

# Q1 FY2022 (April 1, 2021 – June 30, 2021) Financial Announcement

August 16, 2021

Agenda:

- Q1 FY2022 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 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, 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.

- Exchange risk

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. Accordingly, the effect of exchange rates on profits is negligible.

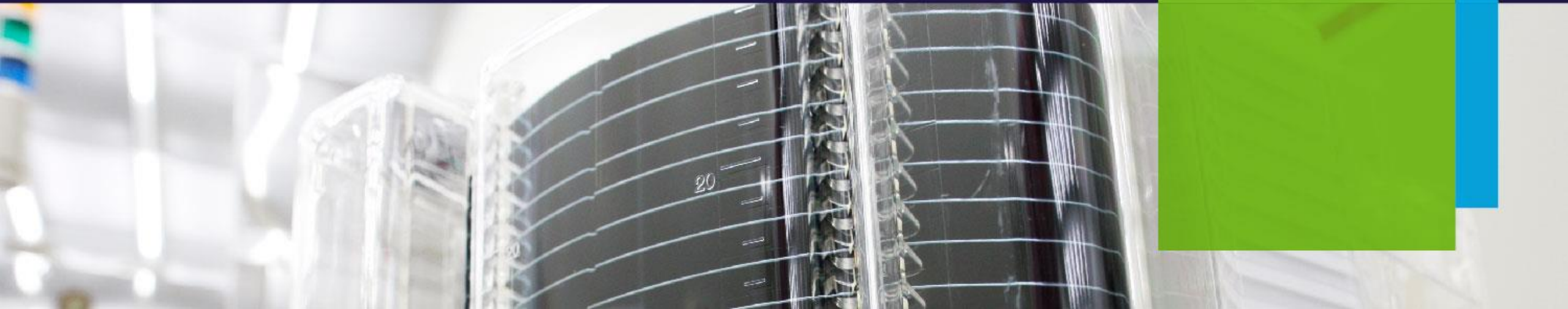
FPD: Flat panel display

# Q1 FY2022 Consolidated Financial Summary

August 16, 2021

Yoshikazu Nunokawa

Corporate Director, Executive Vice President & General Manager,  
Global Business Platform Division



# Financial Summary

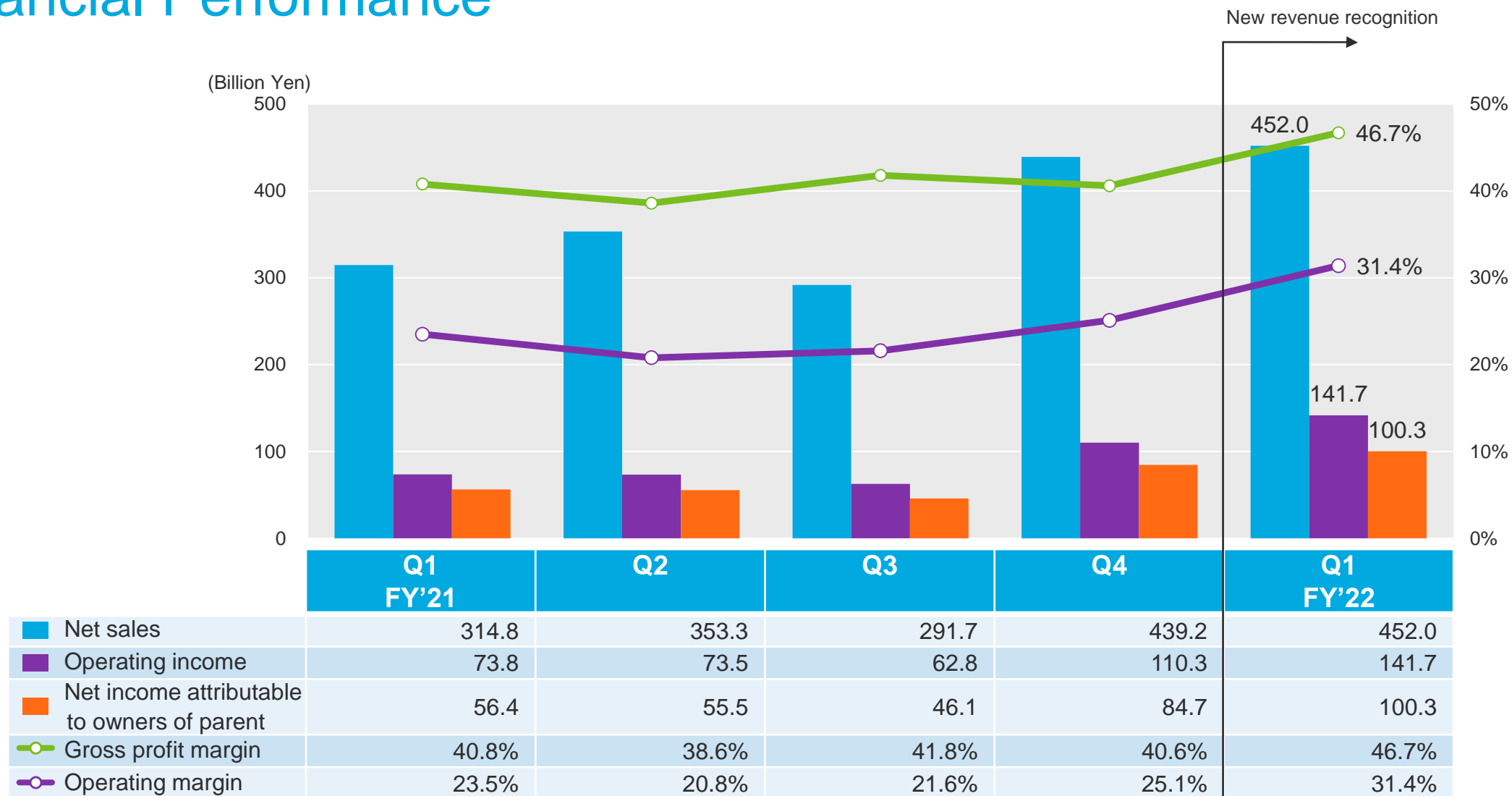
	FY2021				FY2022
	Q1	Q2	Q3	Q4	Q1
Net sales	314.8	353.3	291.7	439.2	452.0
SPE	303.7	331.6	264.3	415.4	437.9
FPD	11.0	21.6	27.3	23.7	14.0
Gross profit	128.4	136.3	121.9	178.2	210.9
Gross profit margin	40.8%	38.6%	41.8%	40.6%	46.7%
SG&A expenses	54.6	62.7	59.0	67.8	69.1
Operating income	73.8	73.5	62.8	110.3	141.7
Operating margin	23.5%	20.8%	21.6%	25.1%	31.4%
Income before income taxes	74.6	73.0	62.3	106.9	138.0
Net income attributable to owners of parent	56.4	55.5	46.1	84.7	100.3
R&D expenses	30.1	36.2	33.0	37.1	34.3
Capital expenditures	13.2	14.9	8.8	16.8	10.6
Depreciation and amortization	7.1	8.1	8.8	9.7	7.9

