

Q2 FY2021 (July – September, 2020) Financial Announcement

October 29, 2020

Agenda:

- Q2 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.

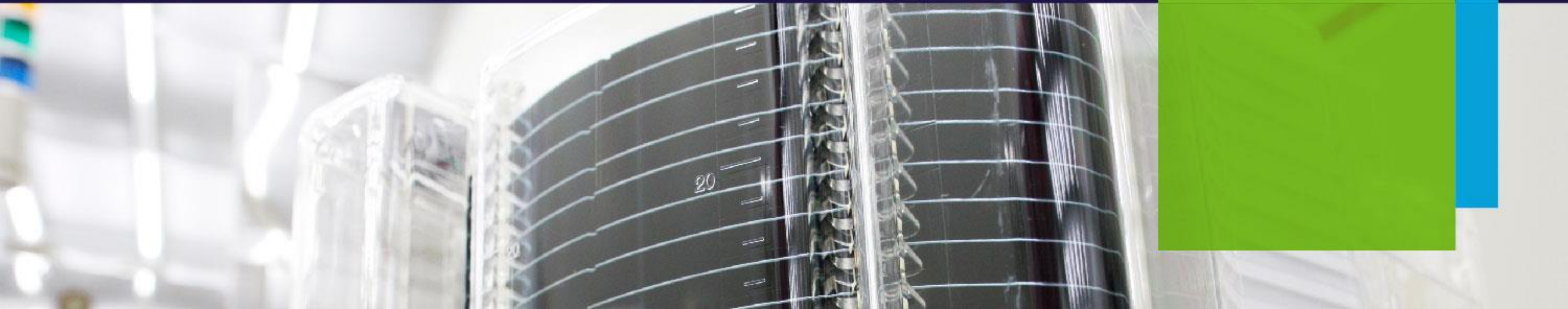
FPD: Flat panel display

Q2 FY2021 Consolidated Financial Summary

October 29, 2020

Yoshikazu Nunokawa

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



Financial Summary (H1)

(Billion Yen)

	FY2020		FY2021	YoY Change	(Reference) FY2021 H1 estimates announced on June 18
	H1	H2	H1		
Net sales	508.4	618.8	668.1	+31.4%	620.0
SPE	470.0	590.9	635.4	+35.2%	585.0
FPD	38.3	27.7	32.6	-14.9%	35.0
Gross profit	204.5	247.4	264.8	+29.5%	248.0
Gross profit margin	40.2%	40.0%	39.6%	-0.6pts	40.0%
SG&A expenses	102.0	112.5	117.3	+15.0%	121.0
Operating income	102.4	134.8	147.4	+43.9%	127.0
Operating margin	20.2%	21.8%	22.1%	+1.9pts	20.5%
Income before income taxes	106.6	137.9	147.7	+38.5%	127.0
Net income attributable to owners of parent	78.7	106.4	112.0	+42.3%	95.0
R&D expenses	56.8	63.3	66.3	+16.7%	
Capital expenditures	29.6	25.0	28.2	-4.9%	
Depreciation and amortization	12.8	16.2	15.2	+18.9%	

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.

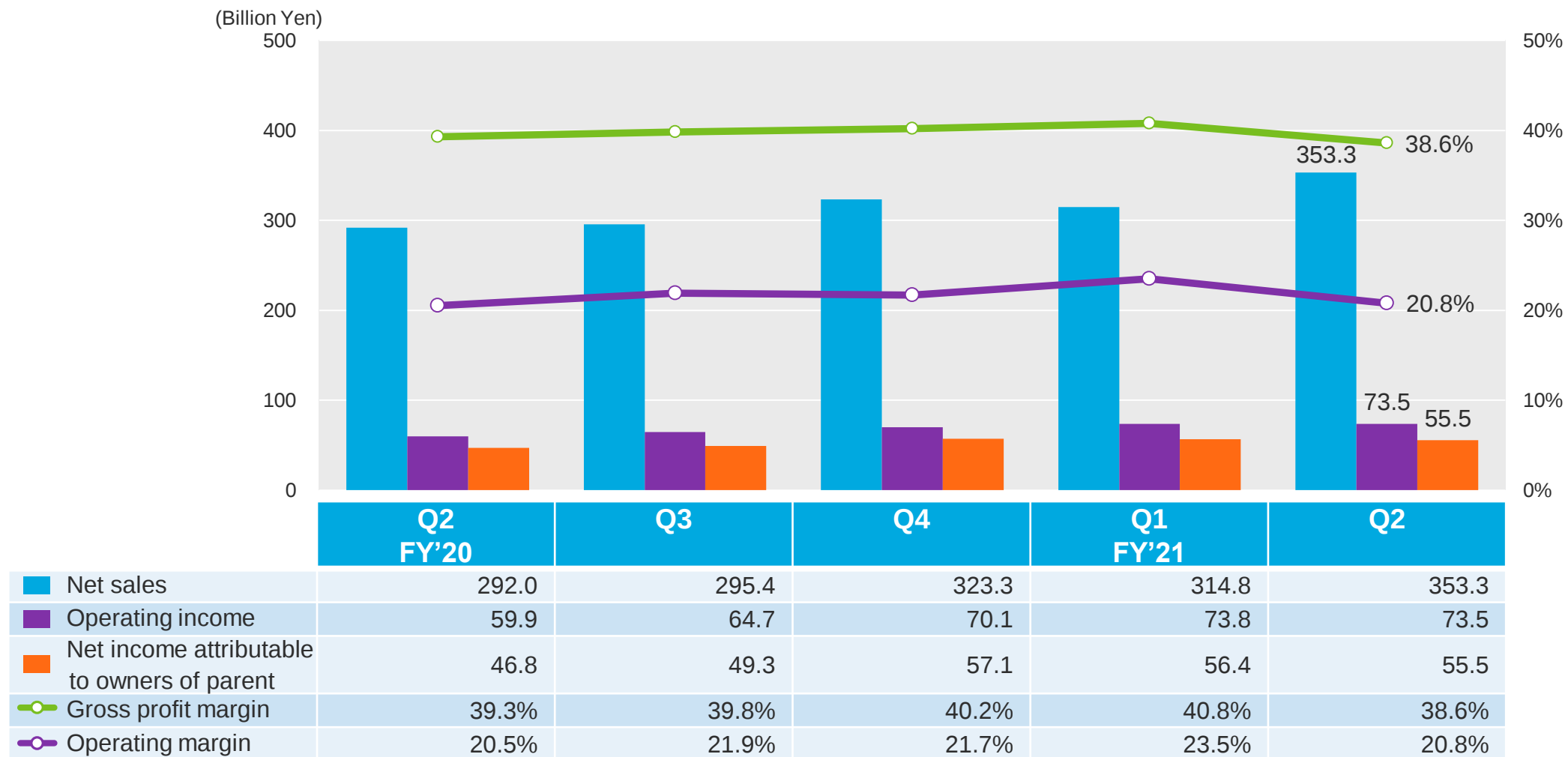
Financial Summary (Quarterly)

