

Q2 FY2020 (July – September 2019) Financial Announcement

October 31, 2019

Agenda:

- Q2 FY2020 Consolidated Financial Summary
Yoshikazu Nunokawa, Corporate Director, Executive Vice President & General Manager
- Business Environment and Financial Estimates Revisions
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

To the Victims of the Recent Typhoons That Have Impacted Japan

We wish to express our deepest sympathies and condolences for the victims of the recent typhoons that have impacted Japan.

We sincerely hope for a speedy recovery for all those affected by the disaster.



Toshiki Kawai
Representative Director, President & CEO

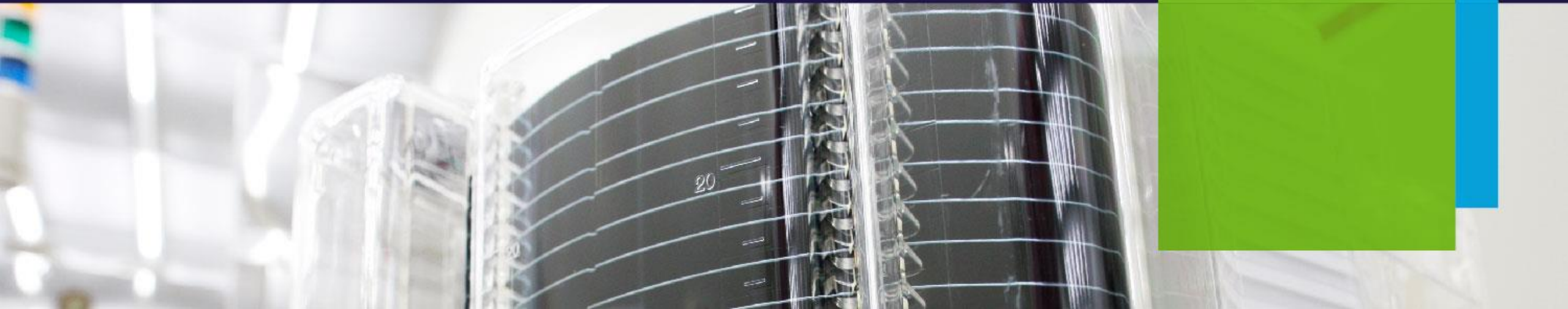


Q2 FY2020 Consolidated Financial Summary

October 31, 2019

Yoshikazu Nunokawa

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



FY2020 H1 (April – September 2019) Highlights

- Sales of ¥508.4B, 20.2% operating margin
 - Some SPE*¹ sales pulled forward, FS*² business doing well too. Sales surpassed estimates
 - Combined with newly captured processes' contribution to sales, profit ratios surpassed estimates
- Revised full year estimates to reflect H1 results and latest information
- Have repurchased 6.35 million shares since May 2019 (as of September 30, 2019)
 - Total cost of acquisition: ¥104.5B
 - This is 70% of the maximum of ¥150B

Financial Summary

(Billion Yen)

	FY2019		FY2020	YoY Change	(Reference) FY2020 H1 estimates announced on Apr. 26
	H1	H2	H1		
Net sales	691.0	587.2	508.4	-26.4%	490.0
SPE	638.4	528.3	470.0	-26.4%	450.0
FPD	52.4	58.7	38.3	-26.9%	40.0
Gross profit	284.1	242.0	204.5	-28.0%	192.0
Gross profit margin	41.1%	41.2%	40.2%	-0.9pts	39.2%
SG&A expenses	108.6	106.9	102.0	-6.1%	107.0
Operating income	175.4	135.1	102.4	-41.6%	85.0
Operating margin	25.4%	23.0%	20.2%	-5.2pts	17.3%
Income before income taxes	181.1	140.4	106.6	-41.1%	85.0
Net income attributable to owners of parent	135.2	112.9	78.7	-41.8%	63.0
R&D expenses	57.3	56.6	56.8	-0.8%	
Capital expenditures	22.9	26.8	29.6	+29.3%	
Depreciation and amortization	10.7	13.6	12.8	+19.7%	

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 Summary (Quarterly)

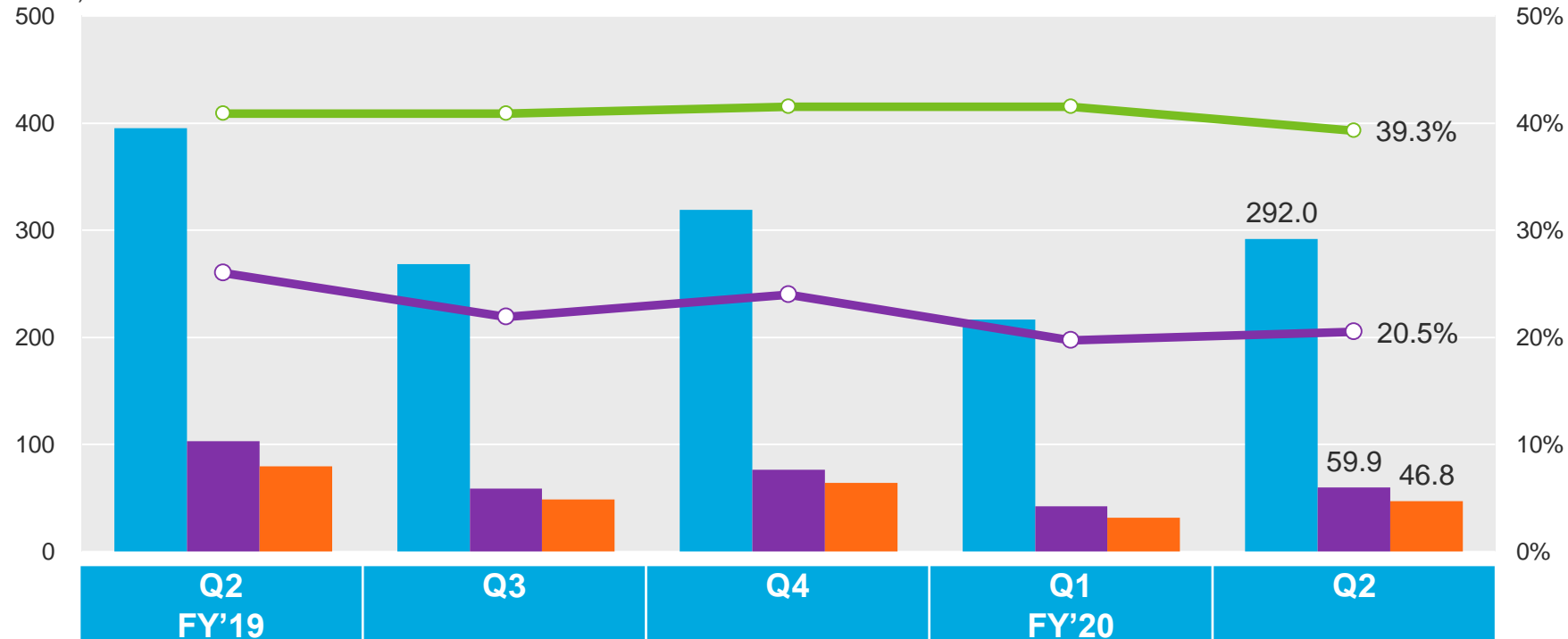
(Billion Yen)

	FY2019			FY2020		vs. Q1 FY2020
	Q2	Q3	Q4	Q1	Q2	
Net sales	395.4	268.1	319.0	216.4	292.0	+34.9%
SPE	358.0	239.5	288.7	198.1	271.8	+37.2%
FPD	37.3	28.5	30.1	18.2	20.1	+10.3%
Gross profit	161.6	109.7	132.2	89.8	114.6	+27.5%
Gross profit margin	40.9%	40.9%	41.5%	41.5%	39.3%	-2.2pts
SG&A expenses	58.6	51.0	55.8	47.3	54.7	+15.6%
Operating income	103.0	58.7	76.4	42.5	59.9	+40.8%
Operating margin	26.0%	21.9%	24.0%	19.7%	20.5%	+0.8pts
Income before income taxes	105.8	60.5	79.8	44.5	62.0	+39.2%
Net income attributable to owners of parent	79.5	48.8	64.1	31.8	46.8	+46.8%
R&D expenses	31.2	26.5	30.0	25.6	31.2	+21.5%
Capital expenditures	13.2	11.8	14.9	7.6	22.0	+188.2%
Depreciation and amortization	5.6	6.2	7.3	6.0	6.7	+11.1%

