

# Q3 FY2021 (October – December 2020) Financial Announcement

January 28, 2021

Agenda:

- Q3 FY2021 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.

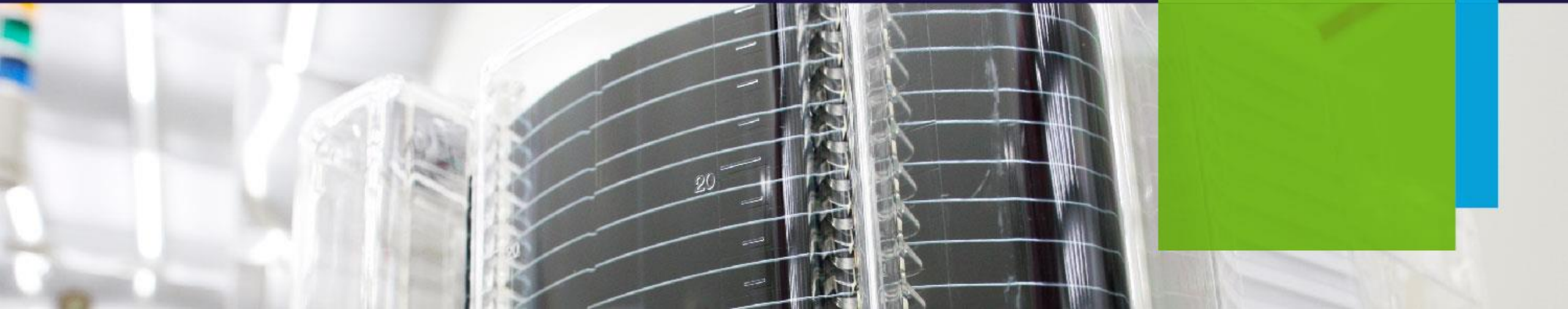
FPD: Flat panel display

# Q3 FY2021 Consolidated Financial Summary

January 28, 2021

Yoshikazu Nunokawa

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



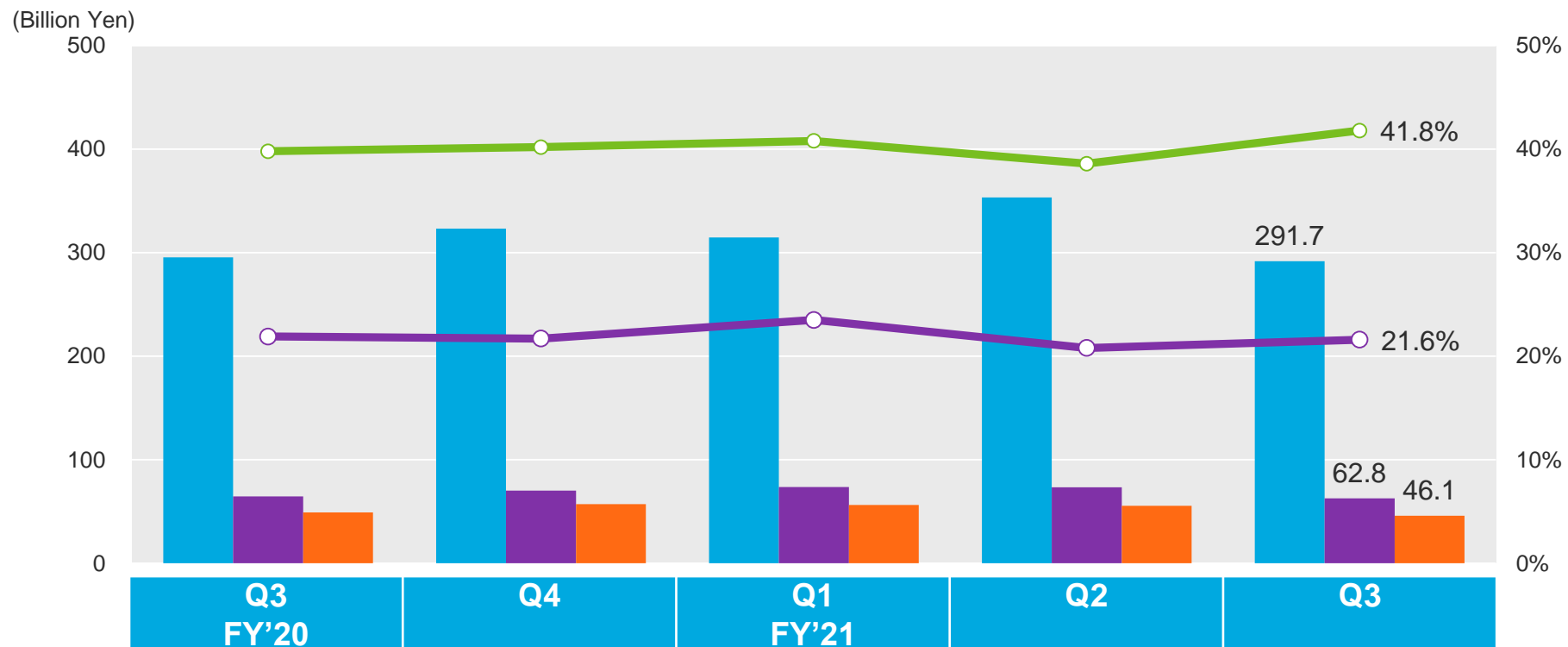
# Financial Summary

(Billion Yen)

	FY2020		FY2021			vs. Q2 FY2021
	Q3	Q4	Q1	Q2	Q3	
Net sales	295.4	323.3	314.8	353.3	291.7	-17.4%
SPE	282.0	308.9	303.7	331.6	264.3	-20.3%
FPD	13.3	14.3	11.0	21.6	27.3	+26.7%
Gross profit	117.5	129.8	128.4	136.3	121.9	-10.6%
Gross profit margin	39.8%	40.2%	40.8%	38.6%	41.8%	+3.2pts
SG&A expenses	52.8	59.7	54.6	62.7	59.0	-5.9%
Operating income	64.7	70.1	73.8	73.5	62.8	-14.6%
Operating margin	21.9%	21.7%	23.5%	20.8%	21.6%	+0.8pts
Income before income taxes	64.6	73.3	74.6	73.0	62.3	-14.7%
Net income attributable to owners of parent	49.3	57.1	56.4	55.5	46.1	-16.9%
R&D expenses	29.8	33.4	30.1	36.2	33.0	-8.7%
Capital expenditures	13.2	11.7	13.2	14.9	8.8	-40.9%
Depreciation and amortization	7.6	8.6	7.1	8.1	8.8	+9.3%