New revenue recognition

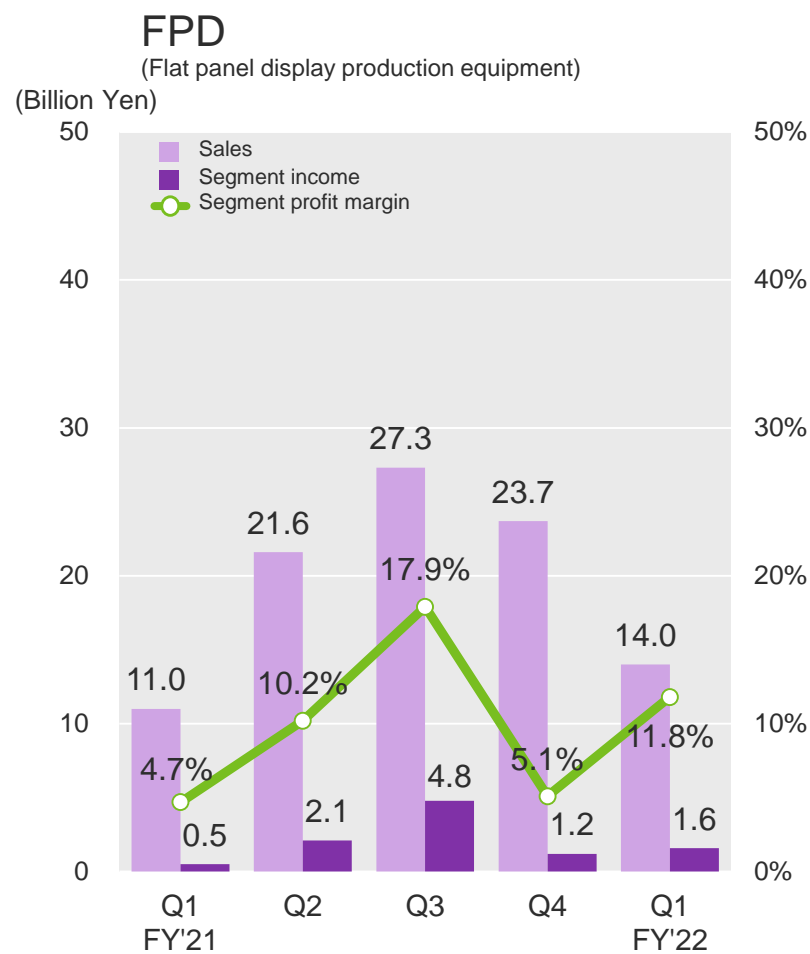
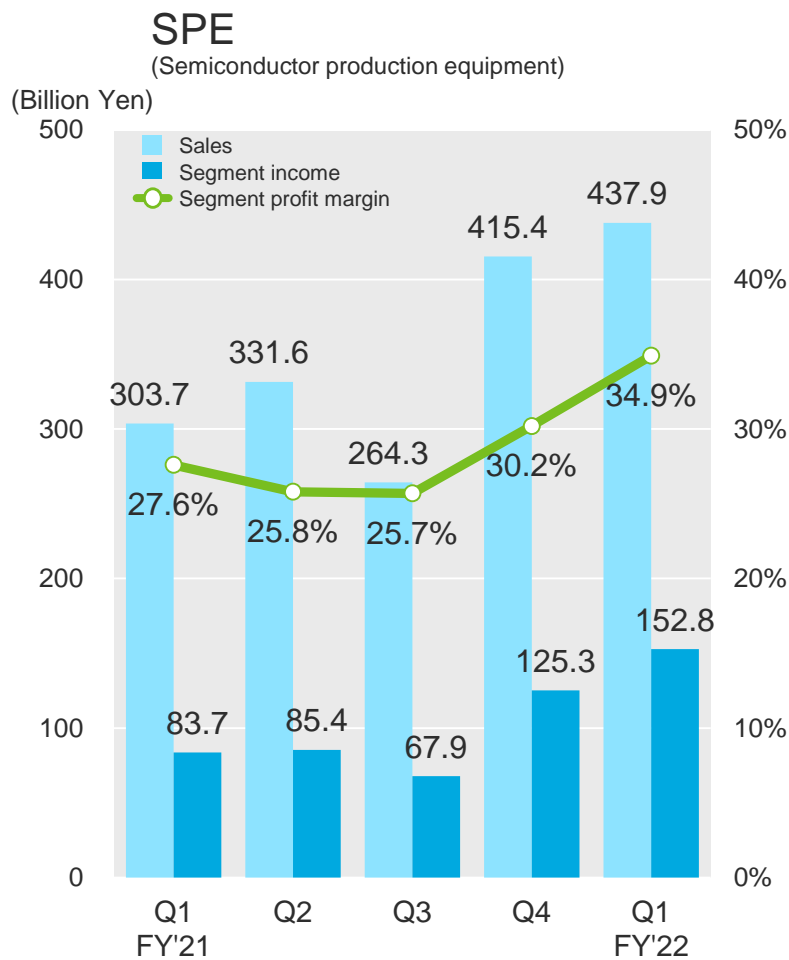
(Billion Yen)

