

# Q1 FY2020 (April 1, 2019 – June 30, 2019) Financial Announcement

July 26, 2019

Agenda:

- Q1 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 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 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.

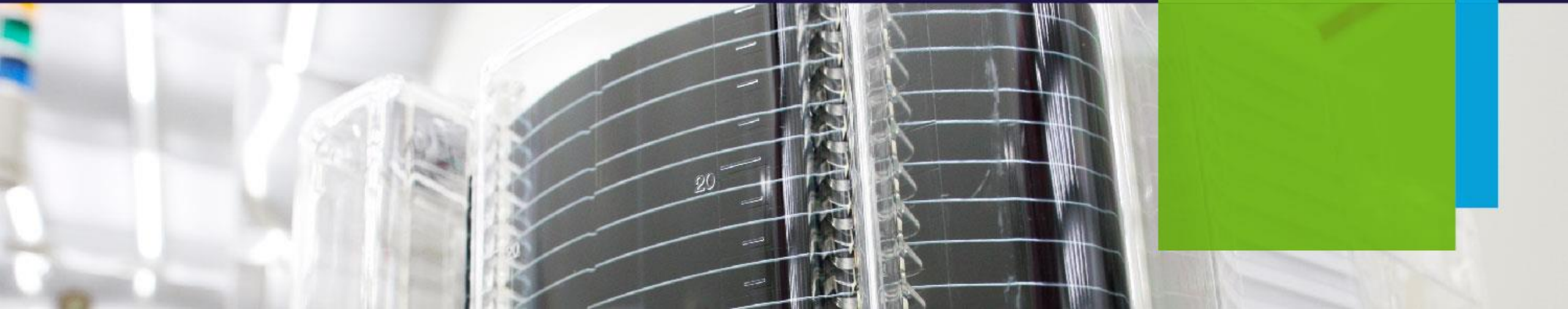
FPD: Flat panel display

# Q1 FY2020 Consolidated Financial Summary

July 26, 2019

Yoshikazu Nunokawa

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



## FY2020 Q1 (April – June 2019) Highlights

- Q1 financial results showed good progress in line with plan for H1
- Have repurchased 2.9 million shares since May 2019 (as of June 30, 2019)
  - Total cost of acquisition: ¥43.2B
  - This is 29% of the maximum of ¥150B

# Financial Summary

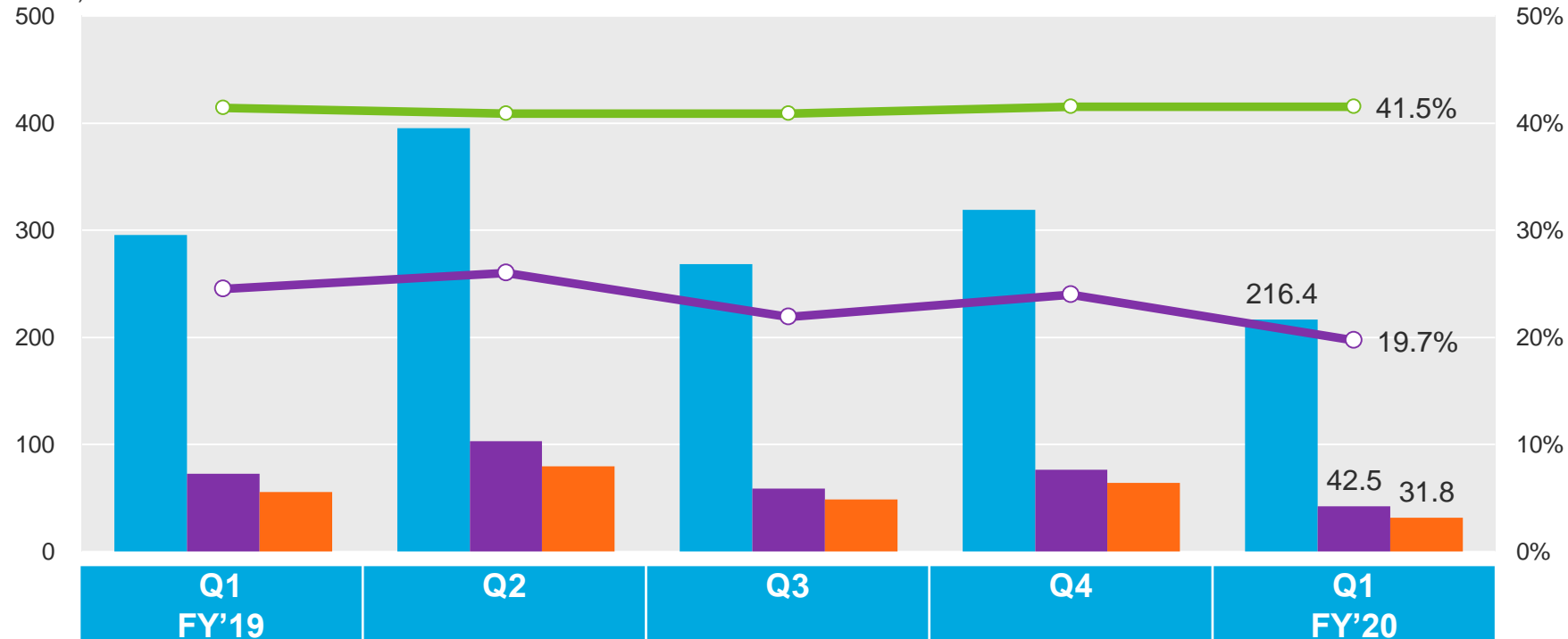
(Billion Yen)