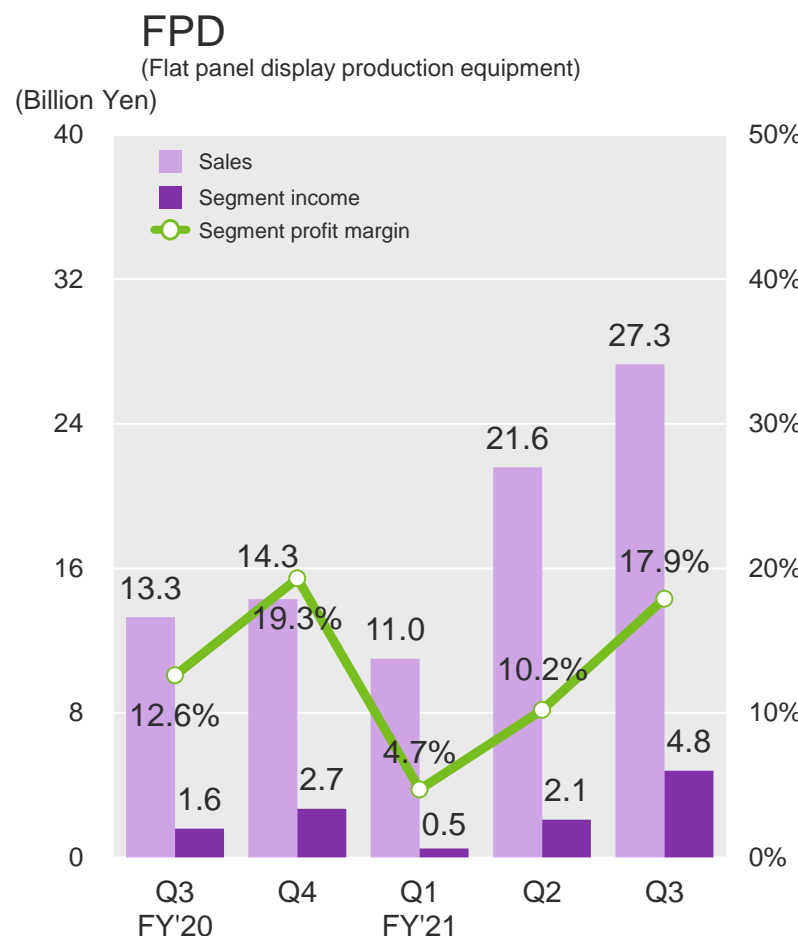
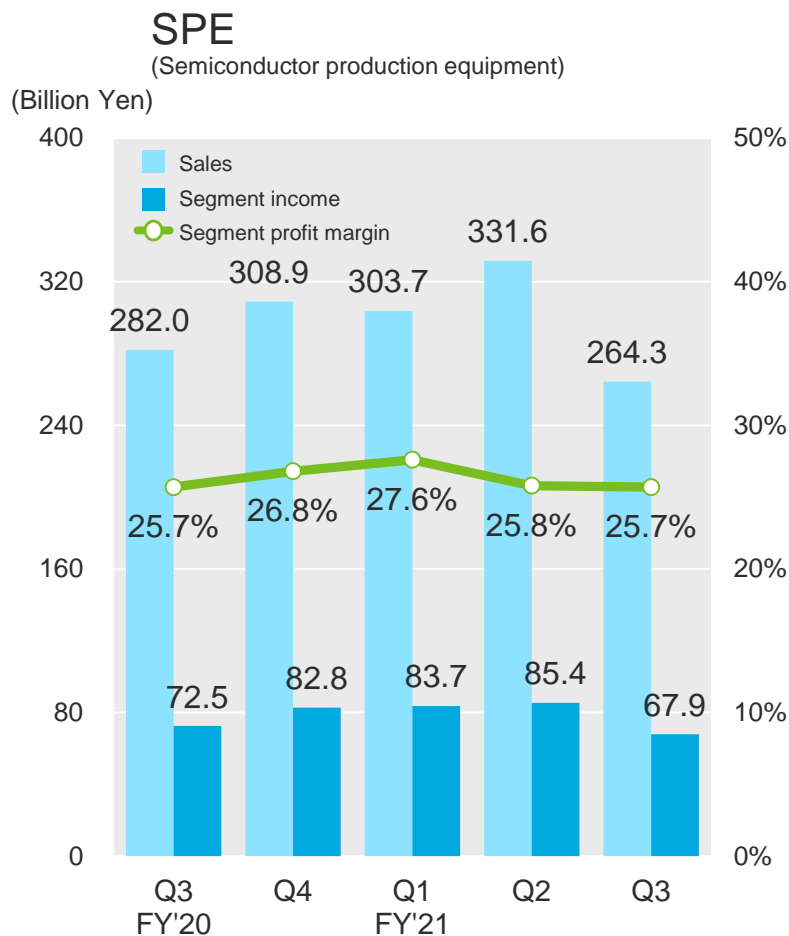
1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated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

# Financial Performance



Net sales	295.4	323.3	314.8	353.3	291.7
Operating income	64.7	70.1	73.8	73.5	62.8
Net income attributable to owners of parent	49.3	57.1	56.4	55.5	46.1
Gross profit margin	39.8%	40.2%	40.8%	38.6%	41.8%
Operating margin	21.9%	21.7%	23.5%	20.8%	21.6%