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



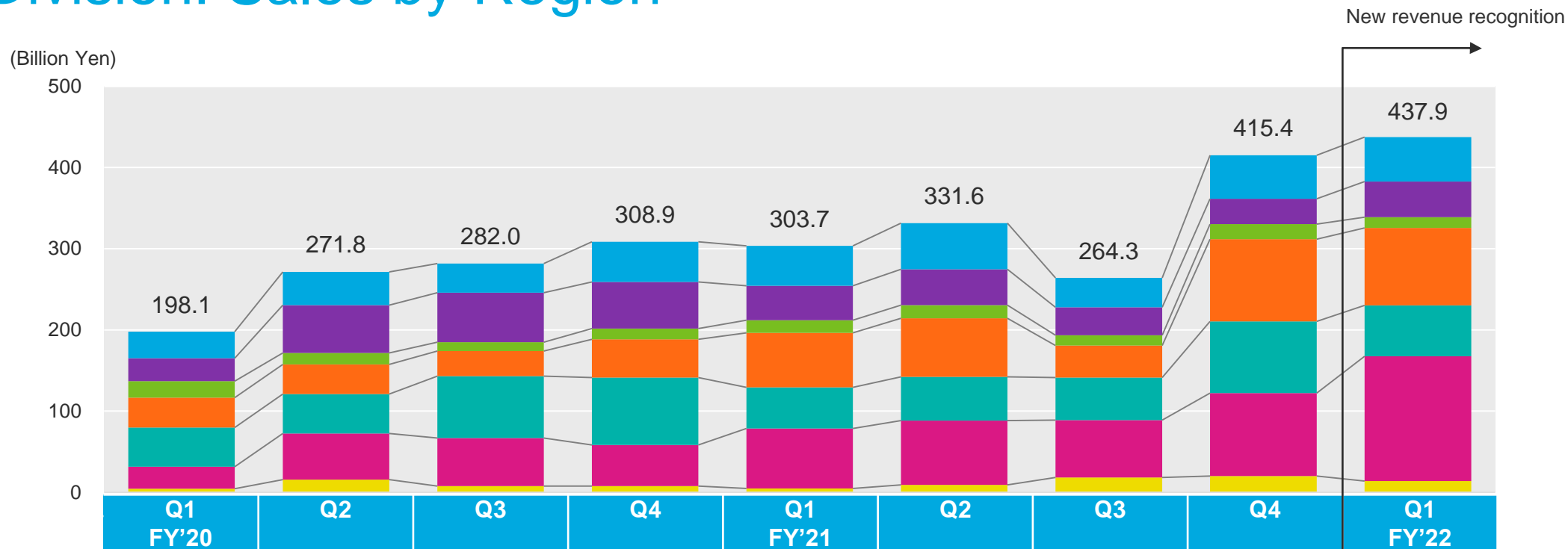
# Segment Information



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.