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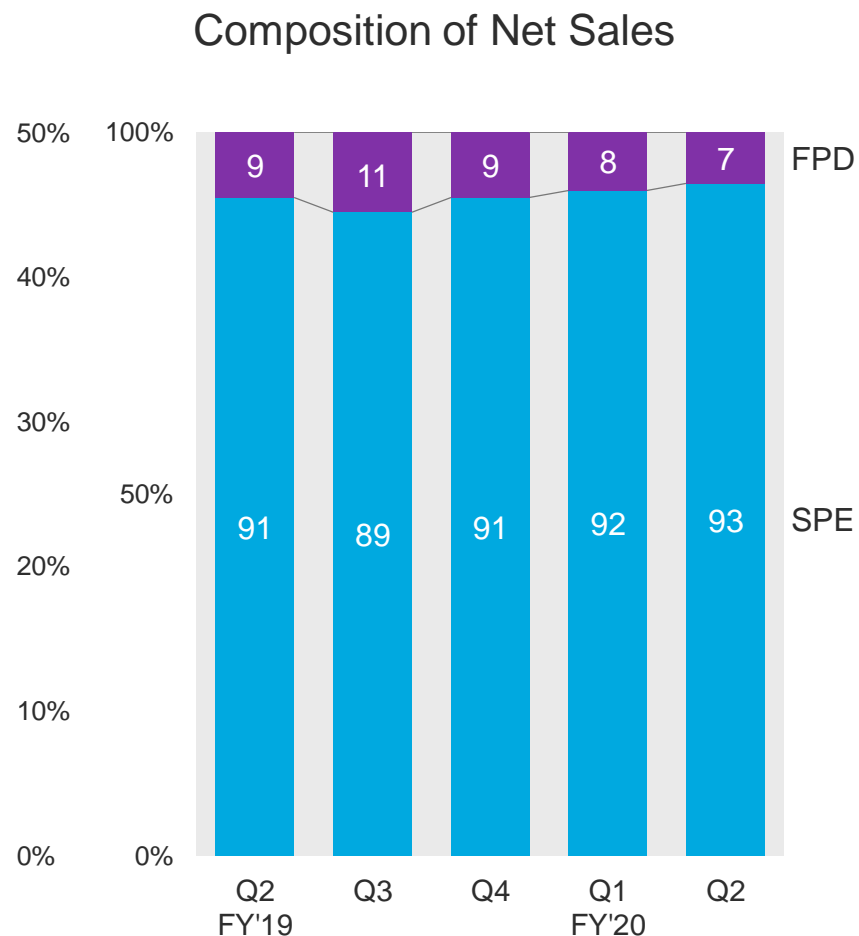
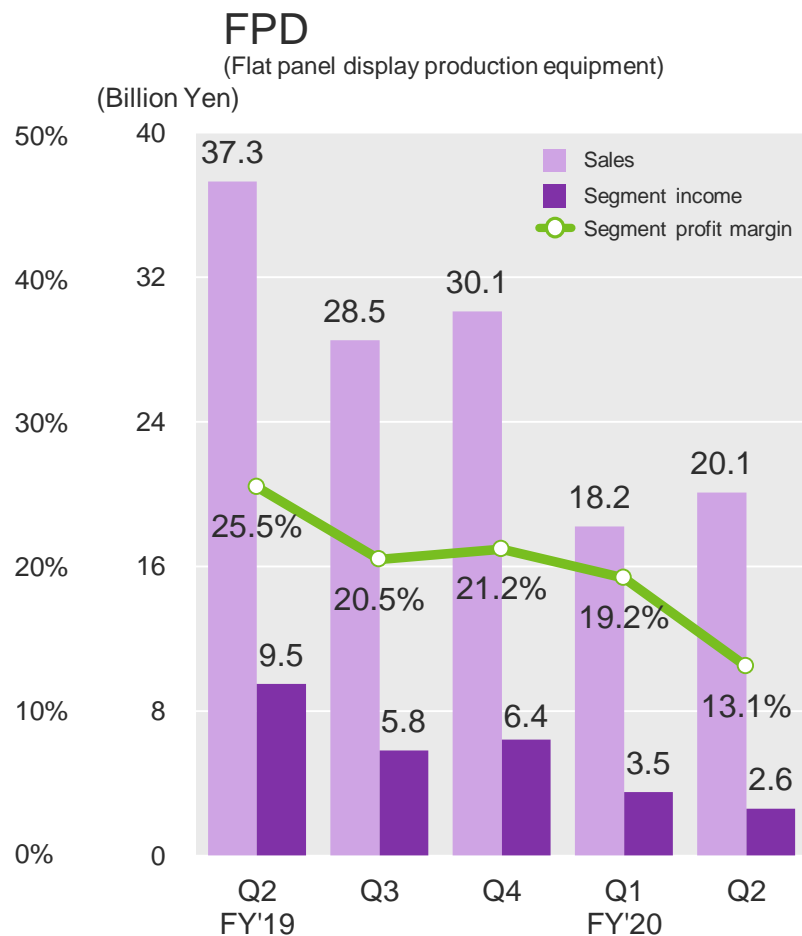
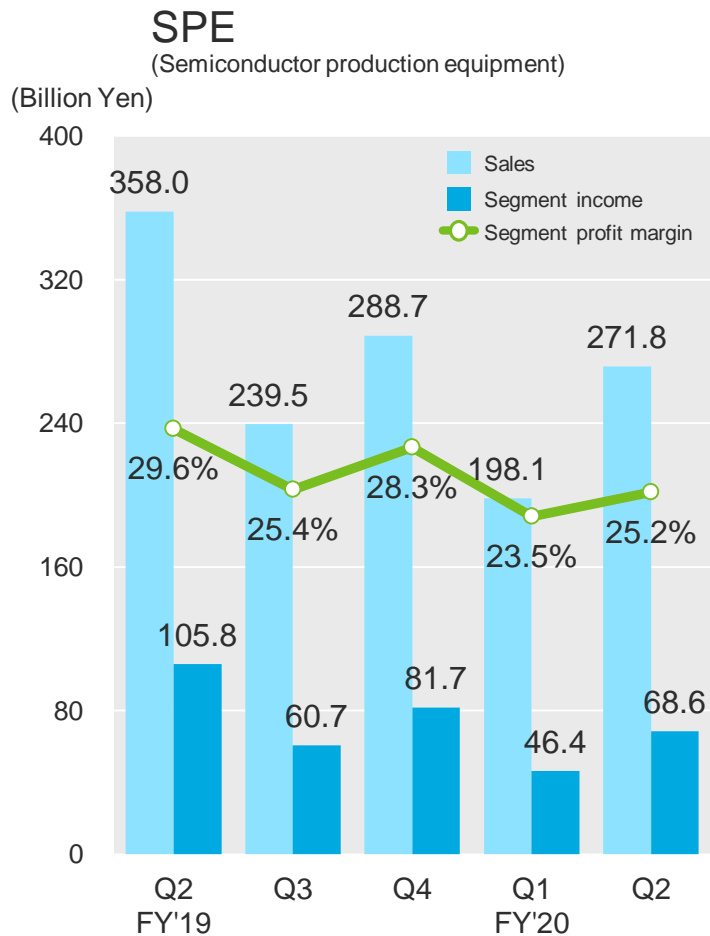
Financial Performance (Quarterly)

(Billion Yen)