	FY2019				FY2020	vs. Q4 FY2019
	Q1	Q2	Q3	Q4	Q1	
Net sales	295.5	395.4	268.1	319.0	216.4	-32.2%
SPE	280.4	358.0	239.5	288.7	198.1	-31.4%
FPD	15.1	37.3	28.5	30.1	18.2	-39.6%
Gross profit	122.4	161.6	109.7	132.2	89.8	-32.1%
Gross profit margin	41.4%	40.9%	40.9%	41.5%	41.5%	+0.0pts
SG&A expenses	50.0	58.6	51.0	55.8	47.3	-15.3%
Operating income	72.4	103.0	58.7	76.4	42.5	-44.3%
Operating margin	24.5%	26.0%	21.9%	24.0%	19.7%	-4.3pts
Income before income taxes	75.2	105.8	60.5	79.8	44.5	-44.2%
Net income attributable to owners of parent	55.7	79.5	48.8	64.1	31.8	-50.2%
R&D expenses	26.1	31.2	26.5	30.0	25.6	-14.6%
Capital expenditures	9.6	13.2	11.8	14.9	7.6	-49.0%
Depreciation and amortization	5.0	5.6	6.2	7.3	6.0	-17.1%

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.

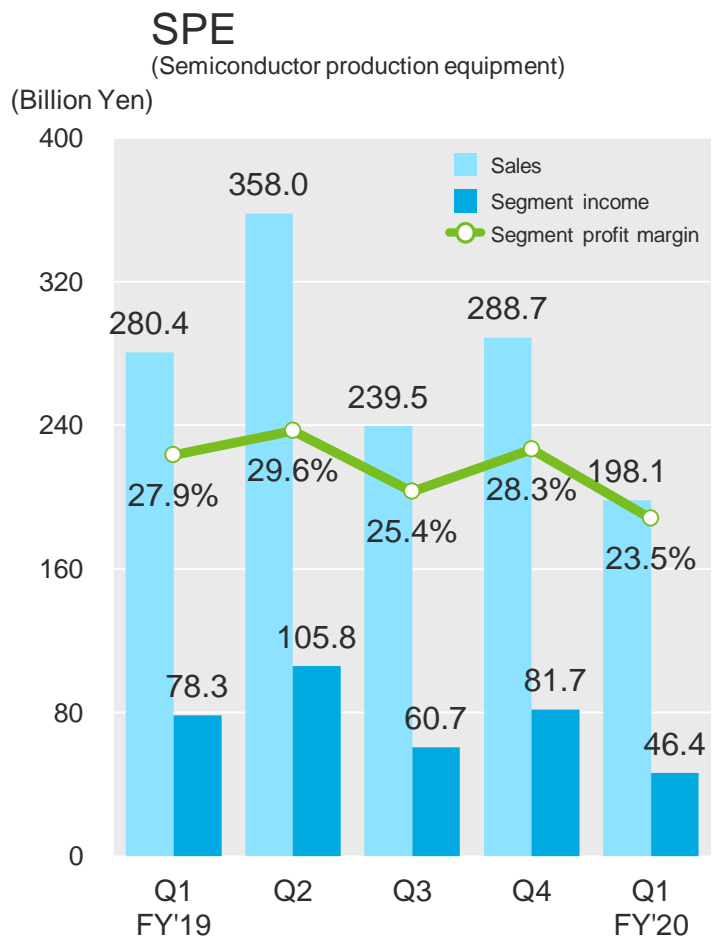
# Financial Performance

(Billion Yen)



Net sales	295.5	395.4	268.1	319.0	216.4
Operating income	72.4	103.0	58.7	76.4	42.5
Net income attributable to owners of parent	55.7	79.5	48.8	64.1	31.8
Gross profit margin	41.4%	40.9%	40.9%	41.5%	41.5%
Operating margin	24.5%	26.0%	21.9%	24.0%	19.7%