(Billion Yen)

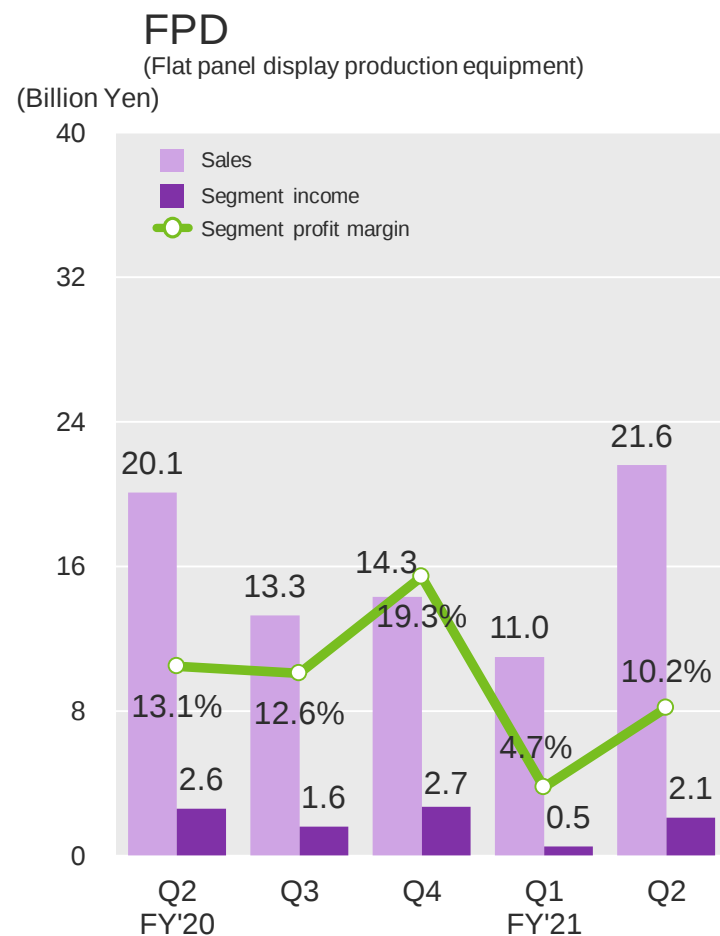
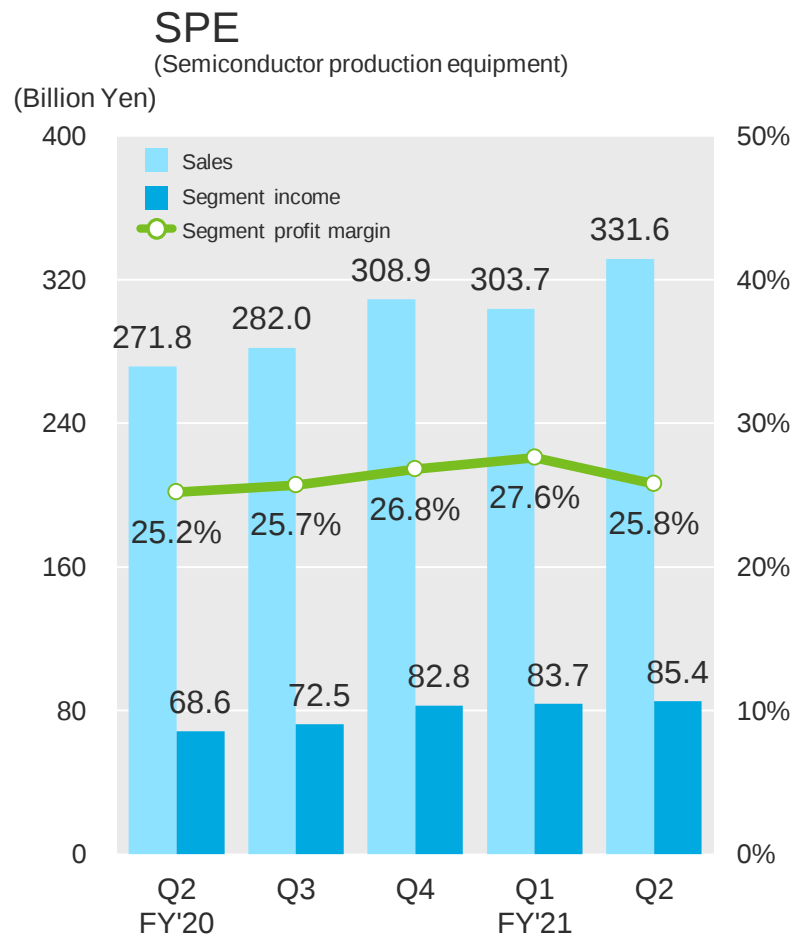
	FY2020			FY2021		vs. Q1 FY2021
	Q2	Q3	Q4	Q1	Q2	
Net sales	292.0	295.4	323.3	314.8	353.3	+12.2%
SPE	271.8	282.0	308.9	303.7	331.6	+9.2%
FPD	20.1	13.3	14.3	11.0	21.6	+96.3%
Gross profit	114.6	117.5	129.8	128.4	136.3	+6.1%
Gross profit margin	39.3%	39.8%	40.2%	40.8%	38.6%	-2.2pts
SG&A expenses	54.7	52.8	59.7	54.6	62.7	+14.8%
Operating income	59.9	64.7	70.1	73.8	73.5	-0.4%
Operating margin	20.5%	21.9%	21.7%	23.5%	20.8%	-2.7pts
Income before income taxes	62.0	64.6	73.3	74.6	73.0	-2.2%
Net income attributable to owners of parent	46.8	49.3	57.1	56.4	55.5	-1.6%
R&D expenses	31.2	29.8	33.4	30.1	36.2	+20.2%
Capital expenditures	22.0	13.2	11.7	13.2	14.9	+12.6%
Depreciation and amortization	6.7	7.6	8.6	7.1	8.1	+13.3%