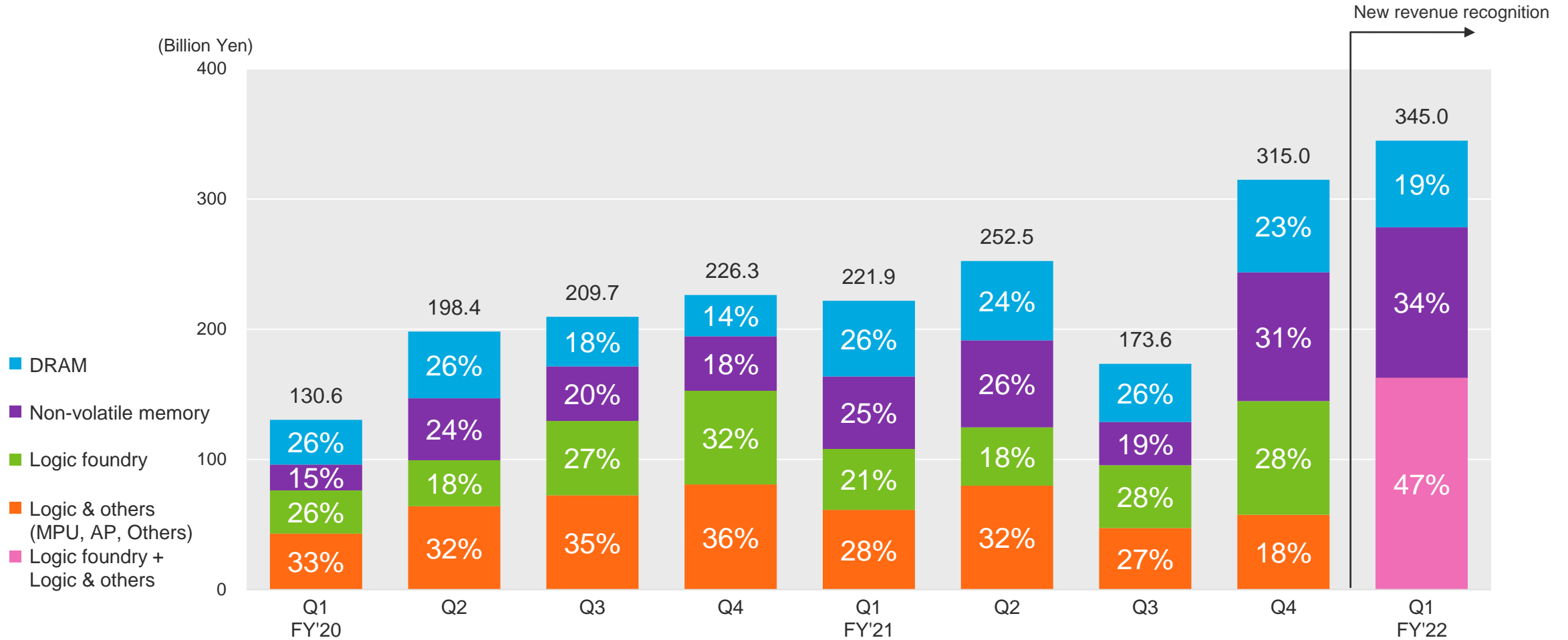


# SPE Division: Sales by Region



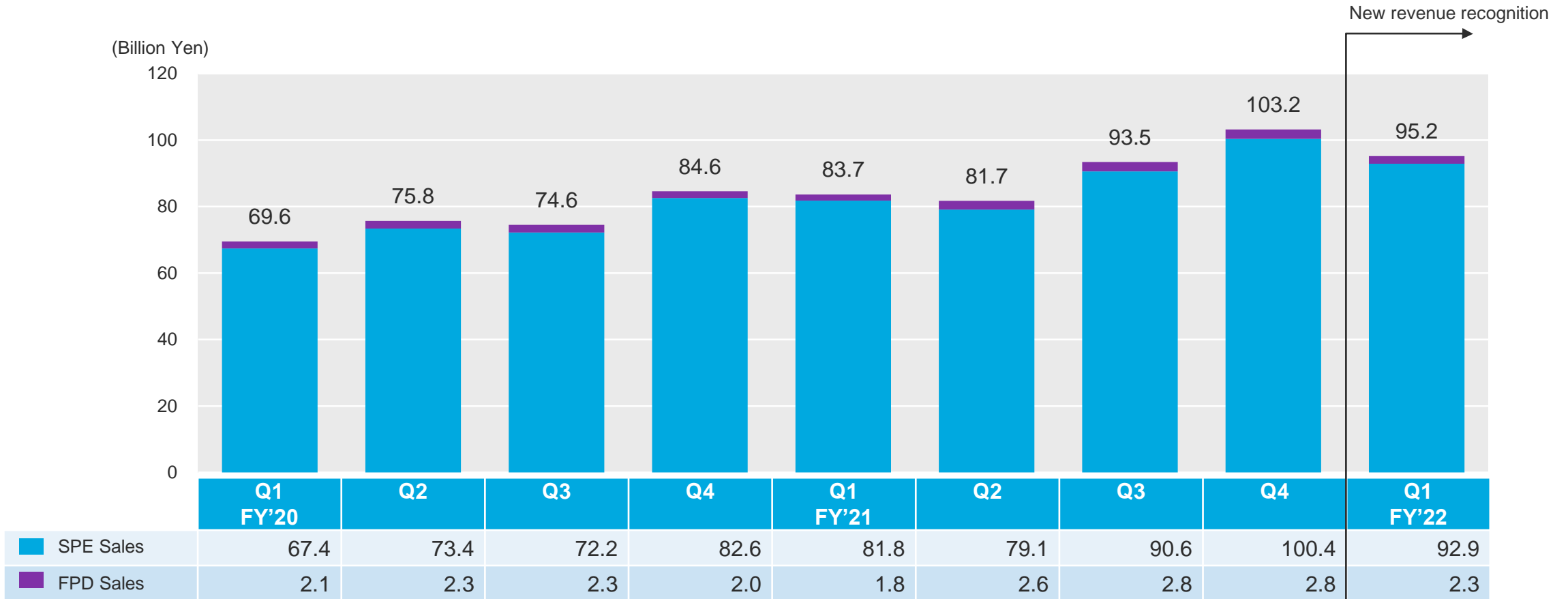
	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21	Q2	Q3	Q4	Q1 FY'22
Japan	32.5	41.0	35.9	49.6	49.1	56.8	36.1	53.6	54.8
North America	28.5	58.8	61.0	57.2	42.3	44.0	34.5	31.2	43.9
Europe	20.2	14.4	10.8	13.3	15.7	16.3	12.7	18.6	13.4
South Korea	36.9	36.4	31.0	47.1	67.0	72.1	39.3	101.4	95.3
Taiwan	48.3	48.7	76.2	83.1	50.9	53.9	52.5	88.2	62.8
China	27.0	56.8	59.1	50.6	73.9	79.1	70.5	102.2	153.6
S. E. Asia, Others	4.4	15.5	7.7	7.7	4.6	9.2	18.4	20.0	13.8