	Q2 FY'19	Q3	Q4	Q1 FY'20	Q2
Net sales	395.4	268.1	319.0	216.4	292.0
Operating income	103.0	58.7	76.4	42.5	59.9
Net income attributable to owners of parent	79.5	48.8	64.1	31.8	46.8
Gross profit margin	40.9%	40.9%	41.5%	41.5%	39.3%
Operating margin	26.0%	21.9%	24.0%	19.7%	20.5%

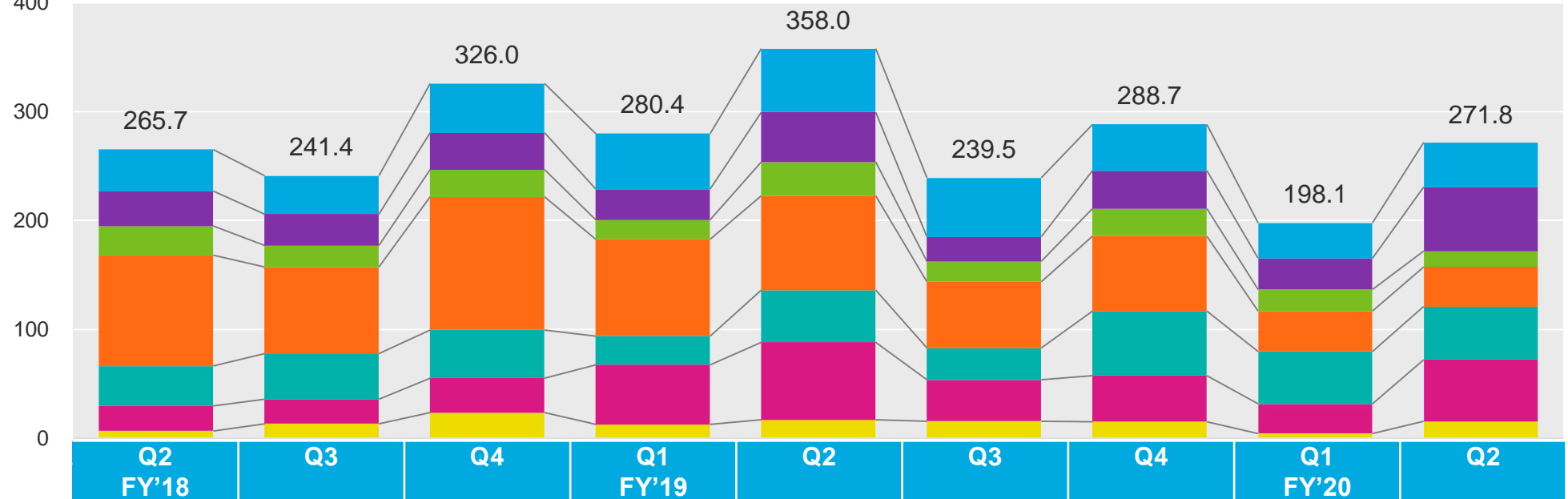
Segment Information (Quarterly)



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.

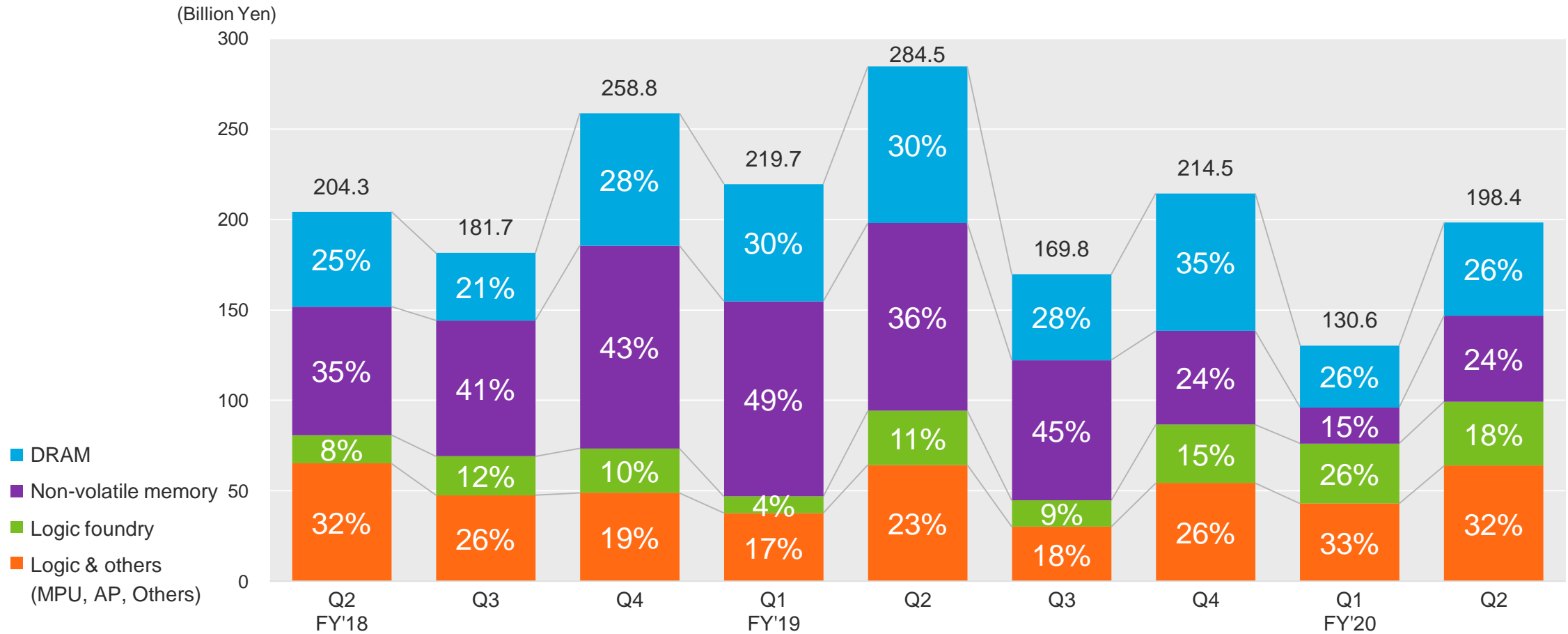
SPE Division: Sales by Region (Quarterly)