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Financial Performance (Quarterly)



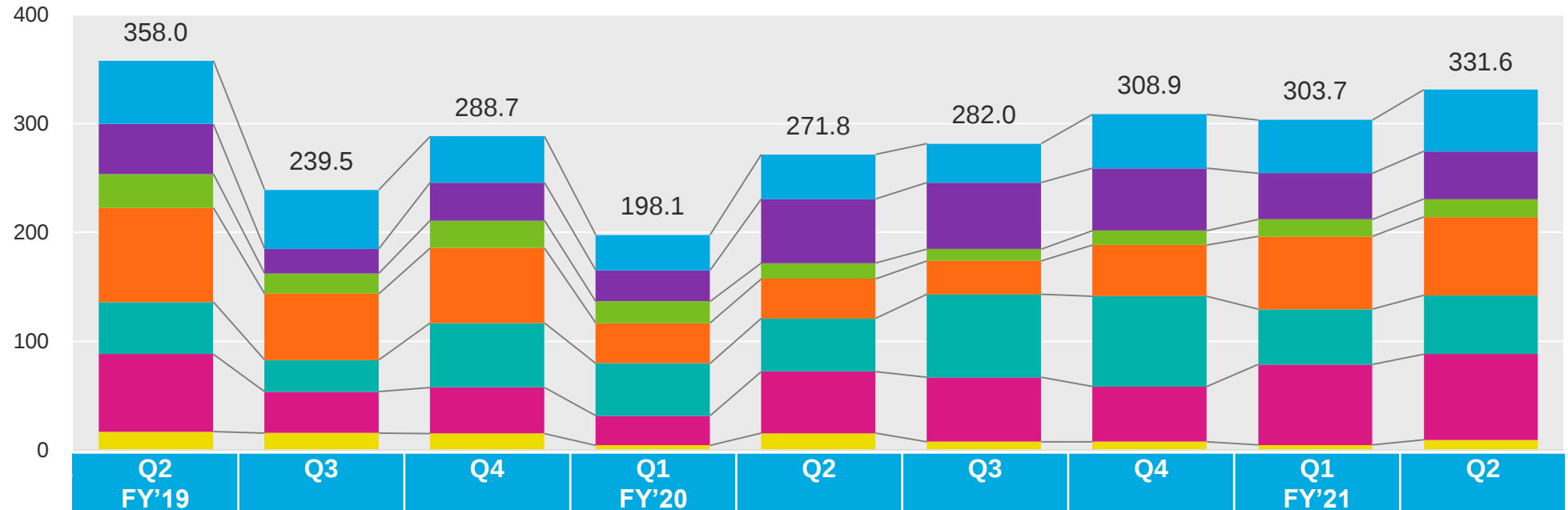
Segment Information (Quarterly)



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.