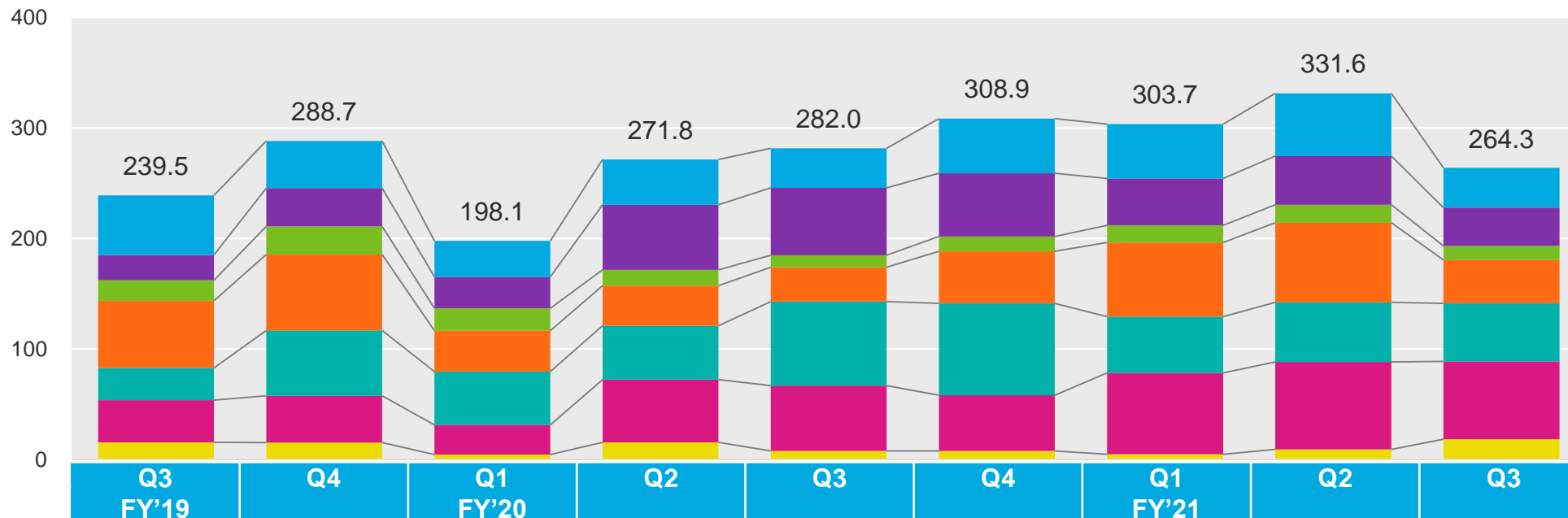
# Segment Information



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.

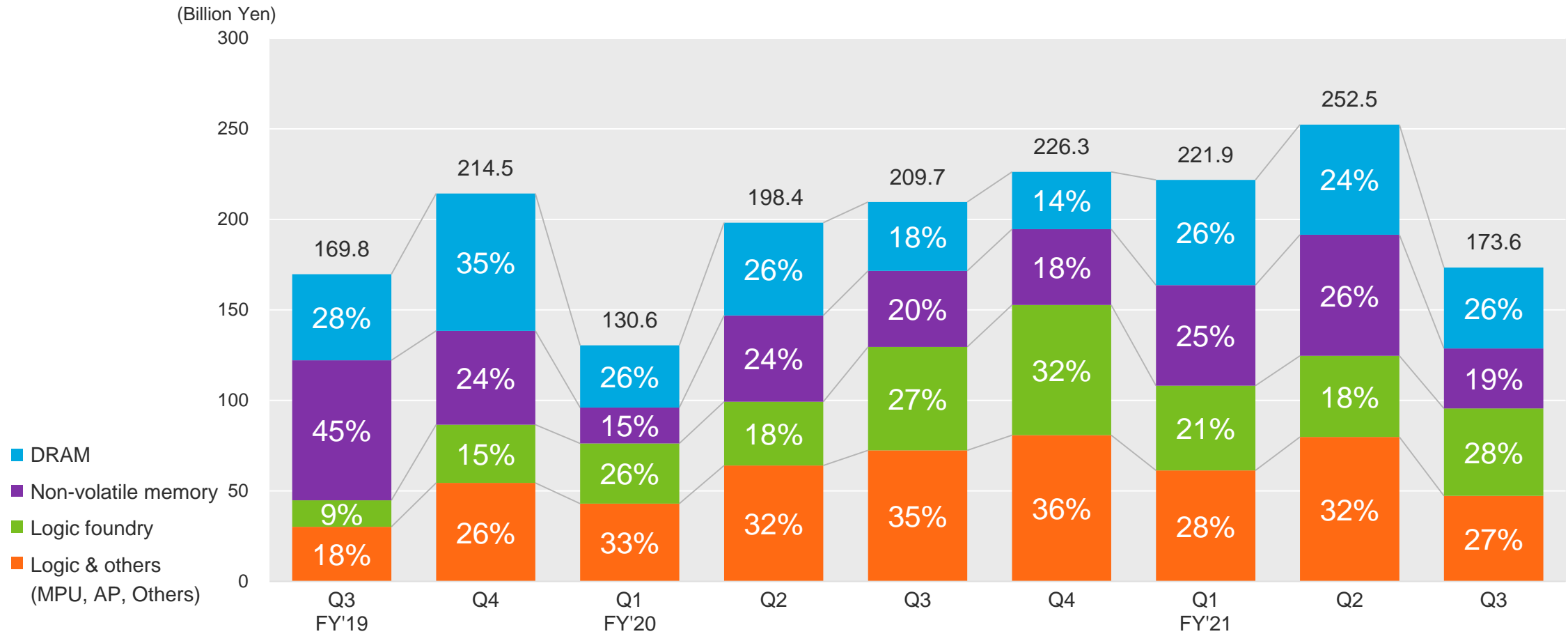
# SPE Division: Sales by Region

(Billion Yen)



	Q3 FY'19	Q4	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21	Q2	Q3
Japan	54.0	42.7	32.5	41.0	35.9	49.6	49.1	56.8	36.1
North America	22.7	34.7	28.5	58.8	61.0	57.2	42.3	44.0	34.5
Europe	18.6	25.3	20.2	14.4	10.8	13.3	15.7	16.3	12.7
South Korea	60.9	68.9	36.9	36.4	31.0	47.1	67.0	72.1	39.3
Taiwan	29.3	59.1	48.3	48.7	76.2	83.1	50.9	53.9	52.5
China	38.0	42.5	27.0	56.8	59.1	50.6	73.9	79.1	70.5
S. E. Asia, Others	15.6	15.2	4.4	15.5	7.7	7.7	4.6	9.2	18.4