# SPE Division: New Equipment Sales by Application





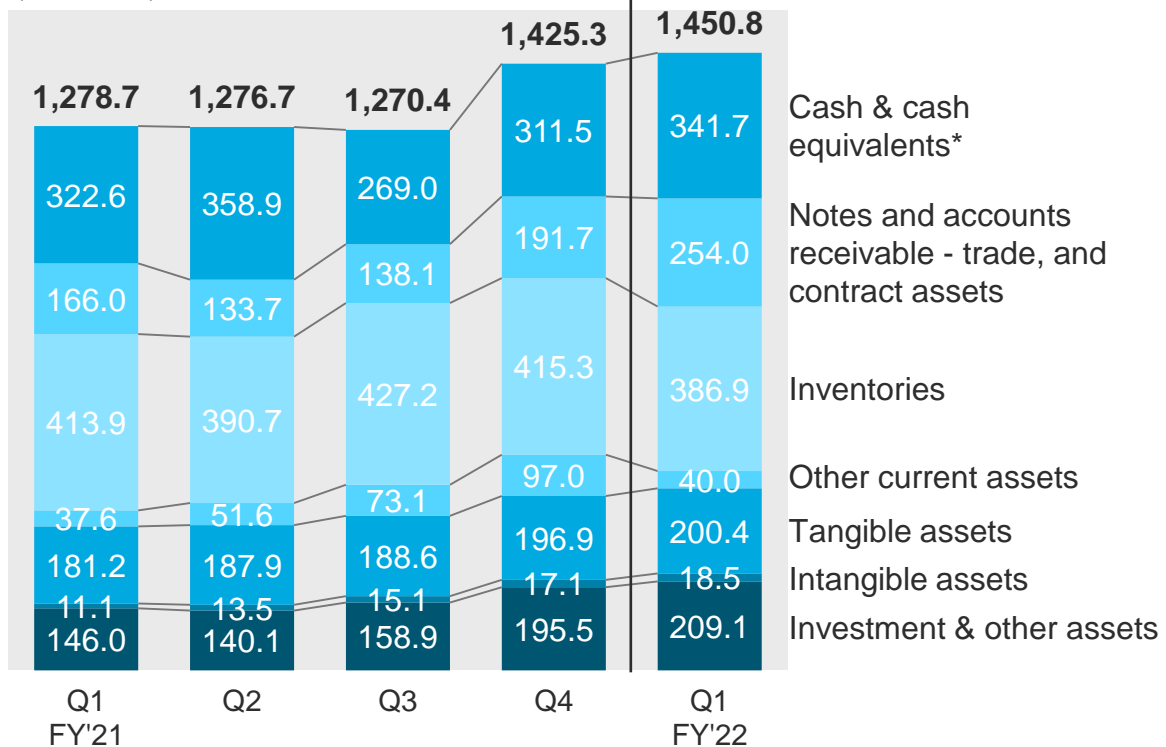
# Field Solutions Sales



# Balance Sheet

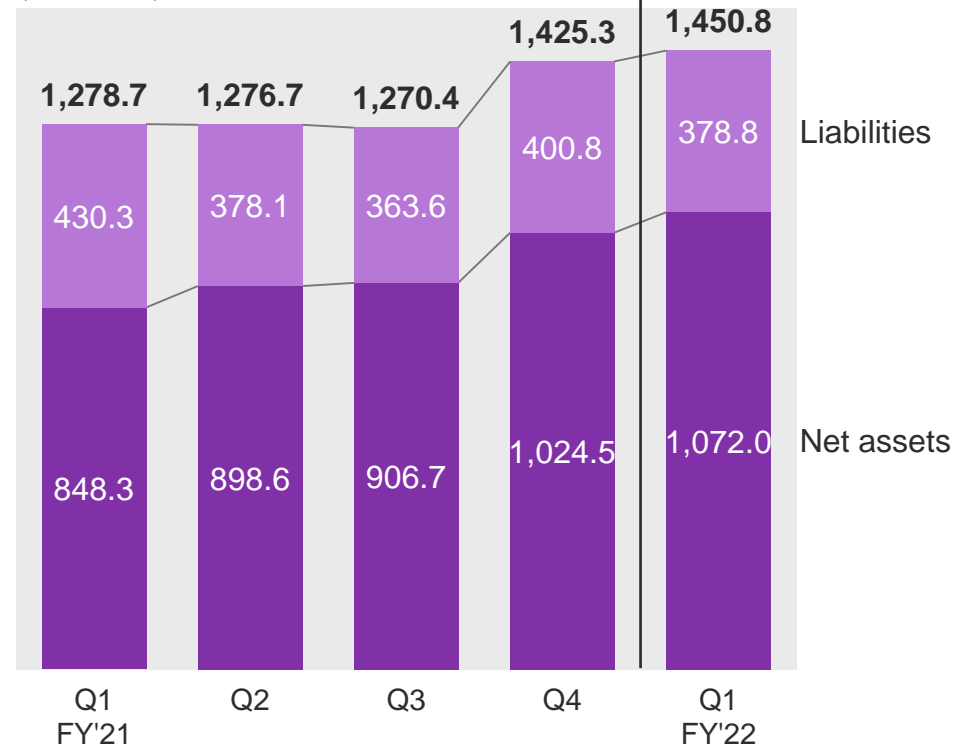
## Assets

(Billion Yen)

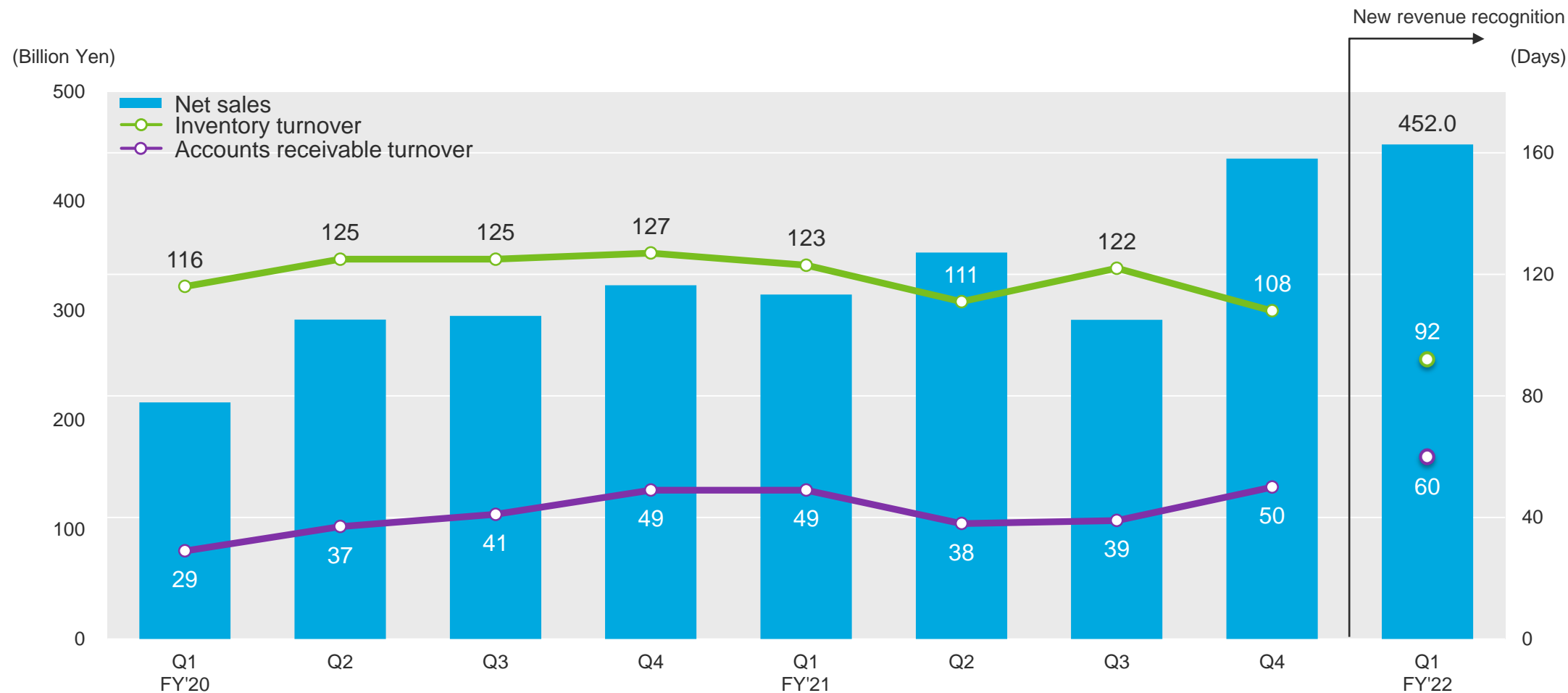


## Liabilities & Net Assets

(Billion Yen)