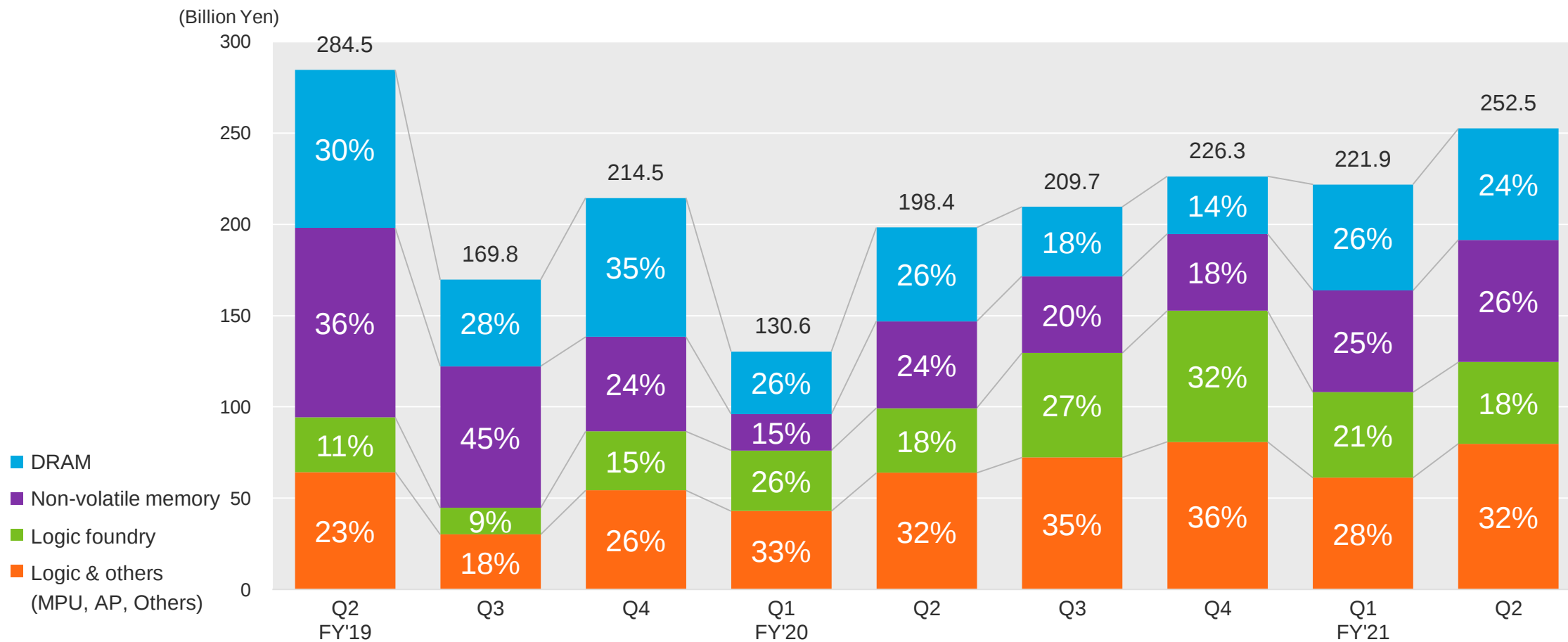
SPE Division: Sales by Region (Quarterly)

(Billion Yen)



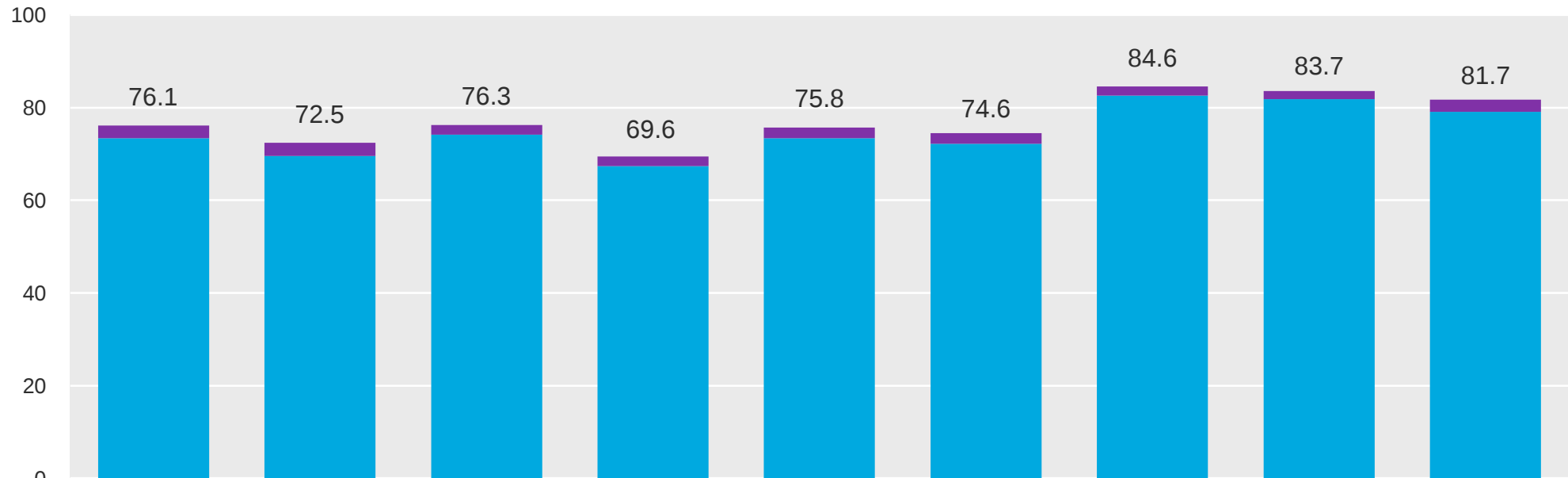
	Q2 FY'19	Q3	Q4	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21	Q2
Japan	58.0	54.0	42.7	32.5	41.0	35.9	49.6	49.1	56.8
North America	45.9	22.7	34.7	28.5	58.8	61.0	57.2	42.3	44.0
Europe	31.3	18.6	25.3	20.2	14.4	10.8	13.3	15.7	16.3
South Korea	86.5	60.9	68.9	36.9	36.4	31.0	47.1	67.0	72.1
Taiwan	48.0	29.3	59.1	48.3	48.7	76.2	83.1	50.9	53.9
China	71.3	38.0	42.5	27.0	56.8	59.1	50.6	73.9	79.1
S. E. Asia, Others	16.8	15.6	15.2	4.4	15.5	7.7	7.7	4.6	9.2