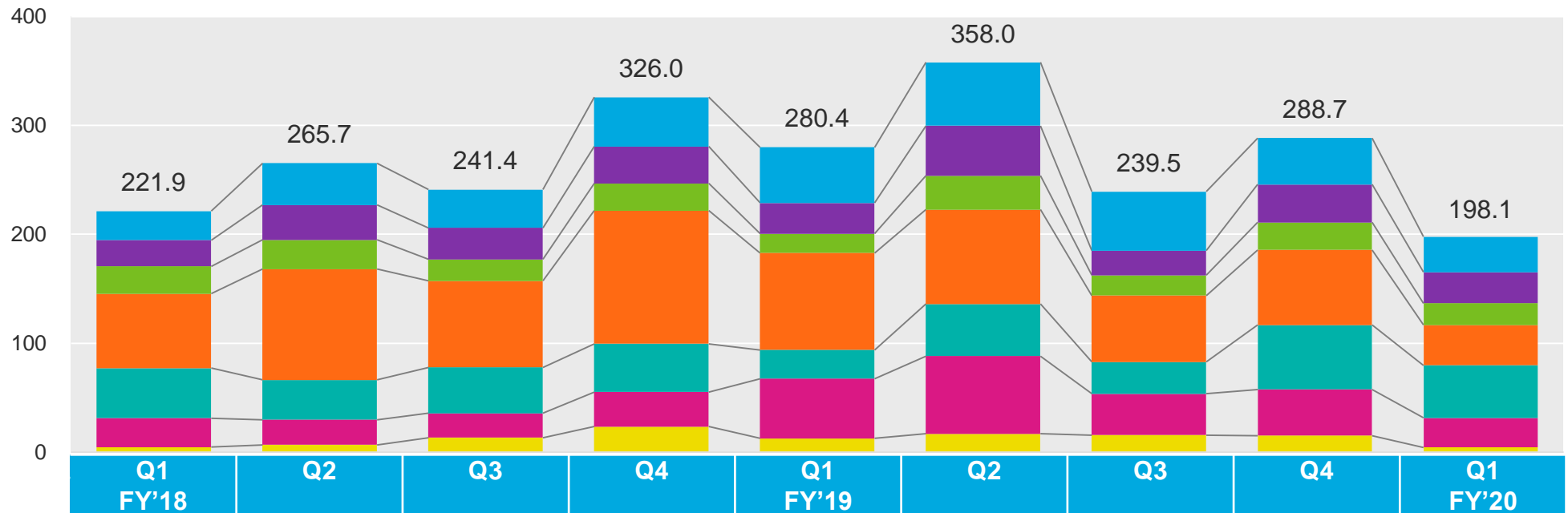
# Segment Information



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

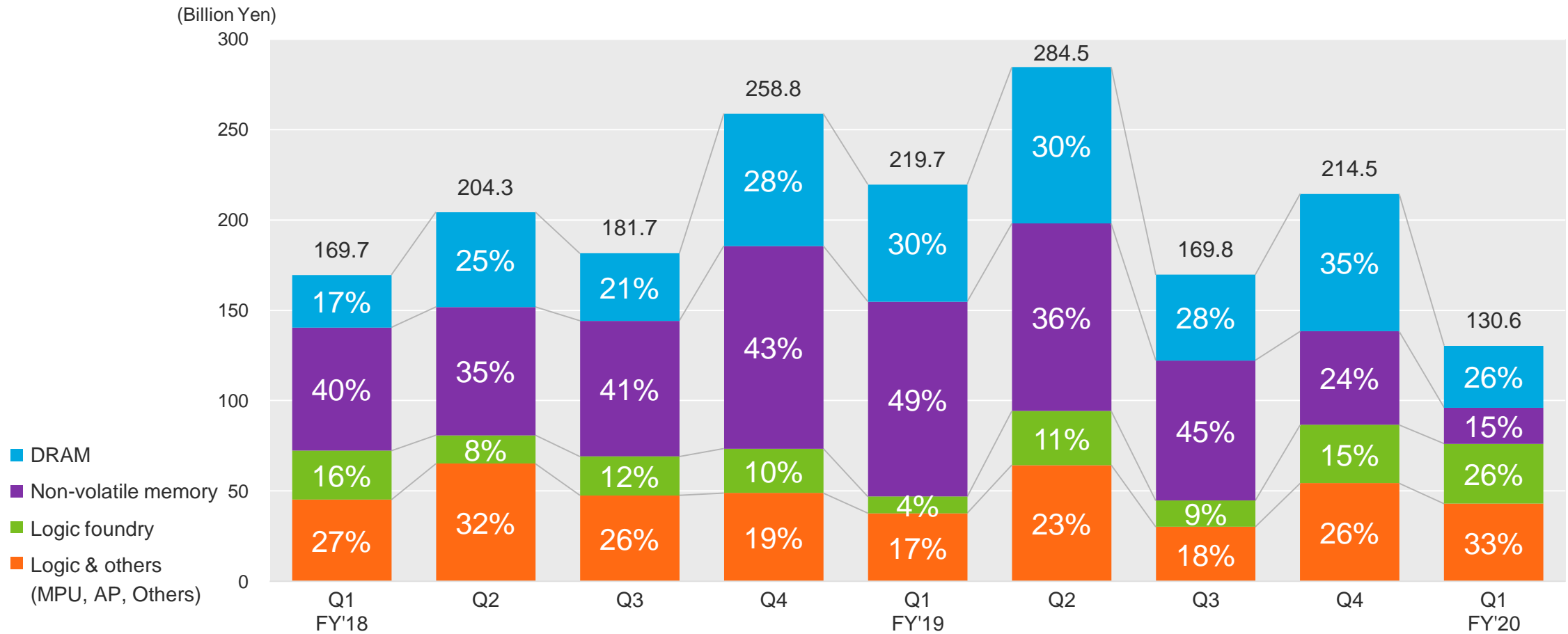
(Billion Yen)



	Q1 FY'18	Q2	Q3	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20
Japan	26.7	38.4	35.1	45.1	51.1	58.0	54.0	42.7	32.5
North America	24.0	32.0	29.1	33.9	28.4	45.9	22.7	34.7	28.5
Europe	25.3	26.9	19.6	25.0	17.7	31.3	18.6	25.3	20.2
South Korea	68.3	101.7	79.4	122.3	88.9	86.5	60.9	68.9	36.9
Taiwan	45.8	36.6	42.1	44.3	26.3	48.0	29.3	59.1	48.3
China	26.7	23.0	22.6	31.8	54.9	71.3	38.0	42.5	27.0
S. E. Asia, Others	4.6	6.7	13.2	23.4	12.7	16.8	15.6	15.2	4.4