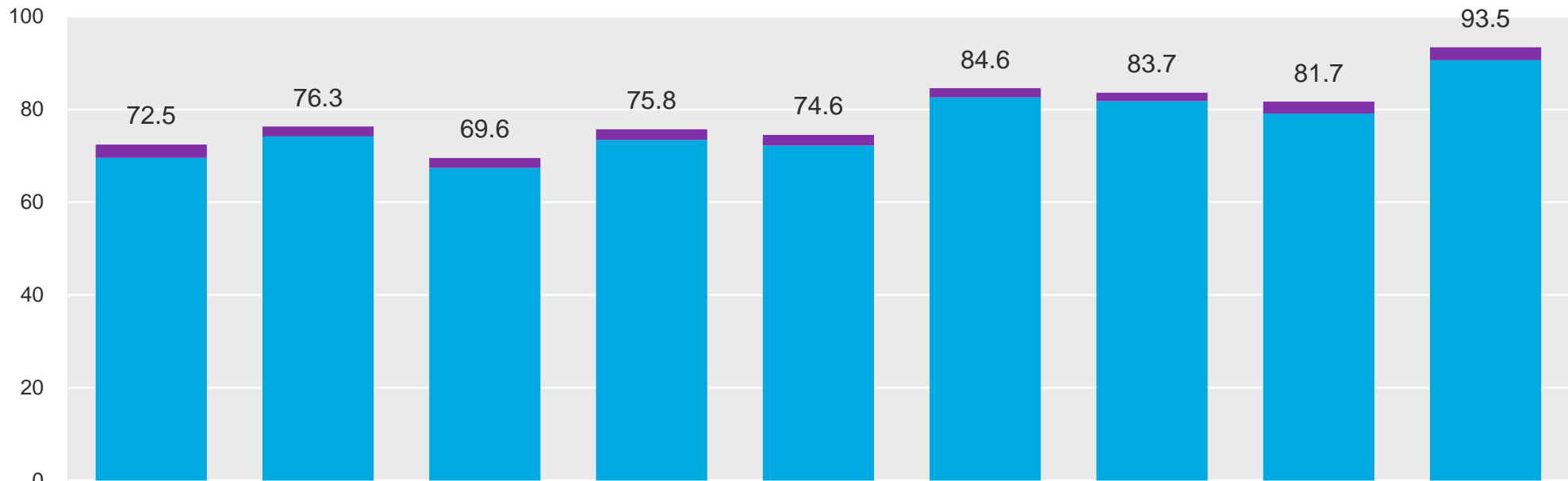
# SPE Division: New Equipment Sales by Application





# Field Solutions Sales

(Billion Yen)

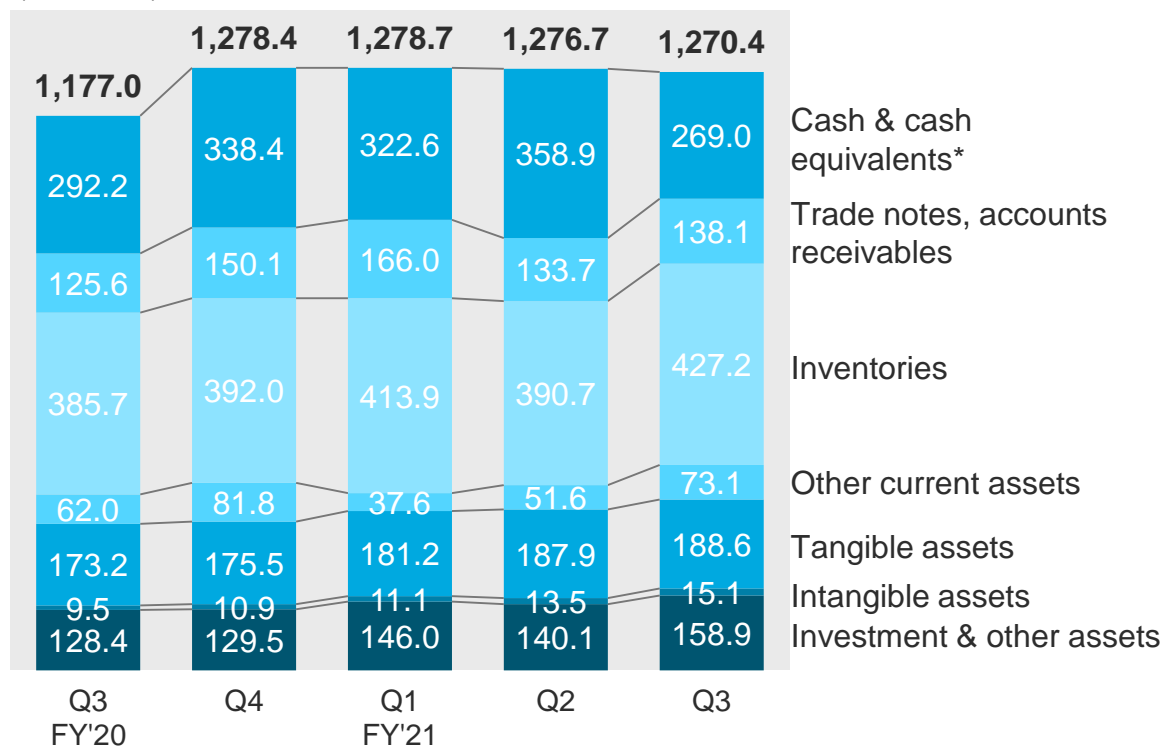


	Q3 FY'19	Q4	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21	Q2	Q3
SPE Sales	69.6	74.2	67.4	73.4	72.2	82.6	81.8	79.1	90.6
FPD Sales	2.8	2.1	2.1	2.3	2.3	2.0	1.8	2.6	2.8