(Billion Yen)
400



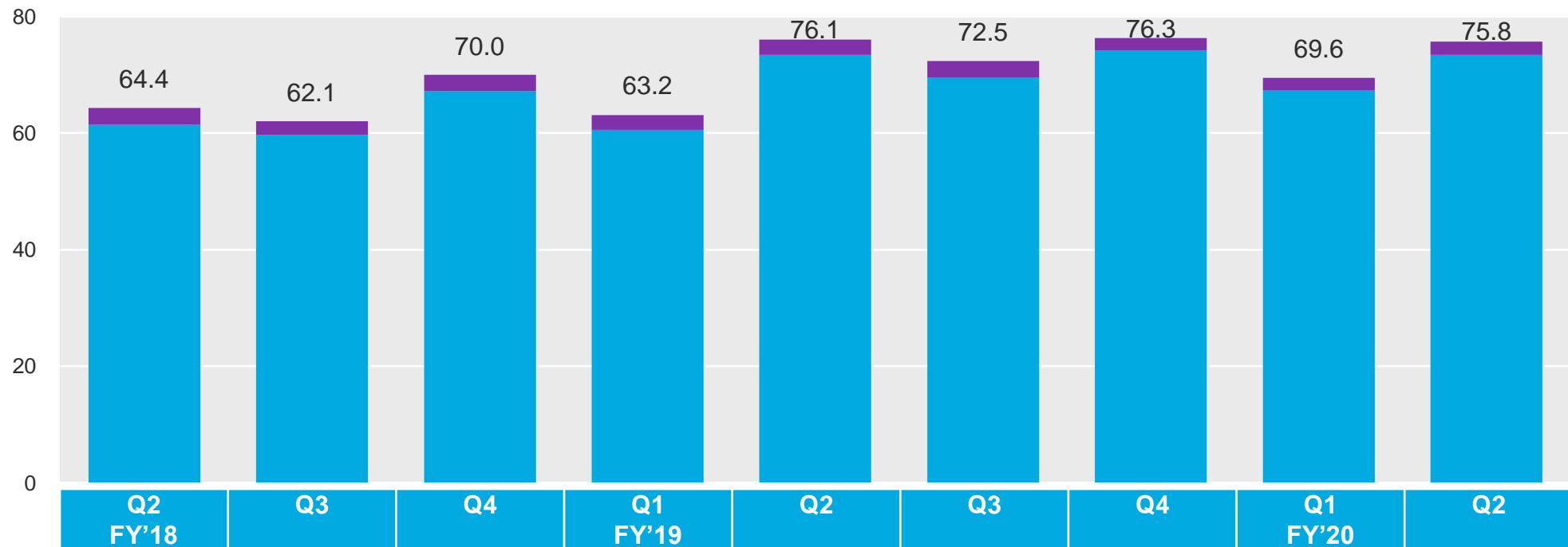
	Q2 FY'18	Q3	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2
Japan	38.4	35.1	45.1	51.1	58.0	54.0	42.7	32.5	41.0
North America	32.0	29.1	33.9	28.4	45.9	22.7	34.7	28.5	58.8
Europe	26.9	19.6	25.0	17.7	31.3	18.6	25.3	20.2	14.4
South Korea	101.7	79.4	122.3	88.9	86.5	60.9	68.9	36.9	36.4
Taiwan	36.6	42.1	44.3	26.3	48.0	29.3	59.1	48.3	48.7
China	23.0	22.6	31.8	54.9	71.3	38.0	42.5	27.0	56.8
S. E. Asia, Others	6.7	13.2	23.4	12.7	16.8	15.6	15.2	4.4	15.5

SPE Division: New Equipment Sales by Application (Quarterly)



Field Solutions Sales (Quarterly)

(Billion Yen)

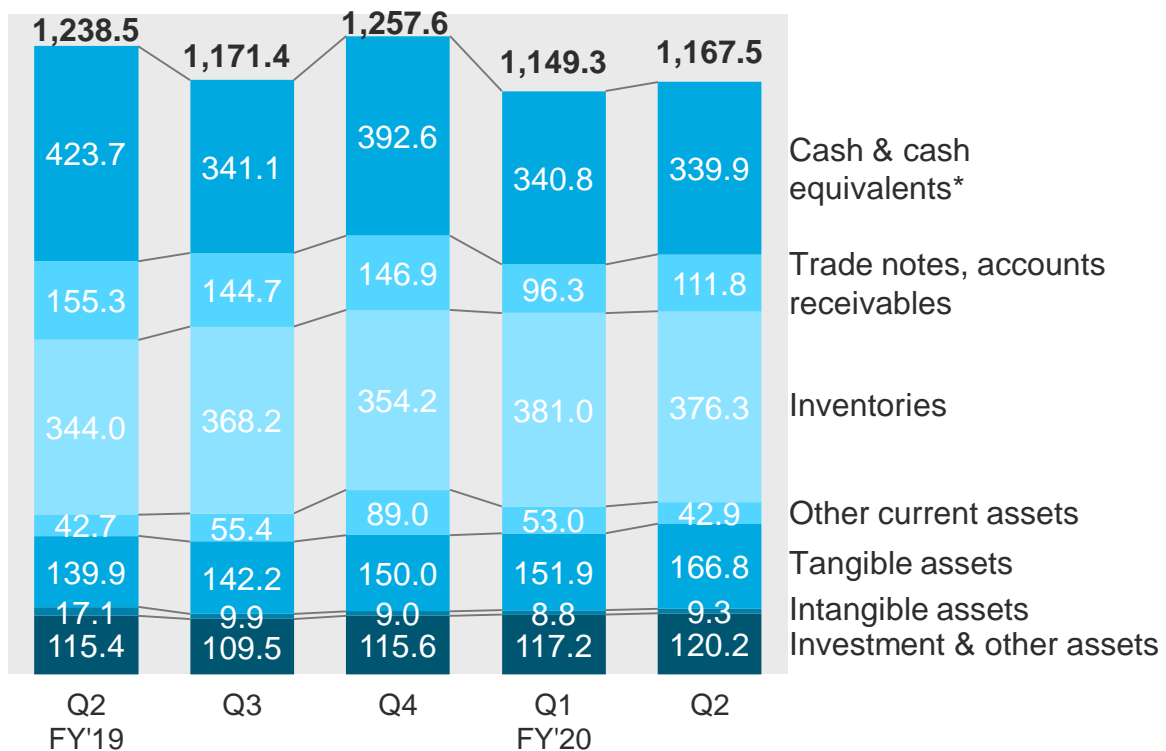


■ SPE Sales	61.4	59.7	67.2	60.6	73.4	69.6	74.2	67.4	73.4
■ FPD Sales	2.9	2.4	2.8	2.5	2.7	2.8	2.1	2.1	2.3

Balance Sheet (Quarterly)

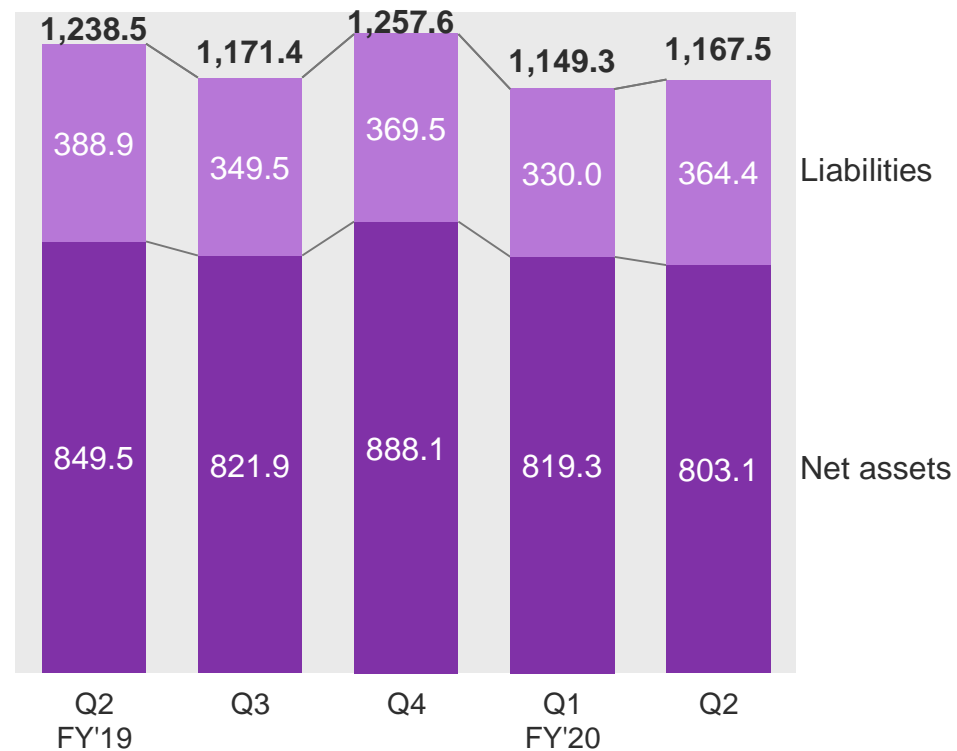
Assets

(Billion Yen)