SPE Division: New Equipment Sales by Application (Quarterly)



Field Solutions Sales (Quarterly)

(Billion Yen)

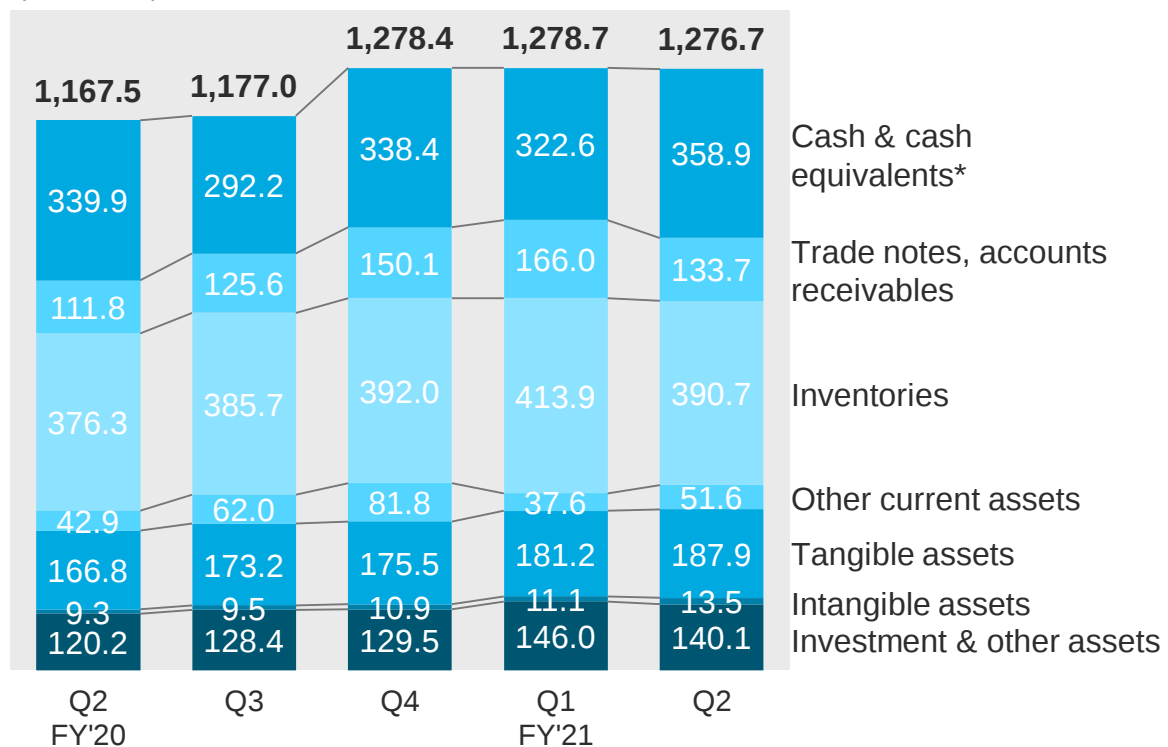


	Q2 FY'19	Q3	Q4	Q1 FY'20	Q2	Q3	Q4	Q1 FY'21	Q2
SPE Sales	73.4	69.6	74.2	67.4	73.4	72.2	82.6	81.8	79.1
FPD Sales	2.7	2.8	2.1	2.1	2.3	2.3	2.0	1.8	2.6

Balance Sheet (Quarterly)