# Balance Sheet

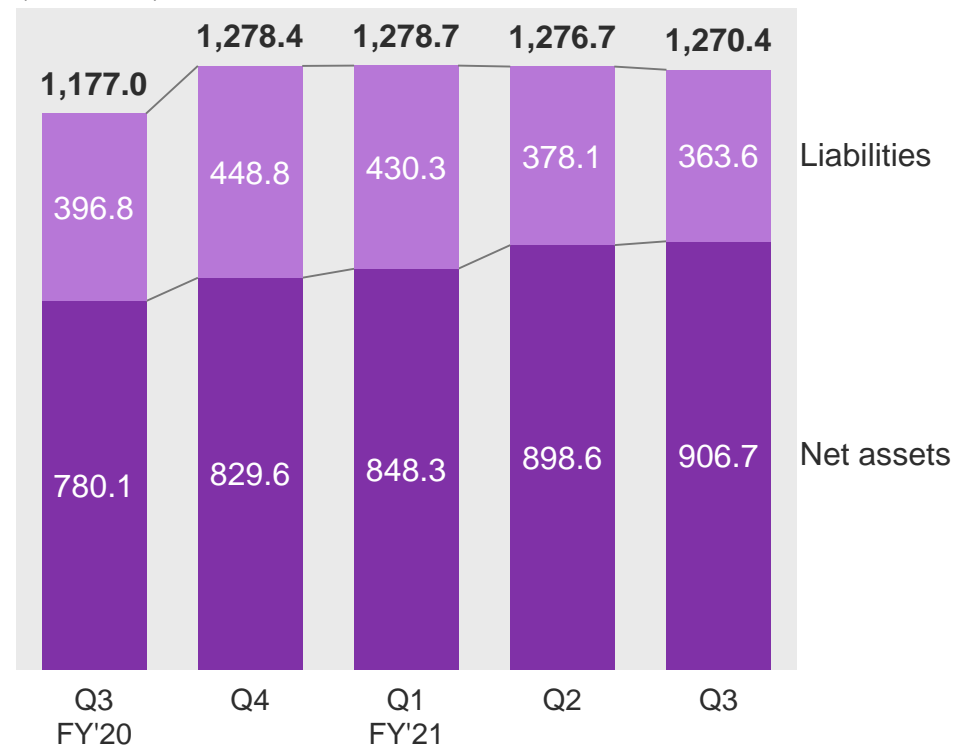
## Assets

(Billion Yen)



## Liabilities & Net Assets

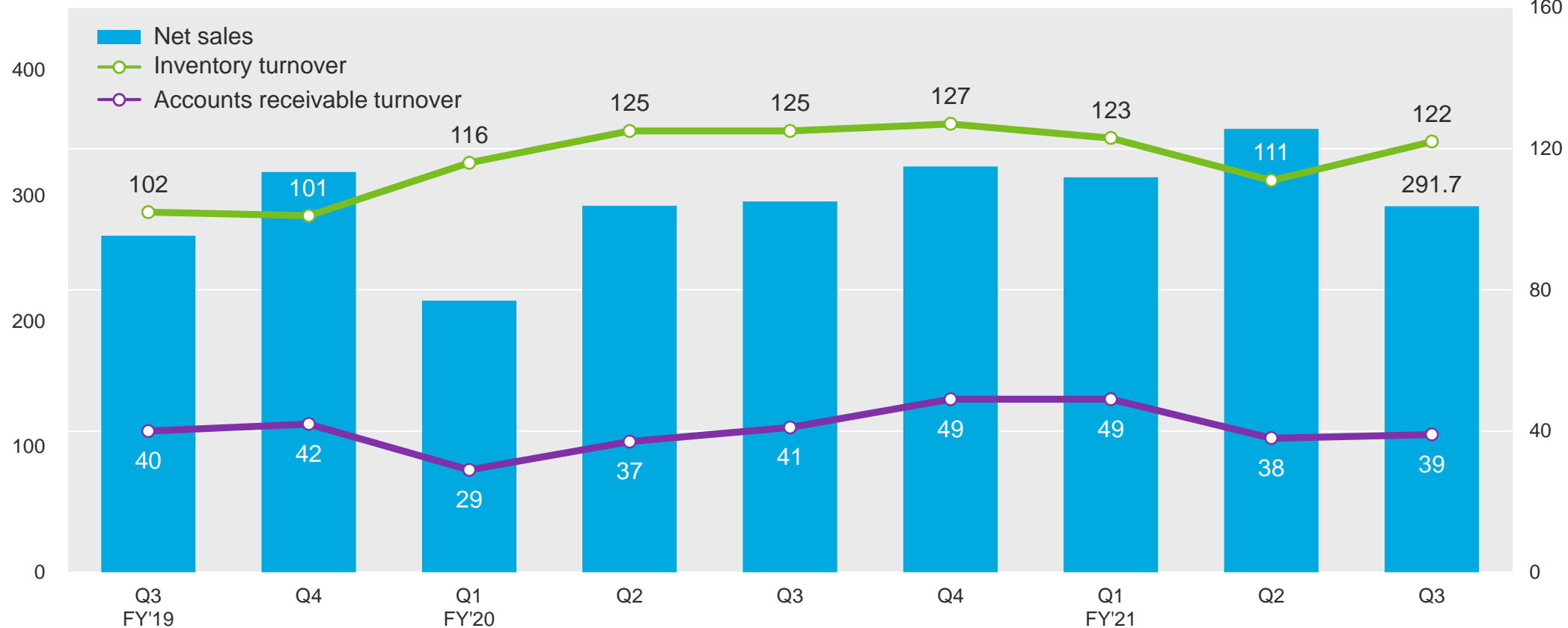
(Billion Yen)



# Inventory Turnover and Accounts Receivable Turnover

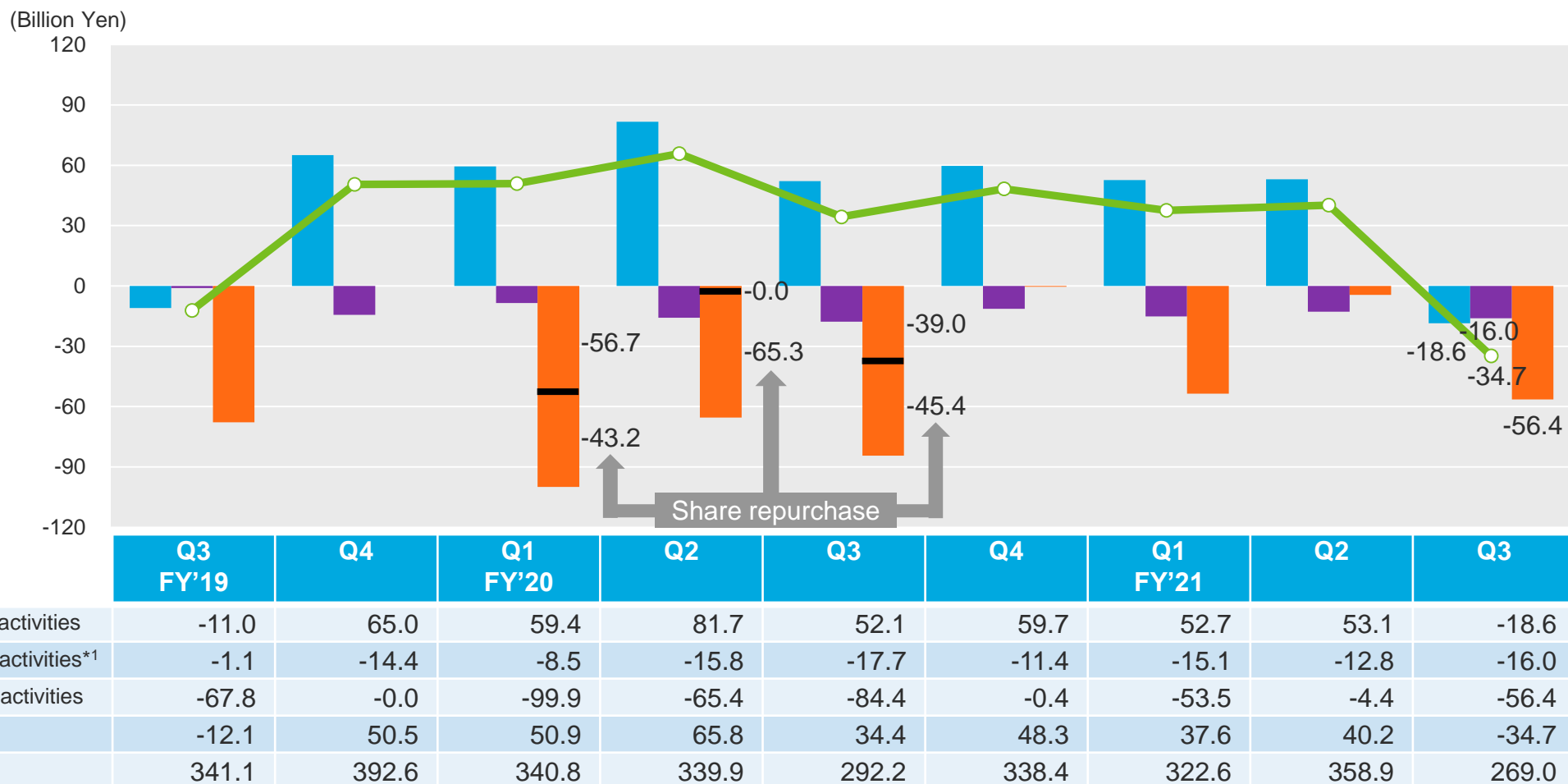
(Billion Yen)