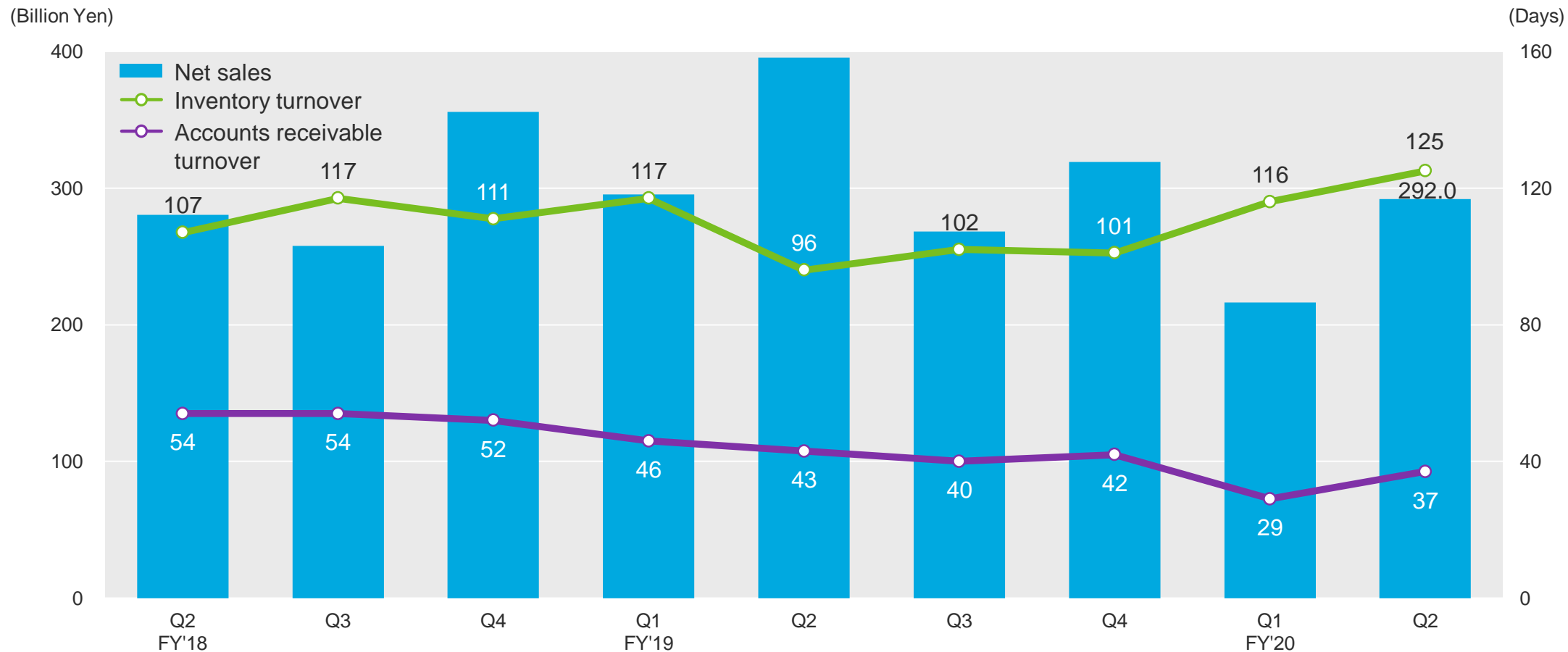


Liabilities & Net Assets

(Billion Yen)

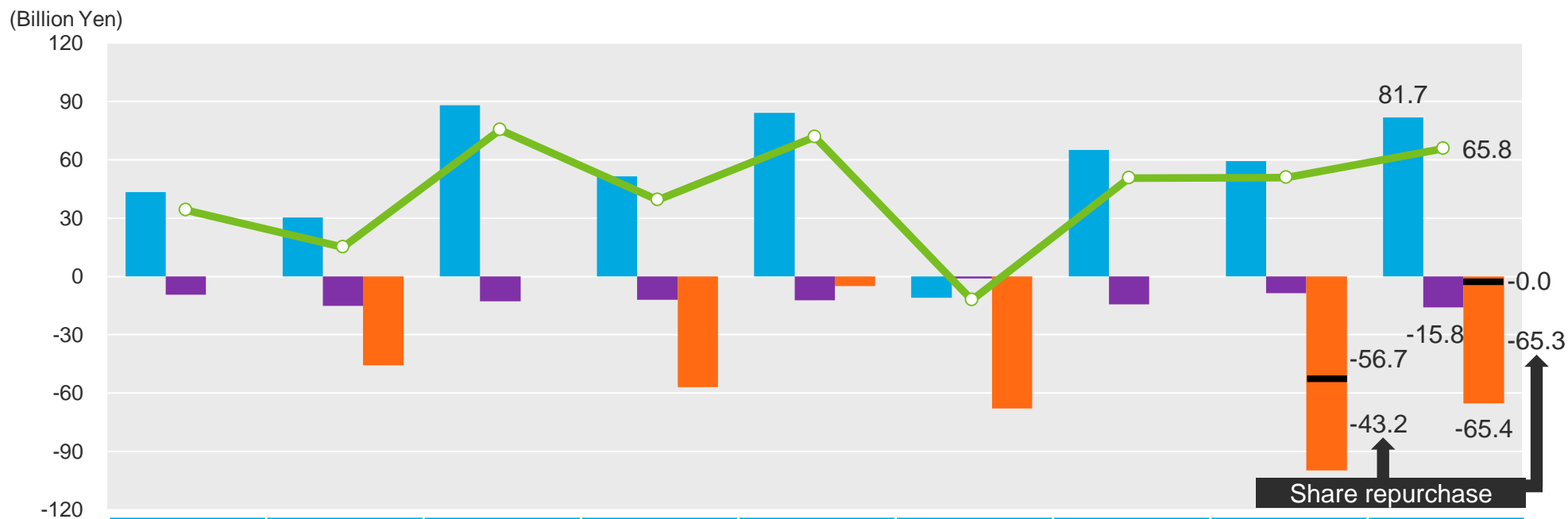


Inventory Turnover and Accounts Receivable Turnover (Quarterly)



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

Cash Flow (Quarterly)



	Q2 FY'18	Q3	Q4	Q1 FY'19	Q2	Q3	Q4	Q1 FY'20	Q2
Cash flow from operating activities	43.4	30.4	88.1	51.4	84.0	-11.0	65.0	59.4	81.7
Cash flow from investing activities* ¹	-9.4	-15.2	-12.8	-12.1	-12.2	-1.1	-14.4	-8.5	-15.8
Cash flow from financing activities	-0.0	-45.7	-0.0	-56.9	-5.0	-67.8	-0.0	-99.9	-65.4
Free cash flow* ²	34.0	15.1	75.3	39.3	71.7	-12.1	50.5	50.9	65.8
Cash on hand* ³	329.9	301.2	373.8	355.5	423.7	341.1	392.6	340.8	339.9