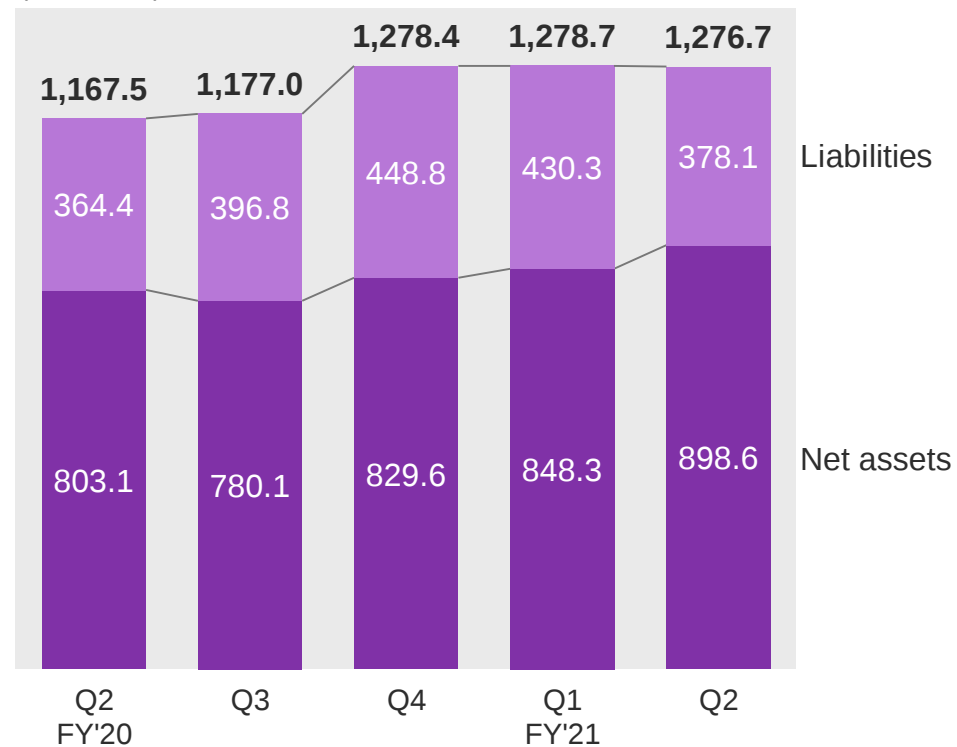
Assets

(Billion Yen)

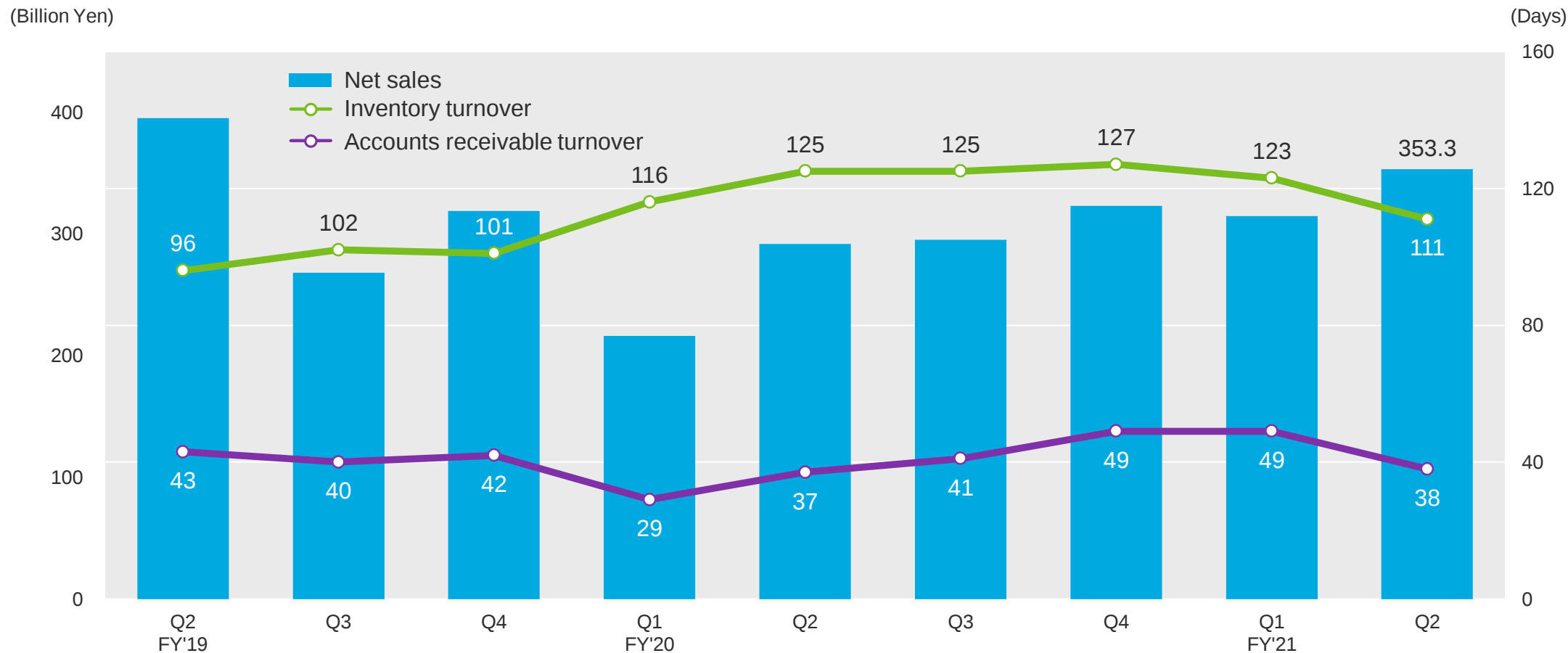


Liabilities & Net Assets

(Billion Yen)