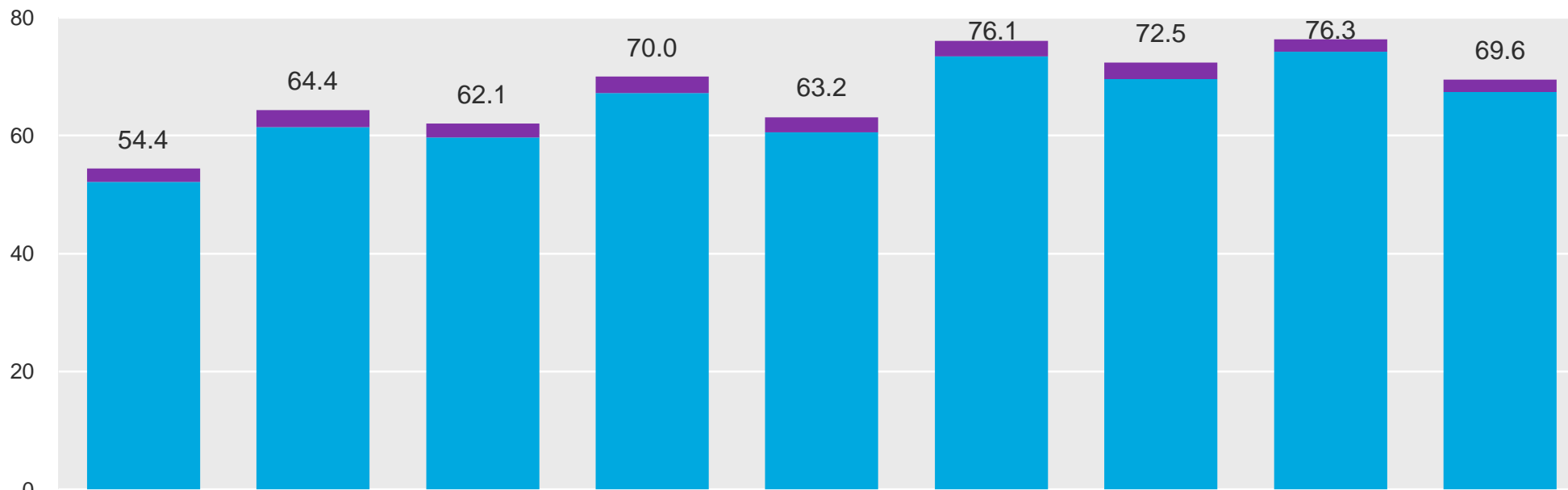


# SPE Division: New Equipment Sales by Application



# Field Solutions Sales

(Billion Yen)

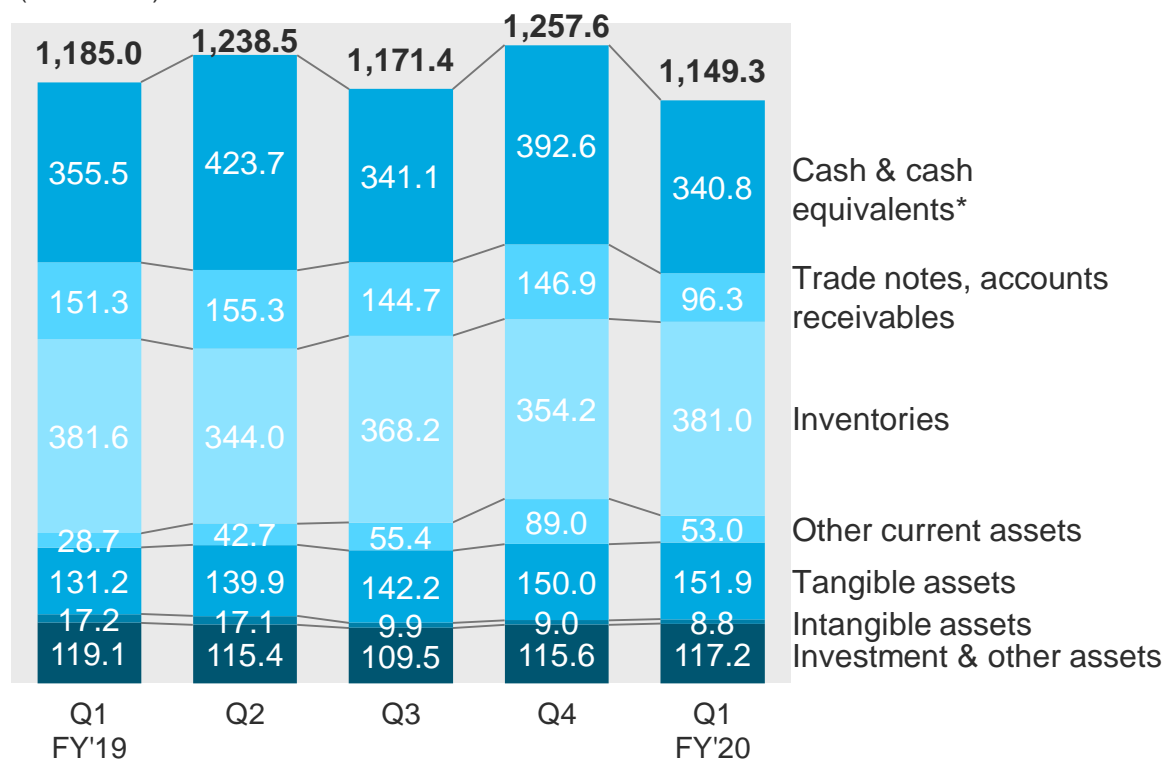


	Q1 FY'18	Q2	Q3	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20
SPE Sales	52.2	61.4	59.7	67.2	60.6	73.4	69.6	74.2	67.4
FPD Sales	2.2	2.9	2.4	2.8	2.5	2.7	2.8	2.1	2.1