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

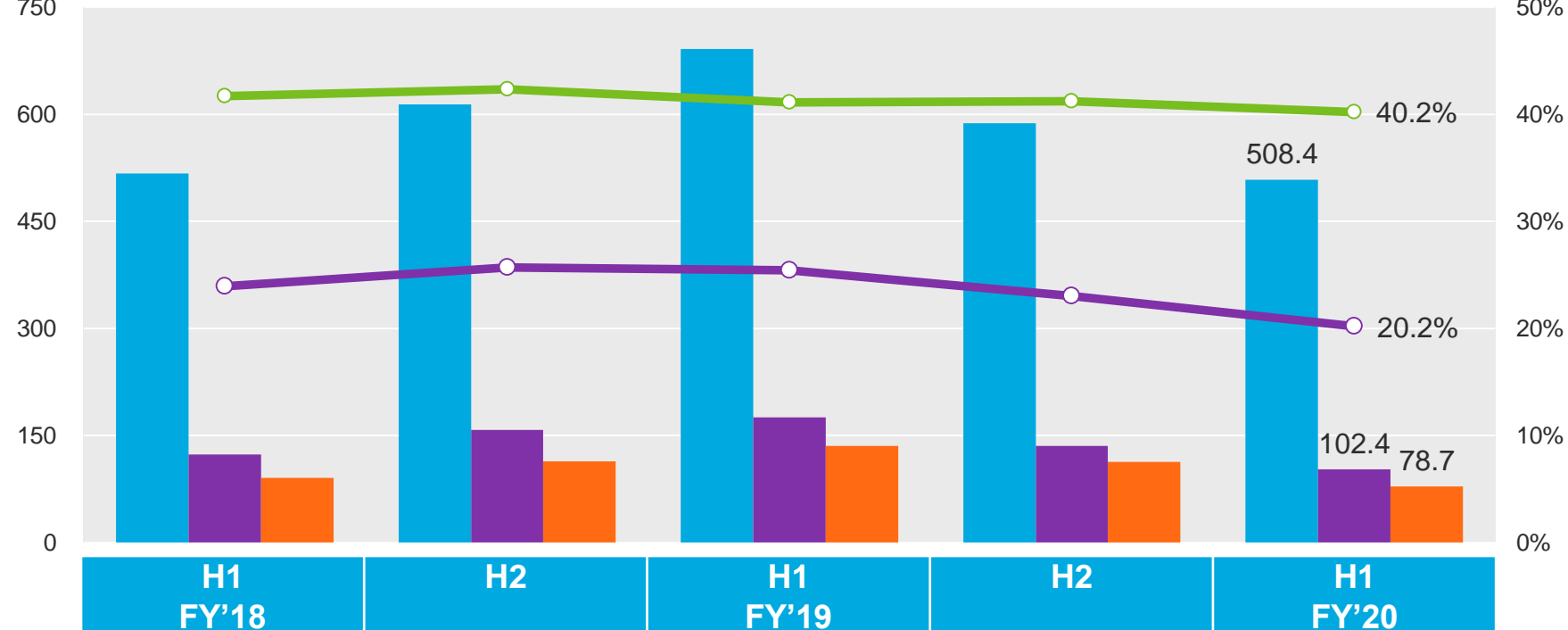
*2 Free cash flow = cash flow from operating activities + cash flow from investing activities excluding changes in deposits with periods to maturity of over 3 months.

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

Appendix

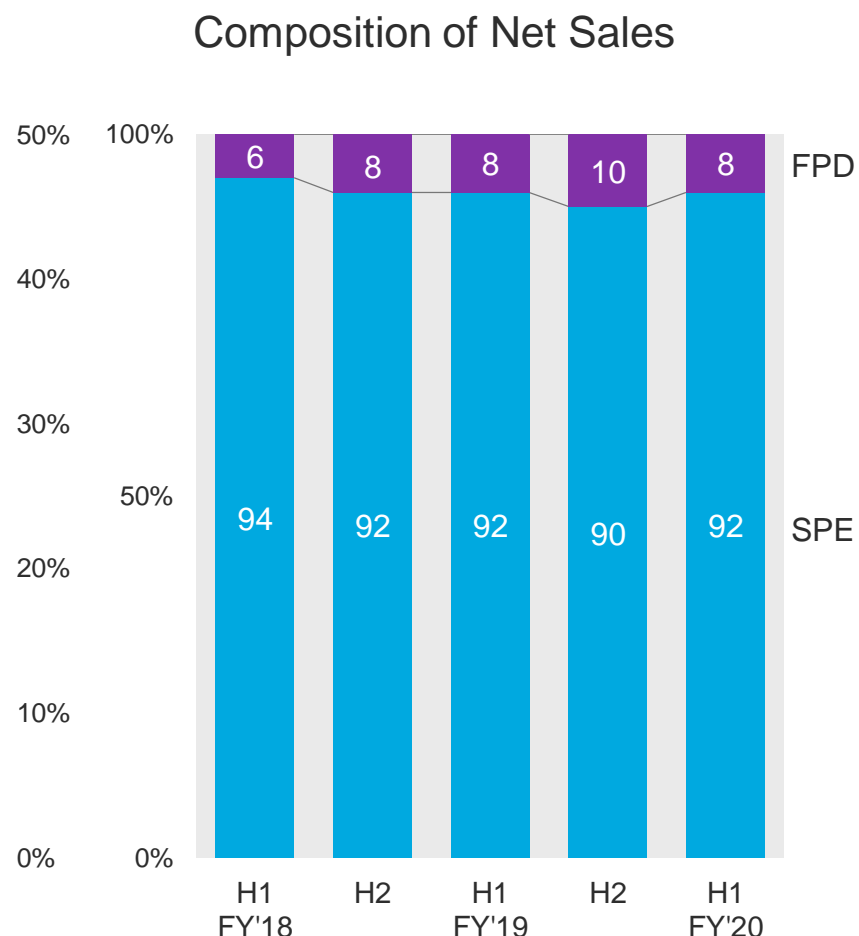
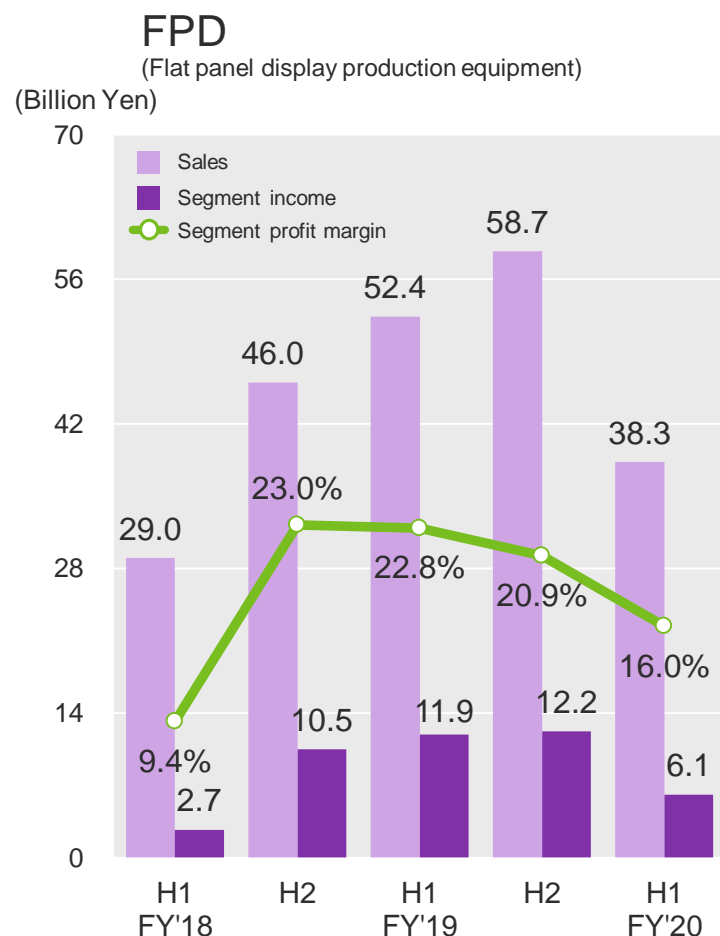
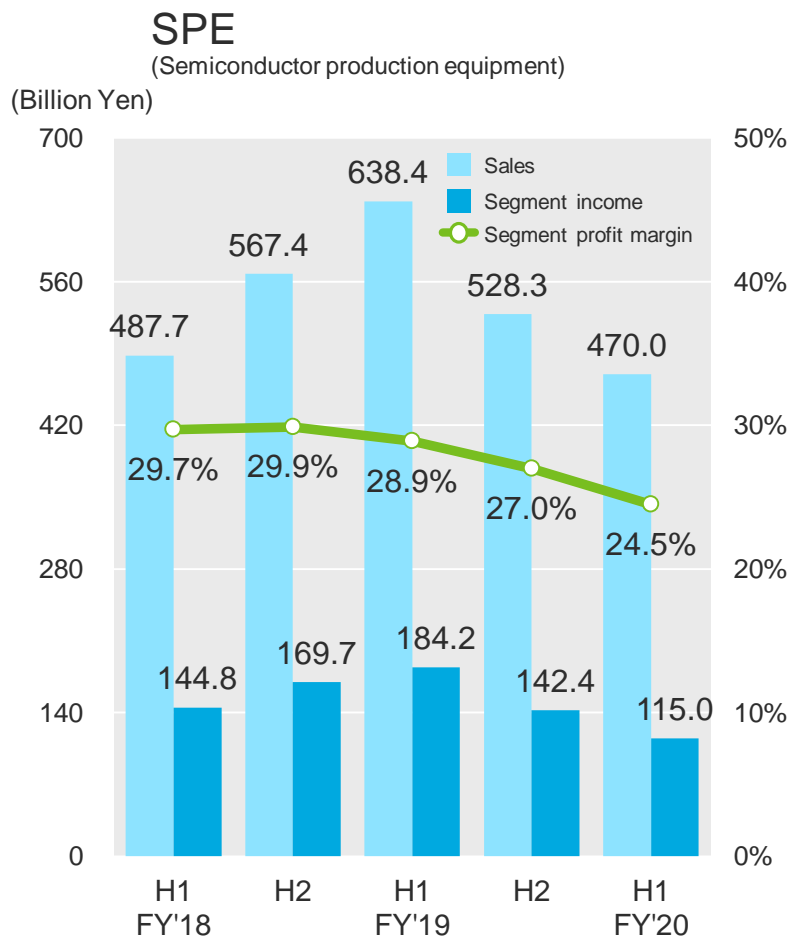
Financial Performance