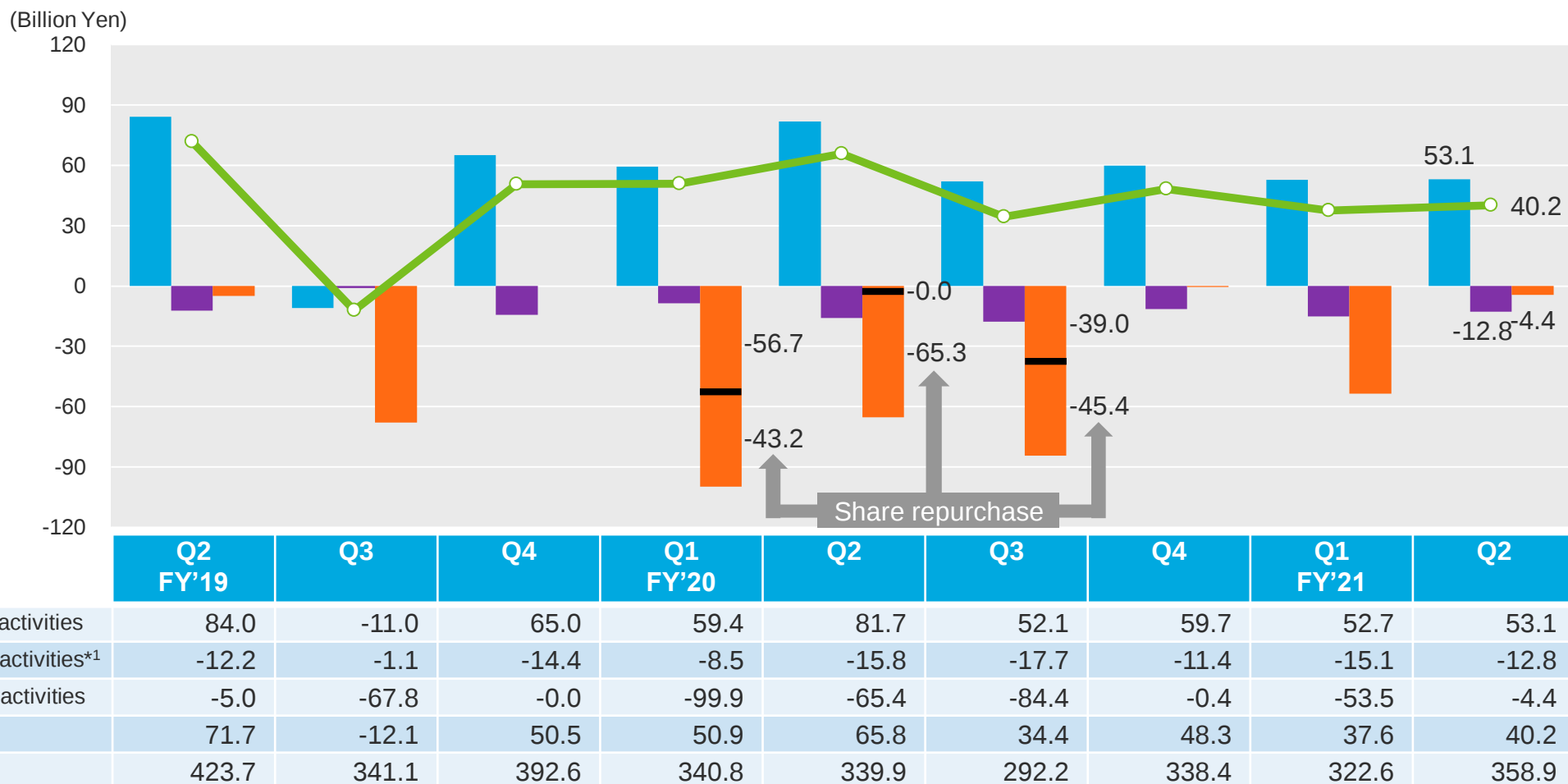


Inventory Turnover and Accounts Receivable Turnover (Quarterly)



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

Cash Flow (Quarterly)