# Inventory Turnover and Accounts Receivable Turnover

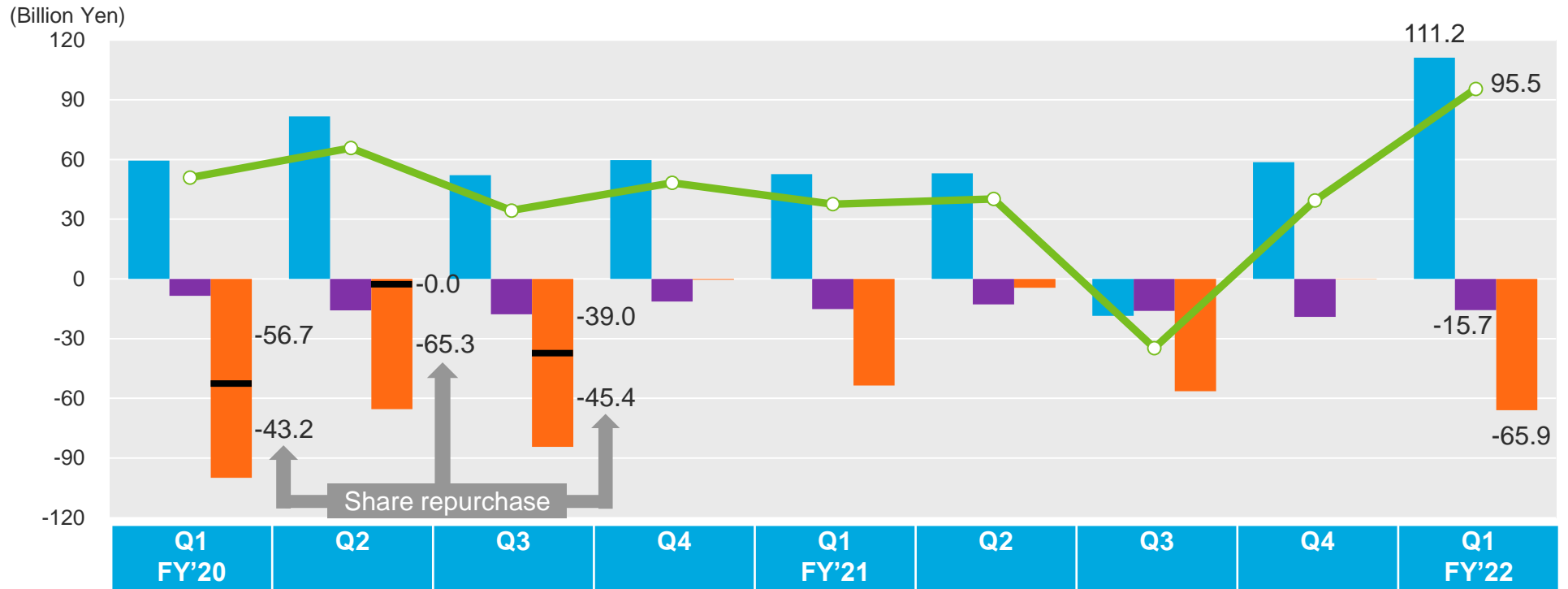


Turnover days = inventory or accounts receivable at the end of each quarter / last 12 months sales x 365

Note: Accounts receivable includes contract assets.

FY2022 Q1 turnover days are calculated from sales based on the former revenue recognition from the past three quarters and the new revenue recognition from the current quarter.

# Cash Flow



	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21	Q2	Q3	Q4	Q1 FY'22
Cash flow from operating activities	59.4	81.7	52.1	59.7	52.7	53.1	-18.6	58.6	111.2
Cash flow from investing activities*1	-8.5	-15.8	-17.7	-11.4	-15.1	-12.8	-16.0	-19.1	-15.7
Cash flow from financing activities	-99.9	-65.4	-84.4	-0.4	-53.5	-4.4	-56.4	-0.1	-65.9
Free cash flow*2	50.9	65.8	34.4	48.3	37.6	40.2	-34.7	39.4	95.5
Cash on hand*3	340.8	339.9	292.2	338.4	322.6	358.9	269.0	311.5	341.7

\*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).

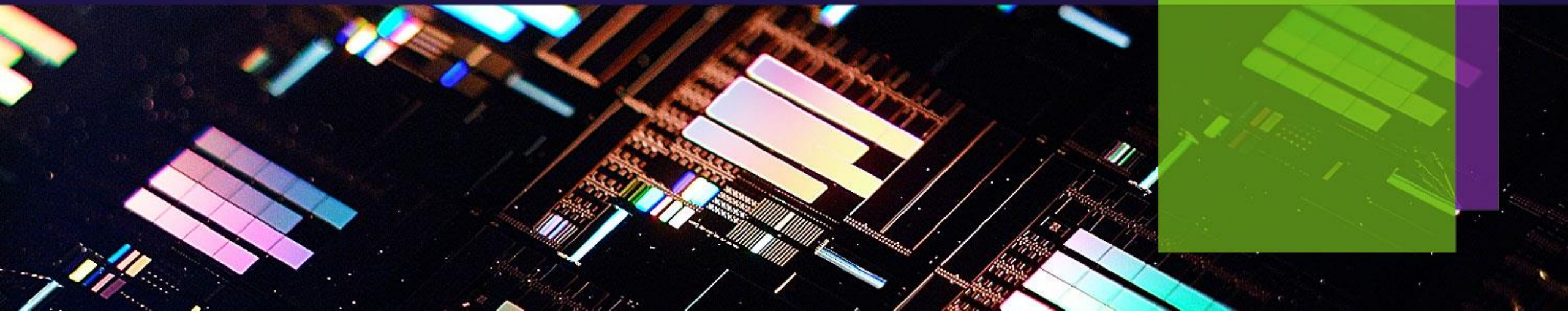
\*3 Cash on hand includes cash and cash equivalents + time deposits and short-term investments with original maturities of more than three months.