(Billion Yen)
750



Net sales	516.9	613.7	691.0	587.2	508.4
Operating income	123.3	157.8	175.4	135.1	102.4
Net income attributable to owners of parent	90.6	113.7	135.2	112.9	78.7
Gross profit margin	41.7%	42.3%	41.1%	41.2%	40.2%
Operating margin	23.9%	25.7%	25.4%	23.0%	20.2%

Segment Information



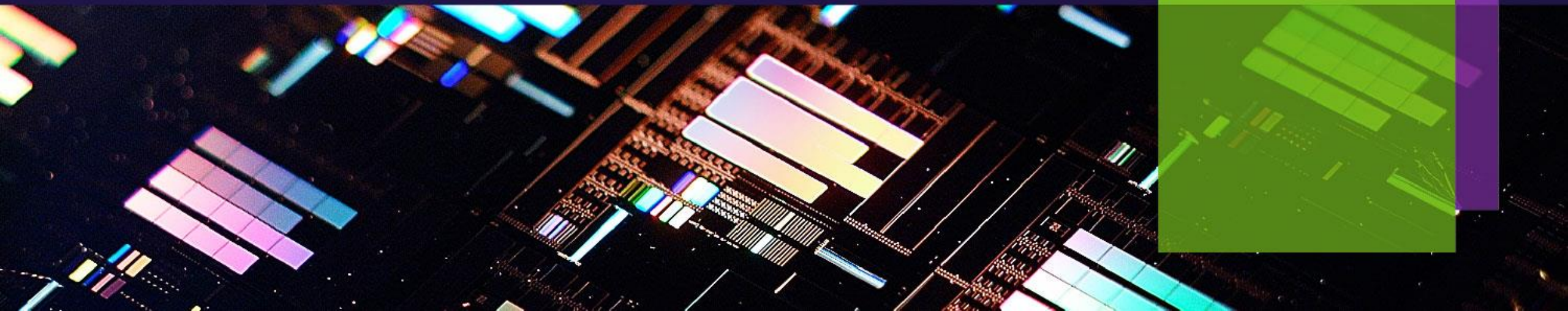
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Business Environment and Financial Estimates Revisions

October 31, 2019

Toshiki Kawai
Representative Director, President & CEO



Business Environment (Outlook as of October 2019)

▶ WFE*¹ capex

We see CY2019 investment ending down 15-20% YoY. There is solid investment for logic/foundry, and with inventory adjustments in memory proceeding, we expect a recovery in memory investment in CY2020

▶ FPD production equipment capex for TFT array process*²

In CY2019, although capex will decrease around 30% YoY due to adjustment in capex for small/medium panels for mobile and large panels, investment has been recovering from H2, just as expected

*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 Outlook by Application

No change to market outlook announced with the Q1 FY2020 results

- 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 (Q2)

- SPE business strategy progress continues as planned
 - Advancing capture of POR*¹ in key fields
 - Etch: Continued to capture POR in the IoT/automotive sectors for second consecutive quarter
 - Deposition: Captured POR for ALD and batch deposition processes in leading-edge logic
 - Clean: Promotion of bevel cleaning progressing well, received orders from new customer
 - Introduced 200mm demo equipment to BRIDG*² and prepared environment for developing semiconductor production equipment and process technology for automotive and industry
- Launched new FPD production equipment product
 - Released Elius™ 500 Pro inkjet printing system for manufacturing OLED panels for development line

*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

FY2020 Financial Estimates Revisions

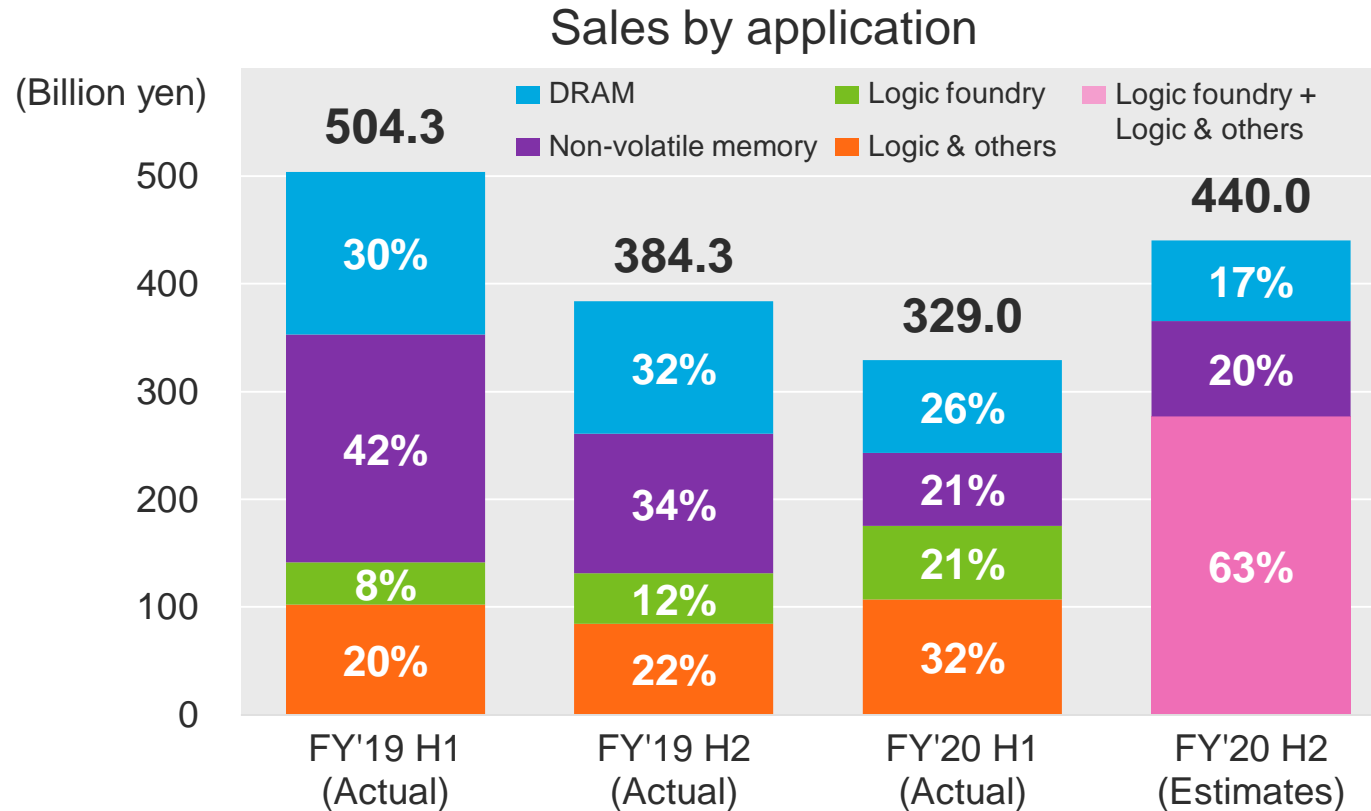
Revision of FY2020 Financial Estimates

(Billion yen)