# Balance Sheet

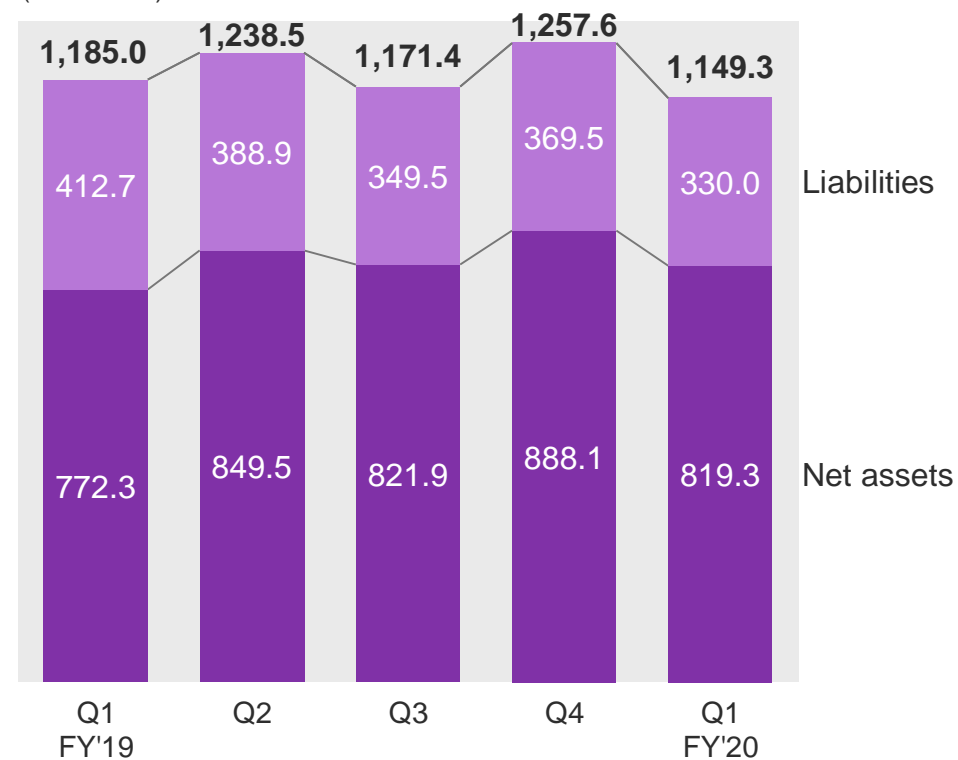
## Assets

(Billion Yen)

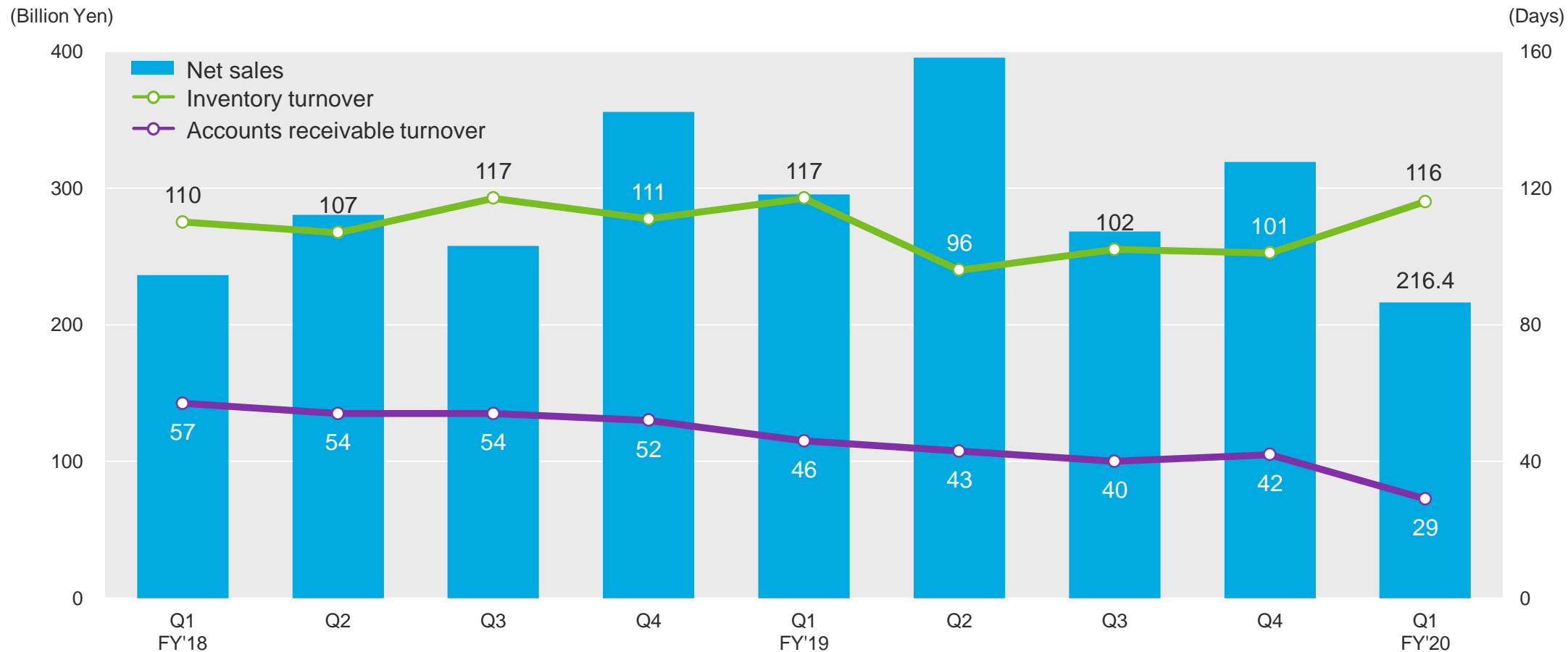


## Liabilities & Net Assets

(Billion Yen)