# Business Environment and Financial Estimates

August 16, 2021

Toshiki Kawai  
Representative Director, President & CEO



## Business Environment (Outlook as of August 2021)

### ▶ WFE\*1 capex

Significant expansion in the WFE market is expected on the sharp rise in demand for leading-edge logic and memory driven by the ongoing digital shift of society, such as further acceleration in data center investment. The market is expected to grow around 40% YoY in CY2021

### ▶ FPD production equipment capex for TFT array process\*2

YoY rise in OLED investment for mobile applications, but LCD investment in large panels is expected to weaken. Although market growth driven by OLED investment can be anticipated, a YoY decrease of around 20% is expected in CY2021 amid the transition from LCD to OLED in investment in 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

# CY2021 WFE Market and Business Opportunities by Application

- **Logic/Foundry: Approx. 45% increase YoY**
  - Market environment: Drive WFE market with further proactive investment on expanded applications accompanying advances in ICT\*
  - Opportunities: Business expansion in more complex patterning processes
- **DRAM: Approx. 60% increase YoY**
  - Market environment: Supply tight due to higher 5G mobile, PC and data center demand. Expect high level of investment
  - Opportunities: Response to new technologies and materials for scaling
- **Non-volatile memory: Approx. 15% increase YoY**
  - Market environment: Steady investment continues for bit demand growth over the medium- to long-term
  - Opportunities: Differentiation through high value-added etch and clean



# FY2022 Q1 Business Highlights

- Steady progress towards achieving Medium-term Management Plan
  - Advanced capture of new PORs\*
  - Increased production capacity at each plant to meet strong demand. Responded with firm production capabilities
  - Field solutions also made good progress in-line with plan on high utilization rates at customers' fabs
  - Announced E-COMPASS, a supply chain initiative for the environment

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

# FY2022 Financial Estimates

# FY2022 Financial Estimates

\* Adjustments: changes from the figures announced on April 30, 2021.

(Billion yen)

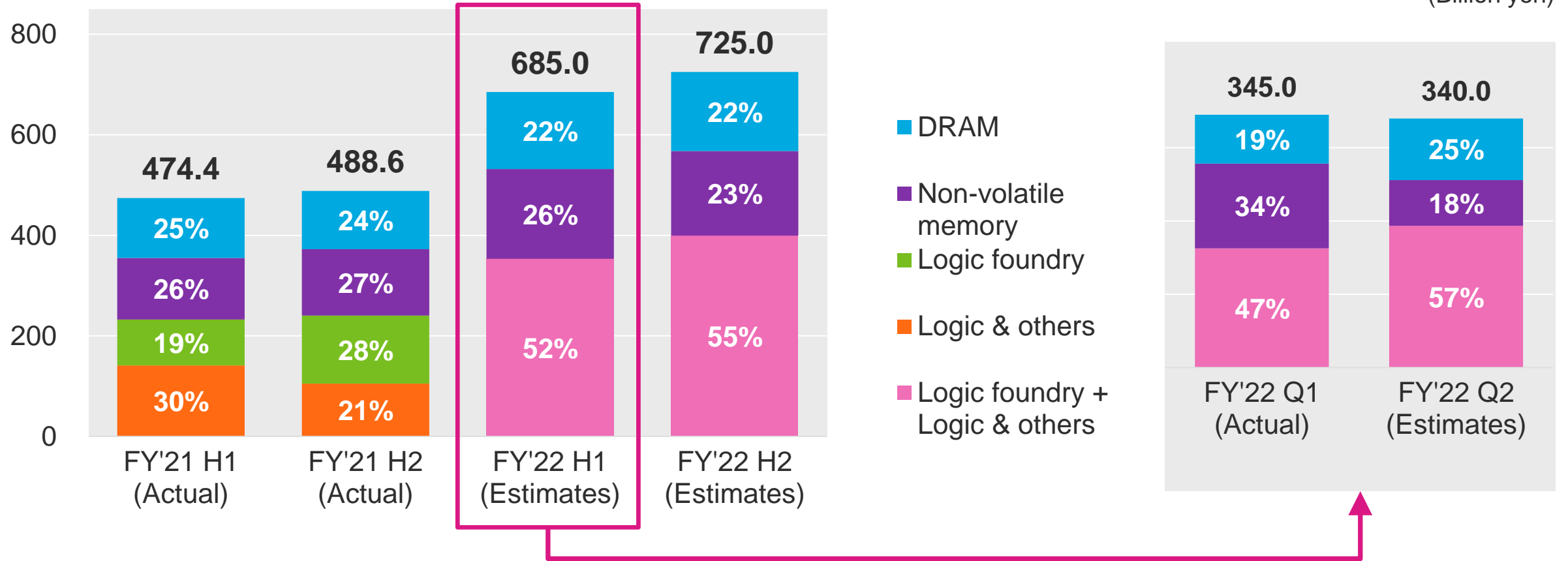
	FY2021	FY2022					
	Actual	New estimates			Adjustments*		
	Full year	H1	H2	Full year	H1	H2	Full year
Net sales	1,399.1	900.0	950.0	1,850.0	+60.0	+90.0	+150.0
SPE	1,315.2	874.0	919.0	1,793.0	+60.0	+90.0	+150.0
FPD	83.7	26.0	31.0	57.0	0	0	0
Gross profit	564.9	400.0	424.0	824.0	+35.0	+50.0	+85.0
Gross profit margin	40.4%	44.4%	44.6%	44.5%	+0.9pts	+1.1pts	+1.0pts
SG&A expenses	244.2	155.0	161.0	316.0	+8.0	+11.0	+19.0
Operating income	320.6	245.0	263.0	508.0	+27.0	+39.0	+66.0
Operating margin	22.9%	27.2%	27.7%	27.5%	+1.2pts	+1.7pts	+1.5pts
Income before income taxes	317.0	240.0	263.0	503.0	+22.0	+39.0	+61.0
Net income attributable to owners of parent	242.9	175.0	195.0	370.0	+12.0	+28.0	+40.0
Net income per share (Yen)	1,562.20	1,124.99	-	2,378.53	+77.10	-	+257.04

## Upwardly revised financial estimates to reflect further rise in demand

# FY2022 SPE Division New Equipment Sales Forecast

(Billion yen)