	FY2019 (Actual)	FY2020 (Estimates)				Full year YoY change
		1 st half	2 nd half	Full year		
		Actual	New estimates	New estimates	Adjustments*1	
Net sales	1,278.2	508.4	601.5	1,110.0	+10.0	-13.2%
SPE	1,166.7	470.0	564.9	1,035.0	+5.0	-11.3%
FPD	111.2	38.3	36.4	74.8	+4.8	-32.8%
Gross profit	526.1	204.5	240.4	445.0	+4.0	-81.1
Gross profit margin	41.2%	40.2%	40.0%	40.1%	0pts	-1.1pts
SG&A expenses	215.6	102.0	117.9	220.0	-1.0	+4.3
Operating income	310.5	102.4	122.5	225.0	+5.0	-85.5
Operating margin	24.3%	20.2%	20.4%	20.3%	+0.3pts	-4.0pts
Income before income taxes	321.5	106.6	122.3	229.0	+9.0	-92.5
Net income attributable to owners of parent	248.2	78.7	91.2	170.0	+6.0	-78.2
Net income per share (Yen)	1,513.58	490.18	-	1,068.83	+53.62	-444.75

Sales pulled forward versus initial plan; revised full year estimates

FY2020 SPE Division New Equipment Sales Forecast



Some sales pulled forward from H2 plan to H1.
Logic/foundry sales to grow significantly in H2

FY2020 R&D Expenses, Capex Plan

- 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

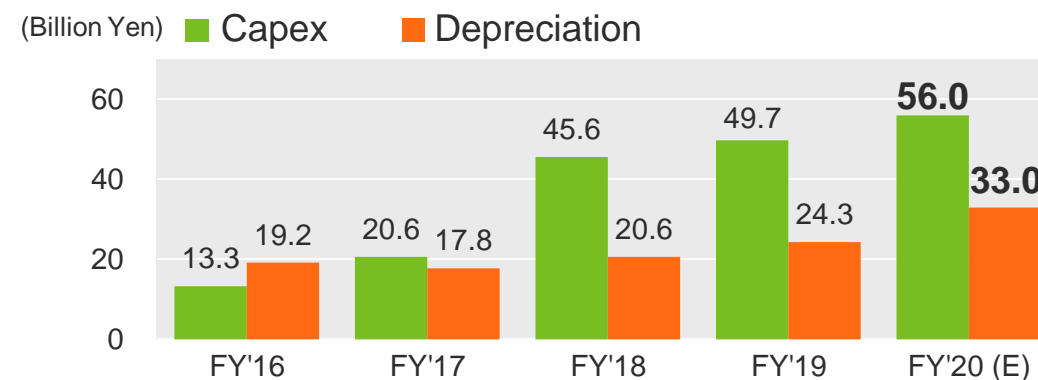
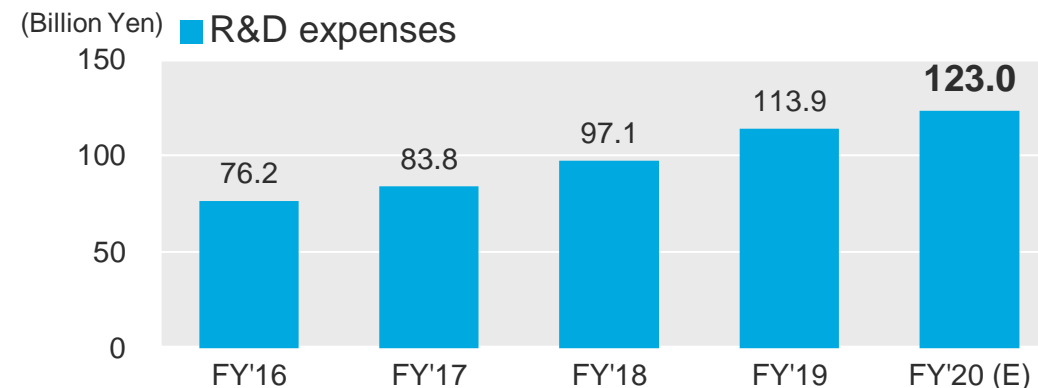
(deposition systems, gas chemical etch systems, test systems)



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

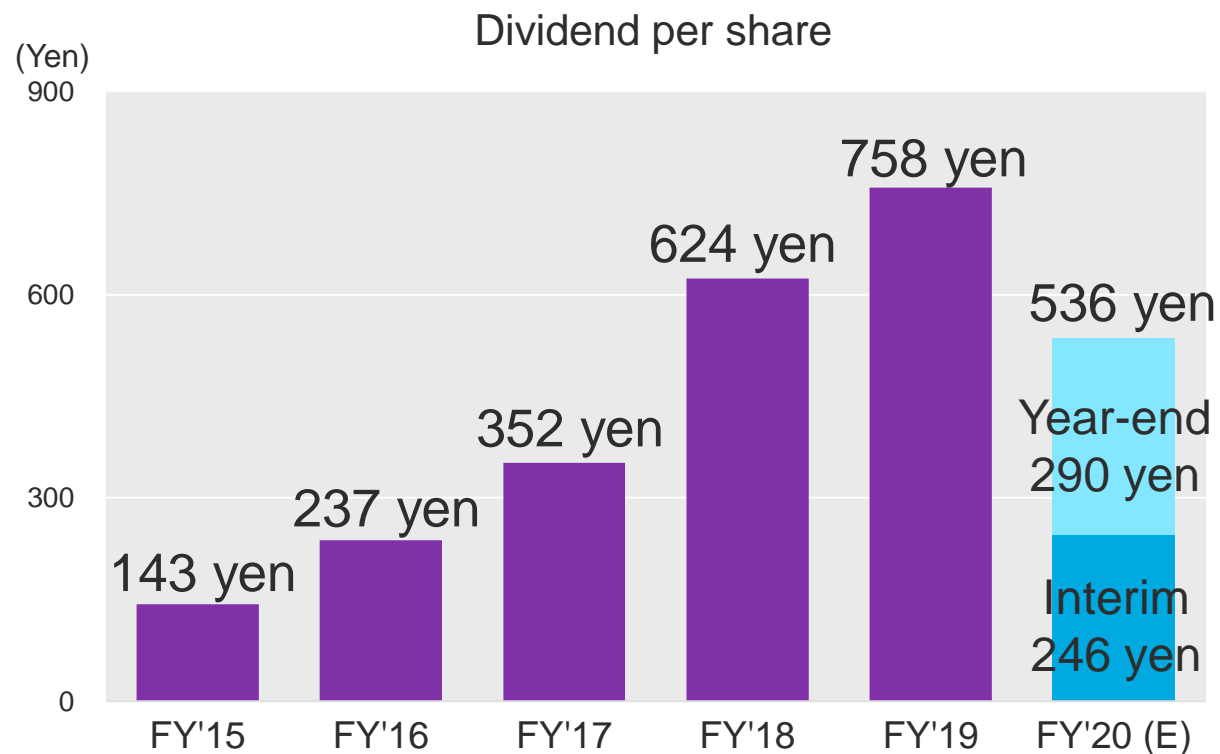


Oshu City, Iwate Prefecture:
approx. ¥13.0B construction cost
(Began construction in October 2018, 1st phase
completed October 2019, 2nd phase completion
scheduled for November 2020)



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

Interim dividend reflected results of H1 share buybacks.
Year-end dividend to be revised according to H2 share buybacks

TEL™

TOKYO ELECTRON