(Days)



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

# Cash Flow



\*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).

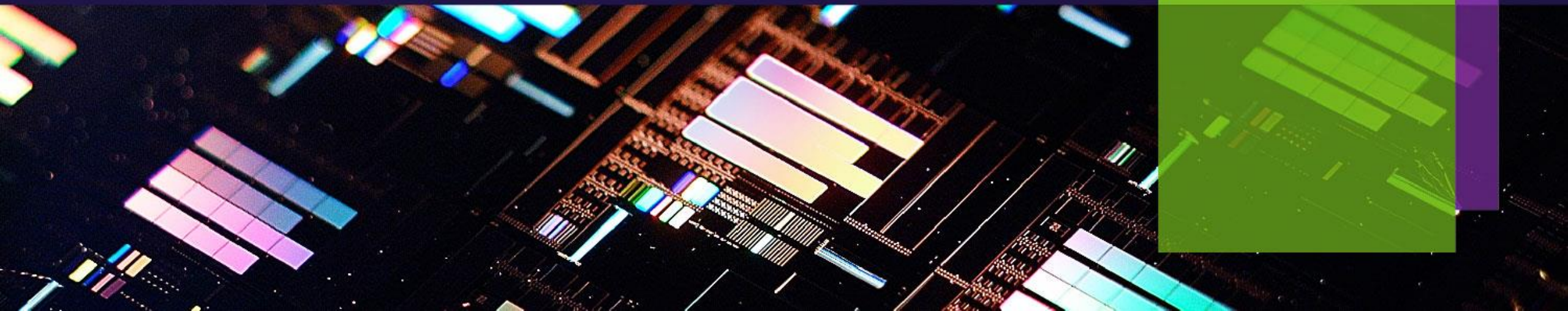
\*3 Cash on hand includes cash and cash equivalents + time deposits and short-term investments with original maturities of more than three months.



# Business Environment and Financial Estimates

January 28, 2021

Toshiki Kawai  
Representative Director, President & CEO



## Business Environment (Outlook as of January 2021)

### ▶ WFE\*<sup>1</sup> capex

Currently the CY2021 market growth rate is approaching 20% YoY driven by strong investment in logic/foundry as well as a recovery in investment in memory for data centers and the spread of 5G mobile

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

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 looked forward to, a YoY decrease of around 30% 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

- 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

- Market environment: Inventory adjustments proceeding well amid increased 5G mobile, PC and data center demand. Investment to recover from the start of the year, including some pulled forward
- Opportunities: Response to new technologies and materials for scaling

## ■ Non-volatile memory

- Market environment: Continuation of last year's strong investment accompanying expansion of applications
- Opportunities: Differentiation through high value-added etch and clean

# FY2021 Q3 Business Progress

WFE market approaching new expansion phase on the arrival of a data society. To maximize capture of TEL's growth potential:

- Released new product and platform
  - CELLESTA™ SCD cleaning system with supercritical drying technology
  - Episode™ UL world-class high-productivity platform for etch system



CELLESTA™ SCD

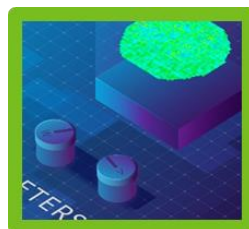
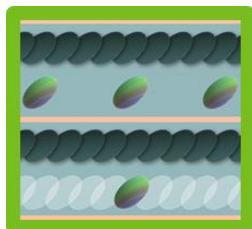
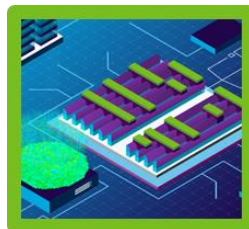
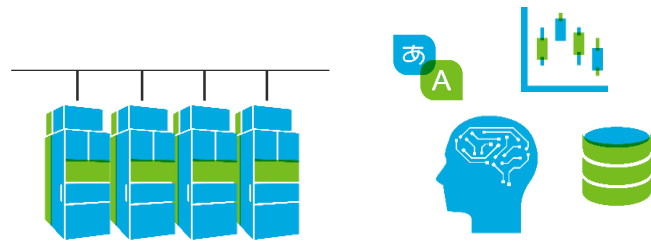


Episode™ UL



# FY2021 Q3 Business Progress

- Enhanced digital transformation (DX) activities. Moved Sapporo office, opening TEL Digital Design Square as a software development base



Chamber-to-chamber matching, time-dependent performance

Co-optimization between processes

Module optimization, smart fab

**Grand Opening**  
**November 24, 2020**  
 Proudly celebrating 30 years  
 in Sapporo, Hokkaido, Japan



# FY2021 Q3 Business Progress

- Increased plant production capacity. Built up production capability to accommodate higher demand

New production buildings began operation  
(deposition systems, gas chemical etch systems, test systems, FPD etch systems)

Tohoku plant: Jul. 2020-



Yamanashi plant: Aug. 2020-



## As an SPE and FPD equipment manufacturer

Corporate  
Philosophy

We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.