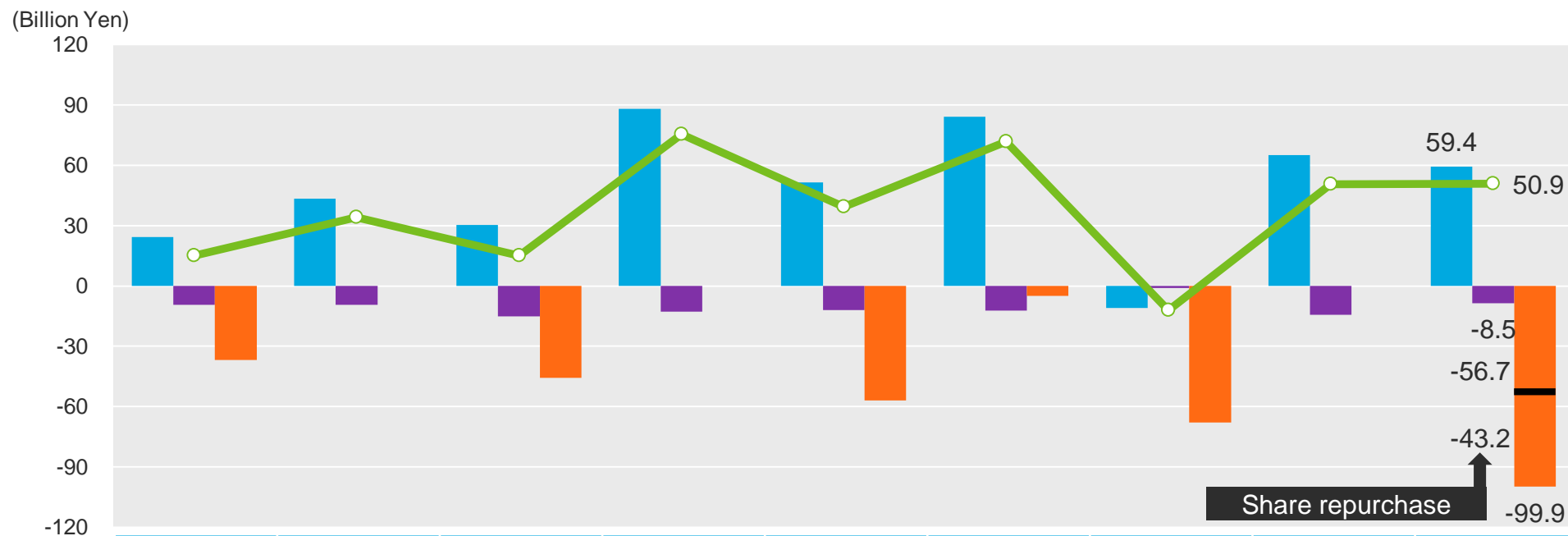


# Inventory Turnover and Accounts Receivable Turnover



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

# Cash Flow



	Q1 FY'18	Q2	Q3	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20
Cash flow from operating activities	24.4	43.4	30.4	88.1	51.4	84.0	-11.0	65.0	59.4
Cash flow from investing activities*1	-9.3	-9.4	-15.2	-12.8	-12.1	-12.2	-1.1	-14.4	-8.5
Cash flow from financing activities	-36.8	-0.0	-45.7	-0.0	-56.9	-5.0	-67.8	-0.0	-99.9
Free cash flow*2	15.1	34.0	15.1	75.3	39.3	71.7	-12.1	50.5	50.9
Cash on hand*3	294.6	329.9	301.2	373.8	355.5	423.7	341.1	392.6	340.8

\*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.

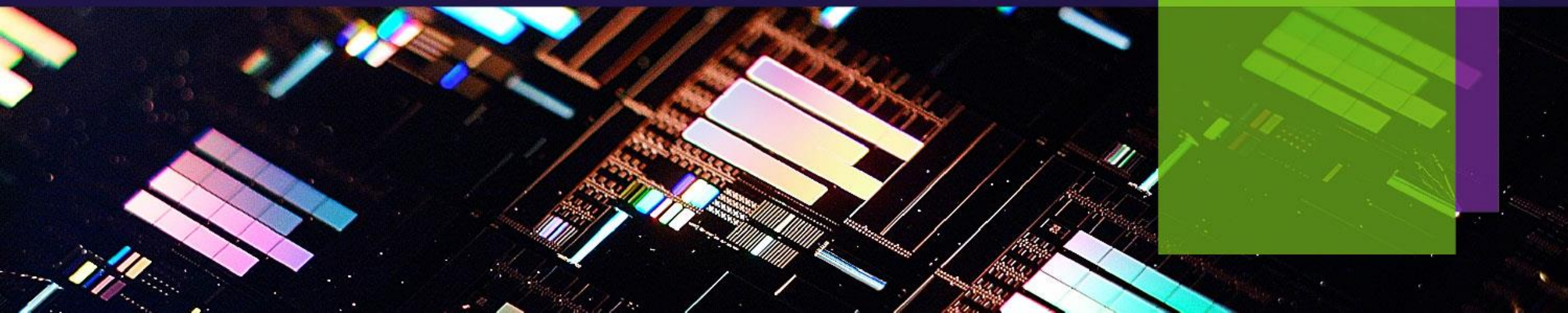
\*3 Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.



# Business Environment and Financial Estimates

July 26, 2019

Toshiki Kawai  
Representative Director, President & CEO



## Business Environment (Outlook as of July 2019)

### ▶ WFE\*<sup>1</sup> capex

We expect CY2019 investment to decrease 15-20% YoY.

Despite solid investment for logic/foundry, we expect a temporary adjustment in memory investment on a softening in demand and macro-economic effects. Inventory adjustments are proceeding, and we expect a recovery in memory investment in CY2020

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

In 2019, we expect capex for OLED panels in mobile applications to be soft, and investment in large panels is undergoing a temporary adjustment.

Full-year capex is forecast to decrease 30% YoY, but a recovery is expected from H2

\*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'19 WFE Market and Business Opportunities by Application

- Logic/Foundry: Forecasting market growth of approx. 35% YoY
  - Market environment: Increased capex on generation change. 10nm and beyond generation to comprise 50%
  - Opportunities: Business expansion in more complex patterning processes
- Non-volatile memory: Approx. 60% decrease YoY
  - Market environment: Making adjustments in investment for increasing production capacity due to improved yield, but inventories are gradually declining. 9X/12X generations to comprise over 80% of capex
  - Opportunities: Differentiation through high value-added etch and clean
- DRAM: Approx. 40% decrease YoY
  - Market environment: 1Y/1Znm generations to comprise approx. 60% of capex
  - Opportunities: Combined patterning in latest generation

