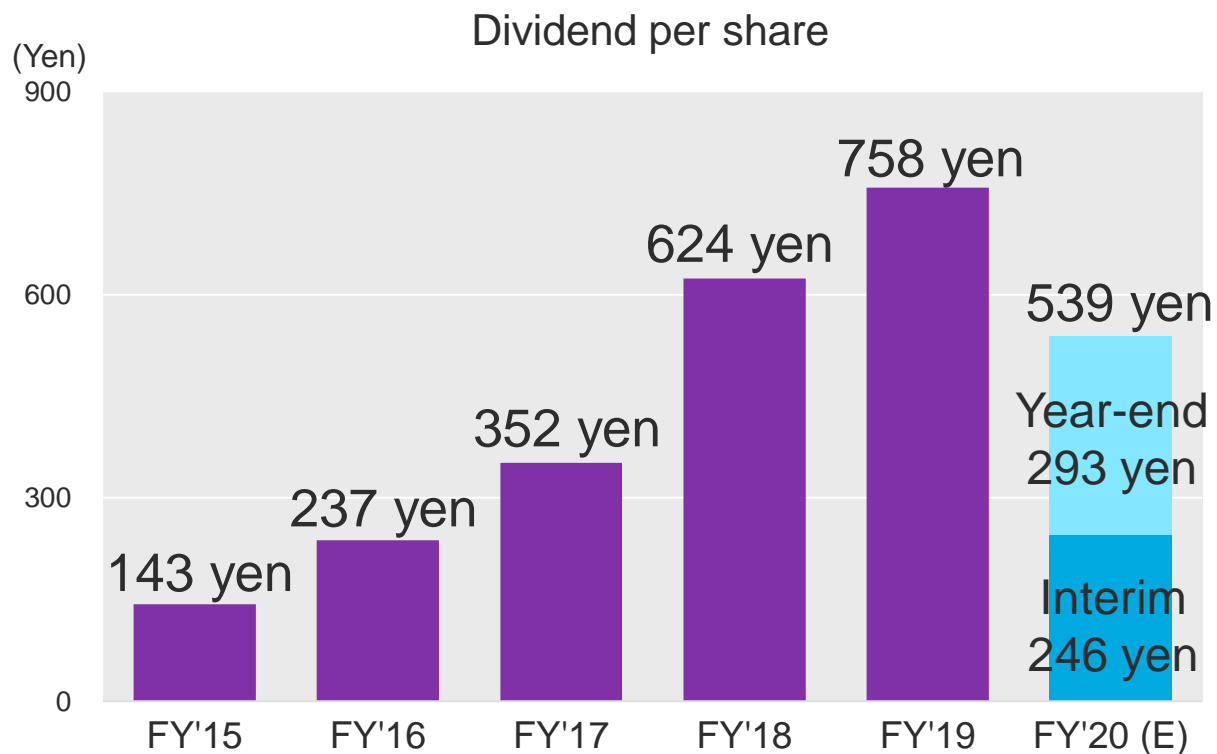


Oshu City, Iwate Prefecture:  
approx. ¥13.0B construction cost  
(Scheduled to begin operation in July 2020)



Continue upfront investment with achievement of medium-term plan and further growth in view

# FY2020 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**

Revised year-end dividend forecast based on H2 share buyback



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