Amid the wide implementation of ICT, we will contribute to improving energy efficiency from three perspectives

- ① Contributing to customers' technology development of energy efficient semiconductor with our equipment technology
- ② As an equipment manufacturer, raising our products' productivity and energy efficiency during use
- ③ Improving energy efficiency in our business activities

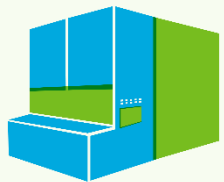


# Medium-term Environmental Goals for 2030

- Revised our medium-term environmental goals for 2030 to contribute to the development of sustainable society

## CO<sub>2</sub> emissions reduction targets

### Products



**30%** reduction  
per wafer (vs. 2018)

Note: Of the total CO<sub>2</sub> emissions from TEL's value chain, approx. 87% are generated during product use

### Facilities



**70%** reduction  
of total emissions (vs. 2018)

Reduce energy consumption at each facility by 1% per year (per-unit basis, annual target, YoY)

**Toward 100% renewable energy use**

# FY2021 Financial Estimates

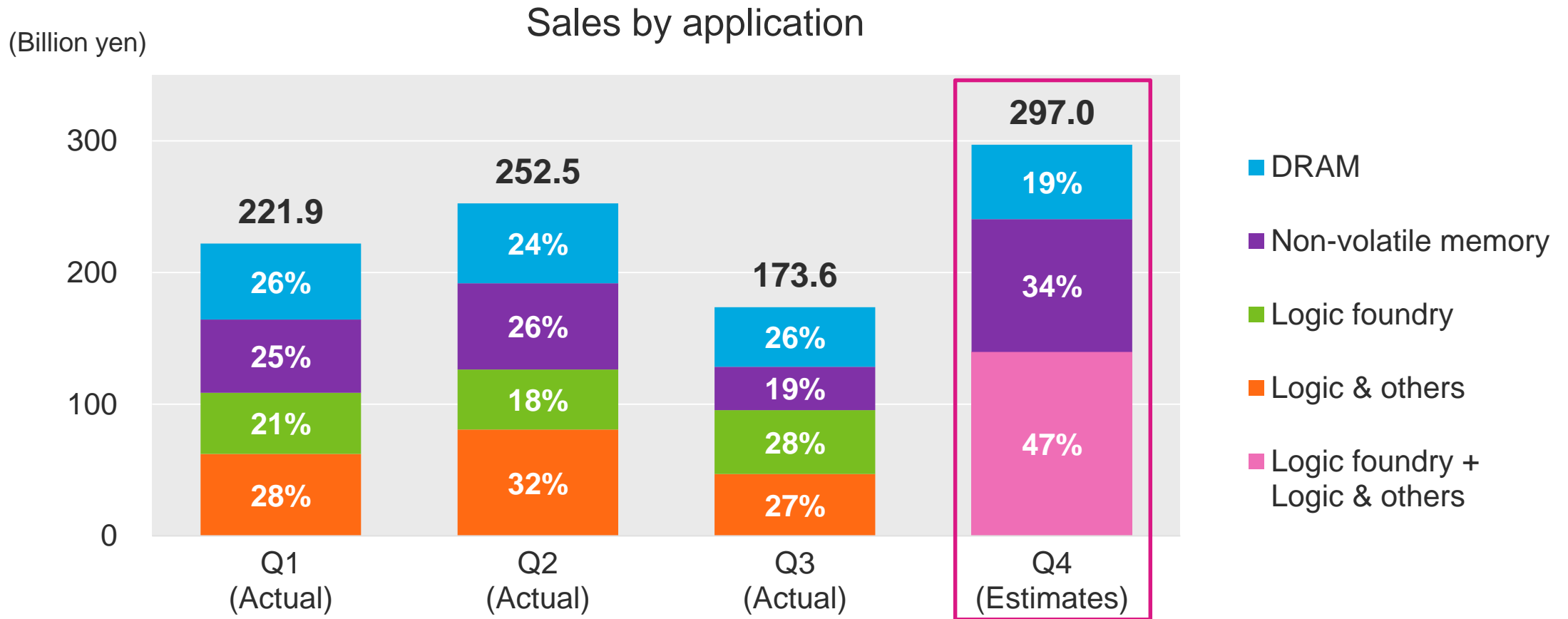
# Revision of FY2021 Financial Estimates

(Billion yen)

	FY2020 (Actual)	FY2021 (Estimates)					Full year YoY change
		1 <sup>st</sup> half	2 <sup>nd</sup> half	Full year			
		Actual	New estimates	New estimates	Adjustments*		
Net sales	1,127.2	668.1	691.8	1,360.0	+60.0	+20.6%	
SPE	1,060.9	635.4	644.5	1,280.0	+60.0	+20.6%	
FPD	66.0	32.6	47.4	80.0	0	+21.0%	
Gross profit	451.9	264.8	284.1	549.0	+26.0	+97.0	
Gross profit margin	40.1%	39.6%	41.1%	40.4%	+0.2pts	+0.3pts	
SG&A expenses	214.6	117.3	125.6	243.0	+1.0	+28.3	
Operating income	237.2	147.4	158.5	306.0	+25.0	+68.7	
Operating margin	21.0%	22.1%	22.9%	22.5%	+0.9pts	+1.5pts	
Income before income taxes	244.6	147.7	158.3	306.0	+25.0	+61.3	
Net income attributable to owners of parent	185.2	112.0	118.0	230.0	+20.0	+44.7	
Net income per share (Yen)	1,170.57	720.29	-	1,479.06	+128.49	+308.49	