**Despite a decrease in memory investment in CY2019,  
recovery is expected in CY2020**



# FY2020 Business Progress (Q1)

- SPE business strategy progress continues as planned
  - Advancing capture of POR\*<sup>1</sup> in key fields
    - Etch : Orders increased in the growing IoT and automotive sectors
    - Deposition/Clean: Captured POR for critical processes for memory
  - Cellcia™, a high value-added wafer prober: Captured new orders in non-volatile memory
  - Field Solutions continues to be solid due to an increase in installed base
  - Formed an alliance with BRIDG\*<sup>2</sup> for developing semiconductor production equipment and process technology for automotive and industry, where significant growth is expected
- Sales of new FPD production equipment products proceeding as planned
  - Impressio™ 3300 PICP\*<sup>3</sup>™ G10.5 plasma etch system for high definition FPD
  - Elius™ 1000 G4.5 inkjet printing system for manufacturing OLED panels

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

\*2 BRIDG (Bridging the Innovation Development Gap): A not-for-profit consortium in Florida, USA

\*3 PICP: Plasma source for producing extremely uniform high density plasma on substrate

# FY2020 Financial Estimates

# FY2020 Financial Estimates (no change from Apr. 26, 2019 announcement)

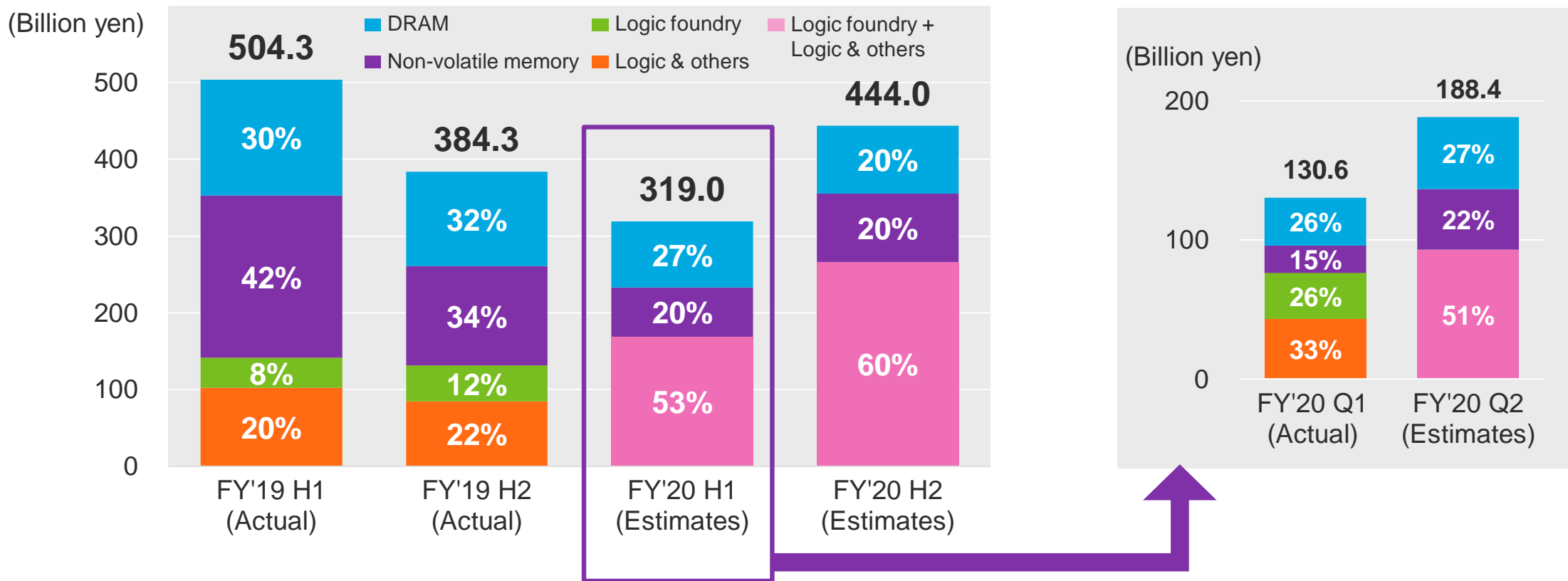
(Billion yen)

	FY2019 (Actual)	FY2020 (Estimates)			
		H1	H2	Full year	Full year YoY change
Net sales	1,278.2	490.0	610.0	1,100.0	-13.9%
SPE	1,166.7	450.0	580.0	1,030.0	-11.7%
FPD	111.2	40.0	30.0	70.0	-37.1%
Gross profit	526.1	192.0	249.0	441.0	-85.1
Gross profit margin	41.2%	39.2%	40.8%	40.1%	-1.1pts
SG&A expenses	215.6	107.0	114.0	221.0	+5.3
Operating income	310.5	85.0	135.0	220.0	-90.5
Operating margin	24.3%	17.3%	22.1%	20.0%	-4.3pts
Income before income taxes	321.5	85.0	135.0	220.0	-101.5
Net income attributable to owners of parent	248.2	63.0	101.0	164.0	-84.2
Net income per share (Yen)	1,513.58	388.83	-	1,015.21	-498.37

Market undergoing correction but continuing investment towards a recovery next year

# FY2020 SPE Division New Equipment Sales Forecast

Sales by application



Q1 results were as planned; have already shipped over half of the Q2 sales target  
 Expect substantial increase in sales for logic/foundry