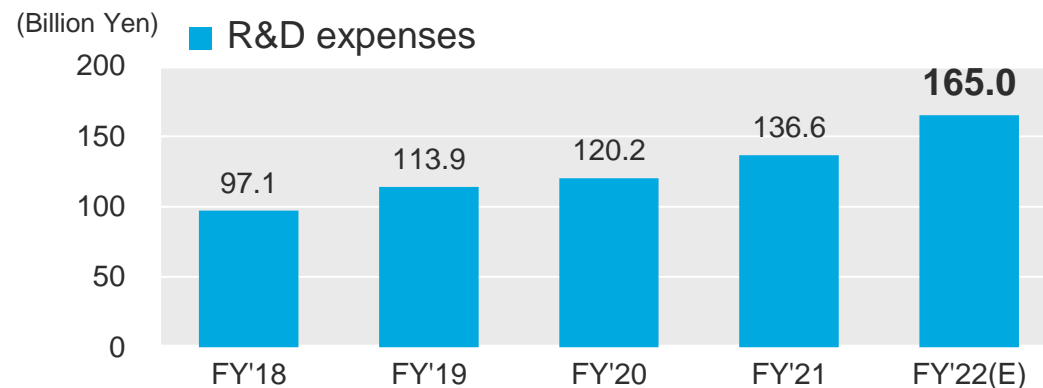
Sales by application



Expect to significantly surpass FY2021's record high

# FY2022 R&D Expenses, Capex Plan

- R&D Expenses ¥165.0B
  - Continue investing based on focus areas and sustainable growth
- Capex ¥64.0B
  - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation ¥43.0B



Miyagi Technology Innovation Center  
(etch systems)

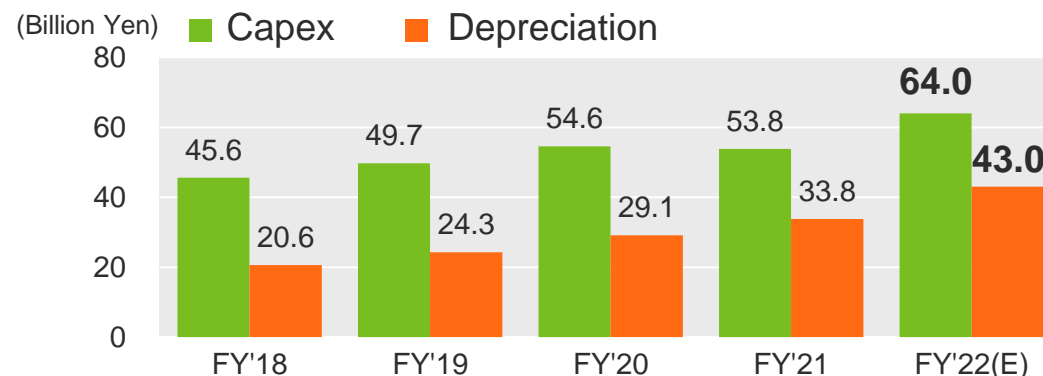


Kurokawa-gun, Miyagi Prefecture:  
approx. ¥7.0B construction cost  
(Completion scheduled for  
September 2021)

New development building  
(deposition system, gas chemical etch system, corporate R&D)

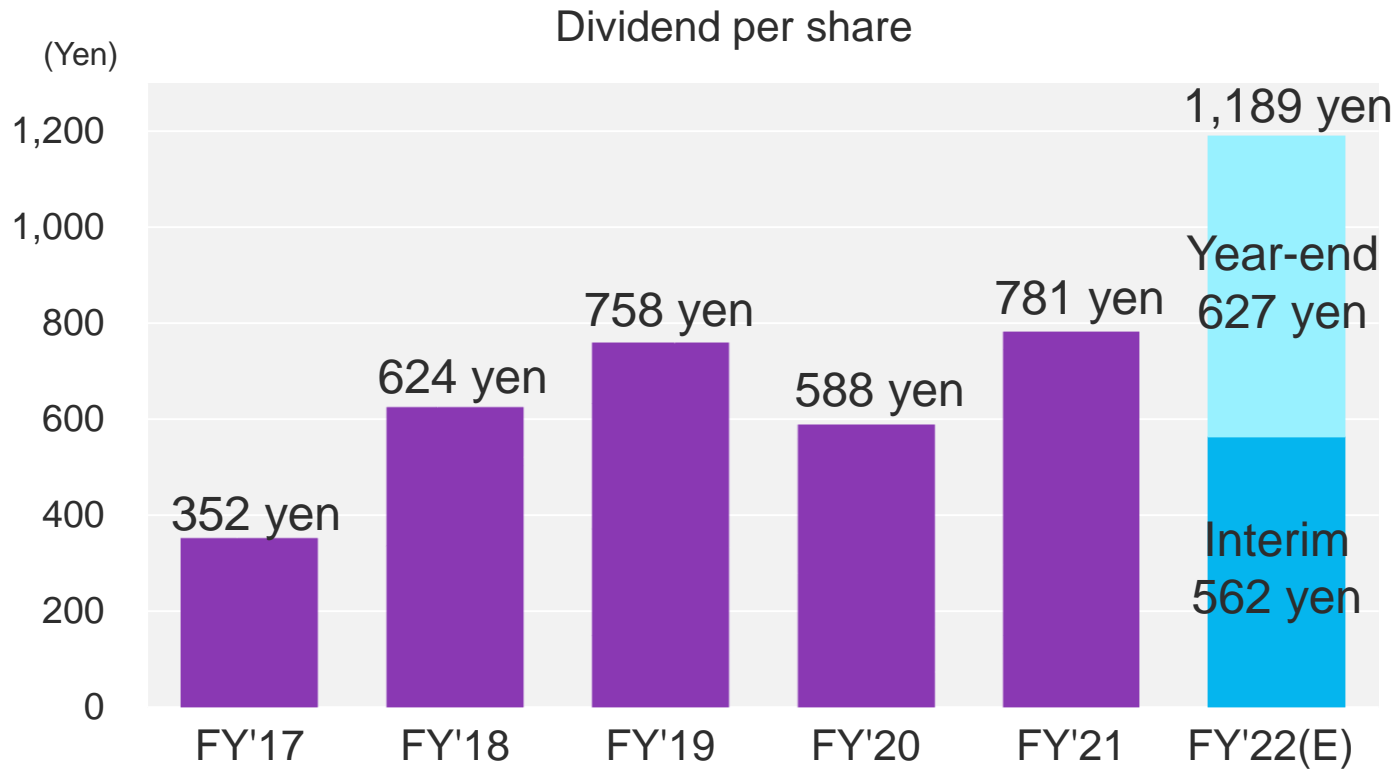


Nirasaki City, Yamanashi Prefecture:  
approx. ¥11.0B construction cost  
(Completion scheduled for  
Spring 2023)



Accelerate investment in R&D and capex in view of growing market  
and diversification of new technology needs

# FY2022 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 DPS of 1,189 yen, in-line with 50% dividend payout ratio

**TEL**™

**TOKYO ELECTRON**