Upwardly revised full year estimates to reflect higher demand for our equipment

# FY2021 Q4 SPE Division New Equipment Sales Forecast



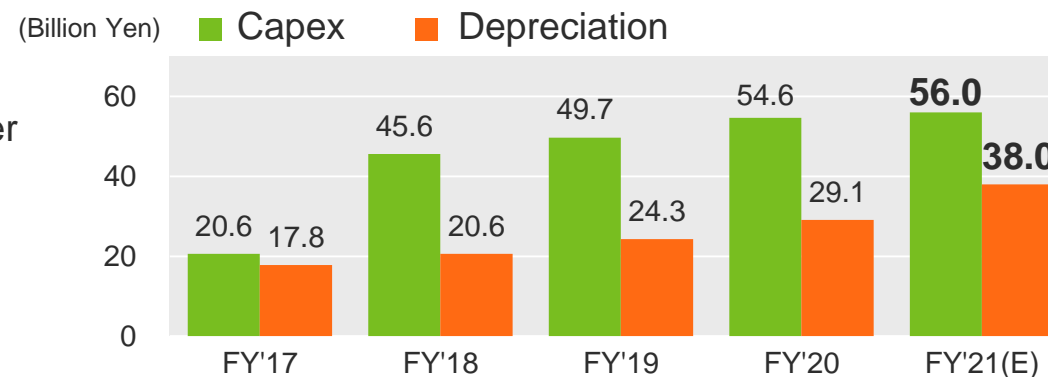
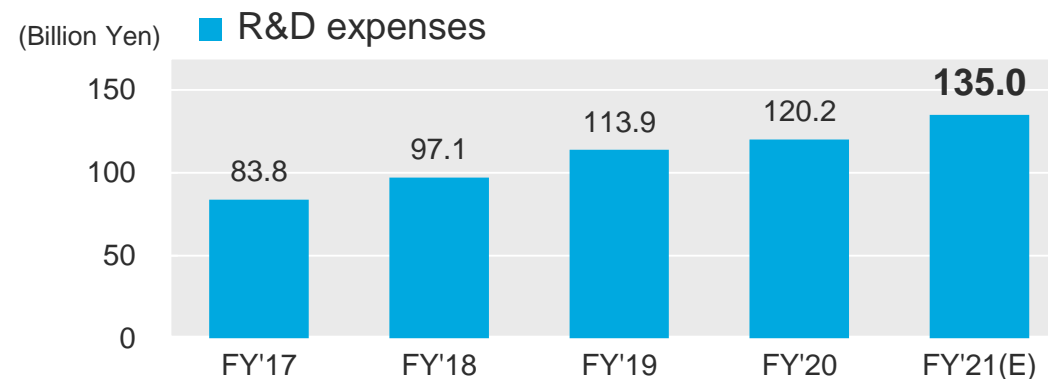
Expect to set quarterly sales record in Q4 on higher demand for logic/foundry and memory

# FY2021 R&D Expenses, Capex Plan

- R&D Expenses ¥135.0B
  - 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 ¥38.0B



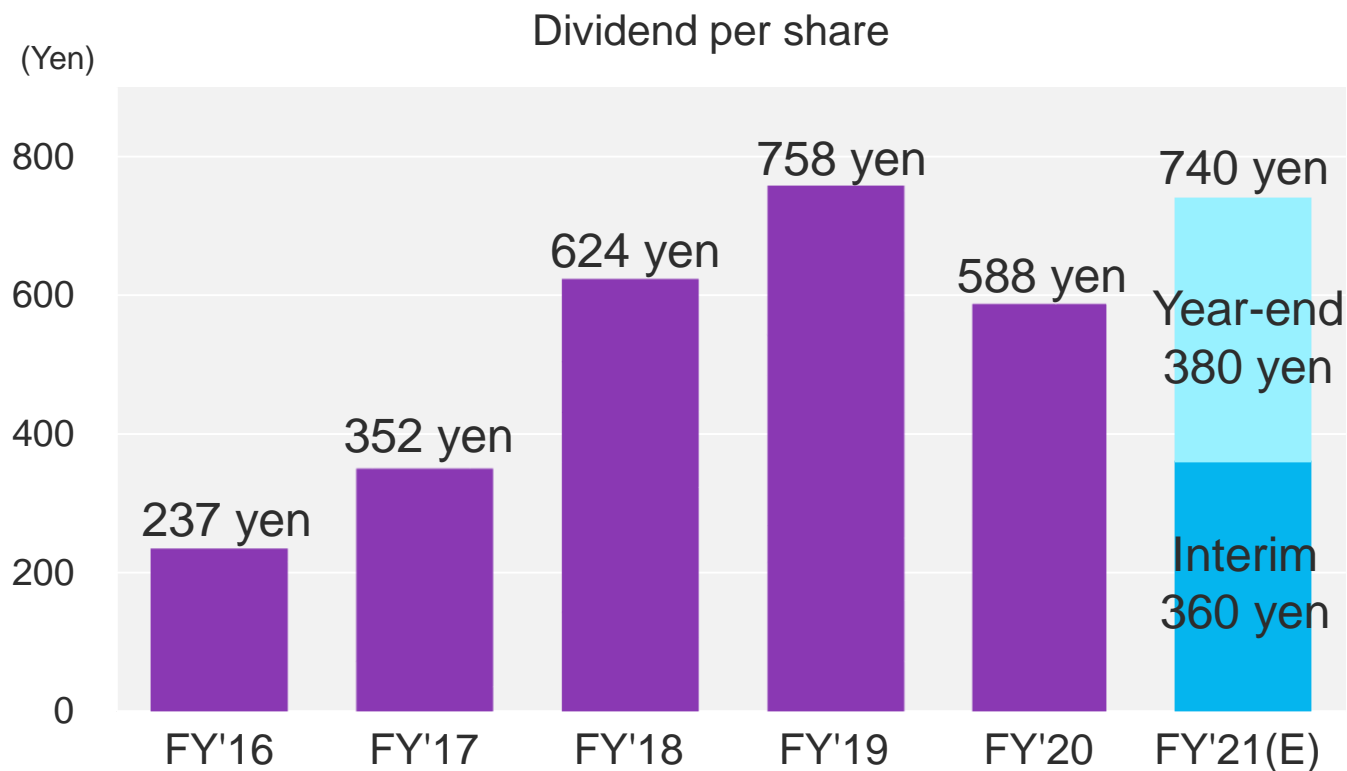
Miyagi Technology Innovation Center  
(etch systems)  
Kurokawa-gun, Miyagi Prefecture:  
approx. ¥7.0B construction cost  
(Completion scheduled for  
September 2021)



Planning record investment in R&D and capex  
to realize future growth



# FY2021 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 740 yen, in-line with 50% dividend payout ratio

**TEL**™

**TOKYO ELECTRON**