# FY2020 R&D Expenses, Capex Plan

- R&D Expenses ¥120.0B
  - 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

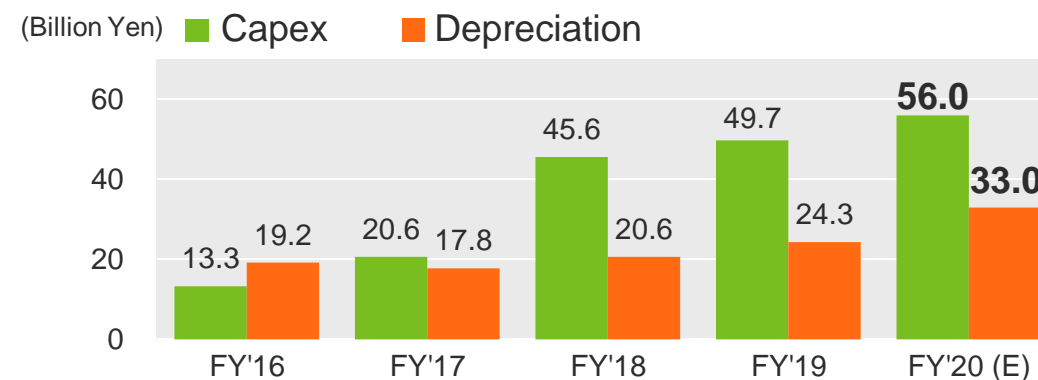
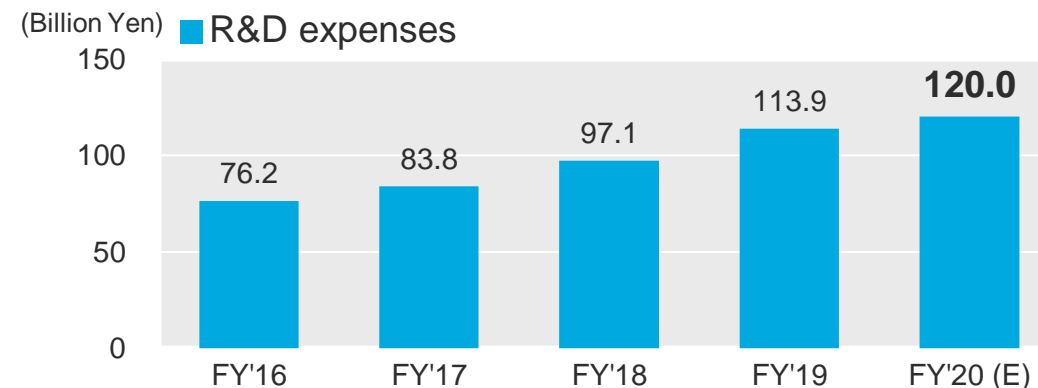
(deposition systems, gas chemical etch systems, test systems)



Nirasaki City, Yamanashi Prefecture:  
approx. ¥13.0B construction cost  
(Began construction in February 2019,  
completion scheduled for April 2020)

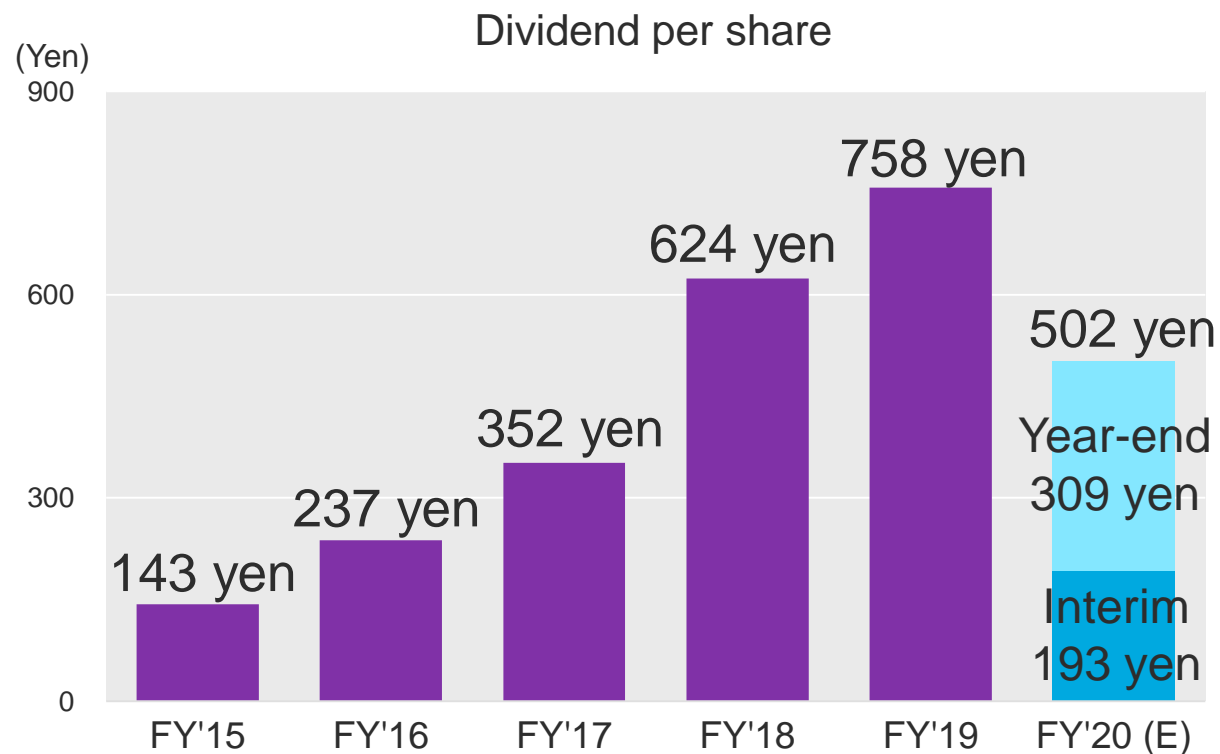


Oshu City, Iwate Prefecture:  
approx. ¥13.0B construction cost  
(Began construction in October 2018,  
completion scheduled for October 2019)



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

# FY2020 Dividend Forecast (as of Apr. 26, 2019 financial estimates announcement)



## 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 announce dividend revision from ongoing share buybacks when Q2 results are announced

**TEL**™

**TOKYO ELECTRON**