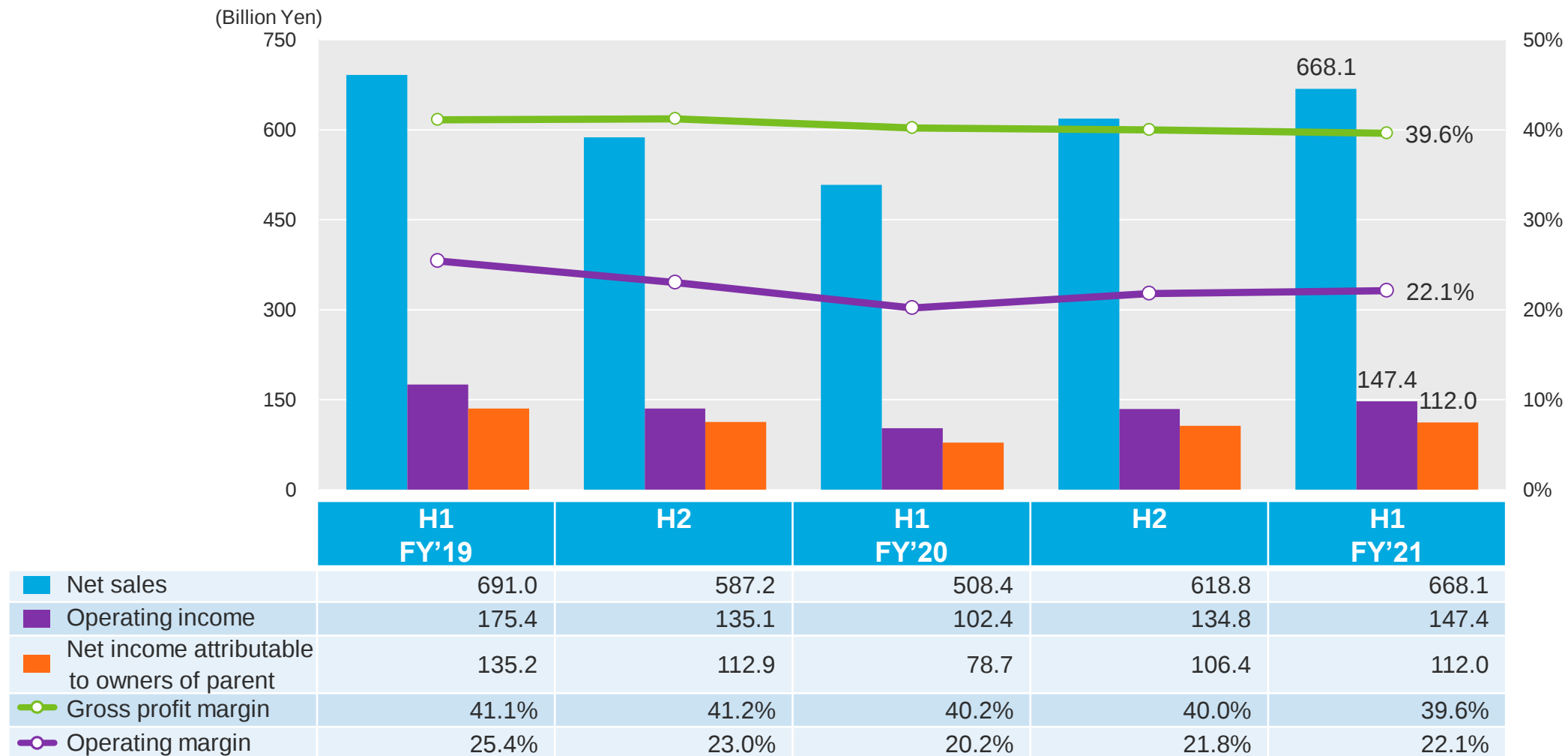
*1 Cash flow from investing activities excludes changes in time deposits and short-term investments.

*2 Free cash flow = cash flow from operating activities + cash flow from investing activities (excluding changes in time deposits and short-term investments).

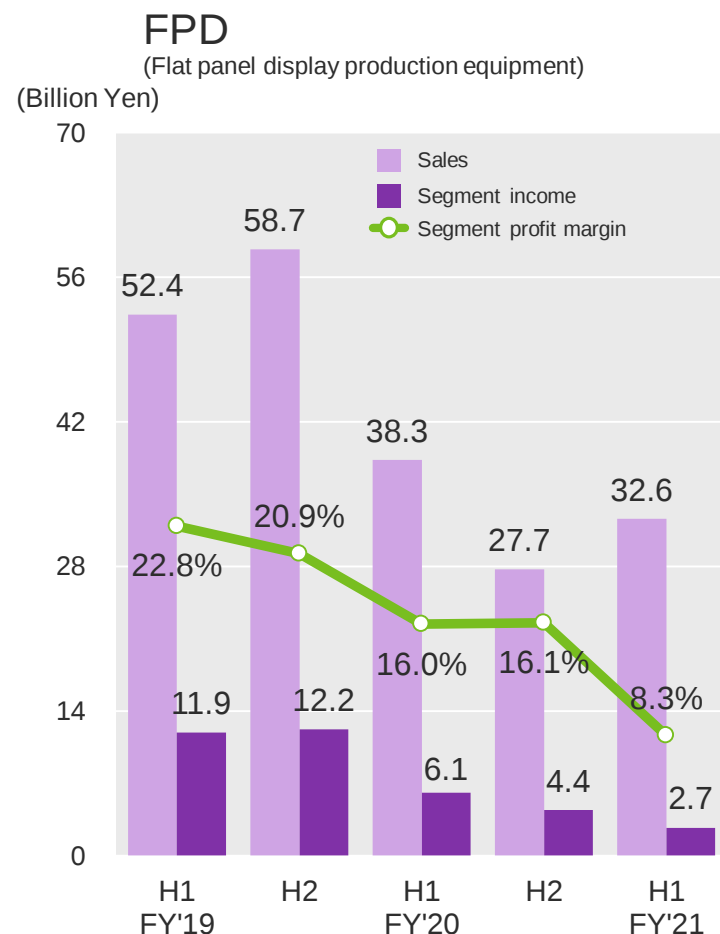
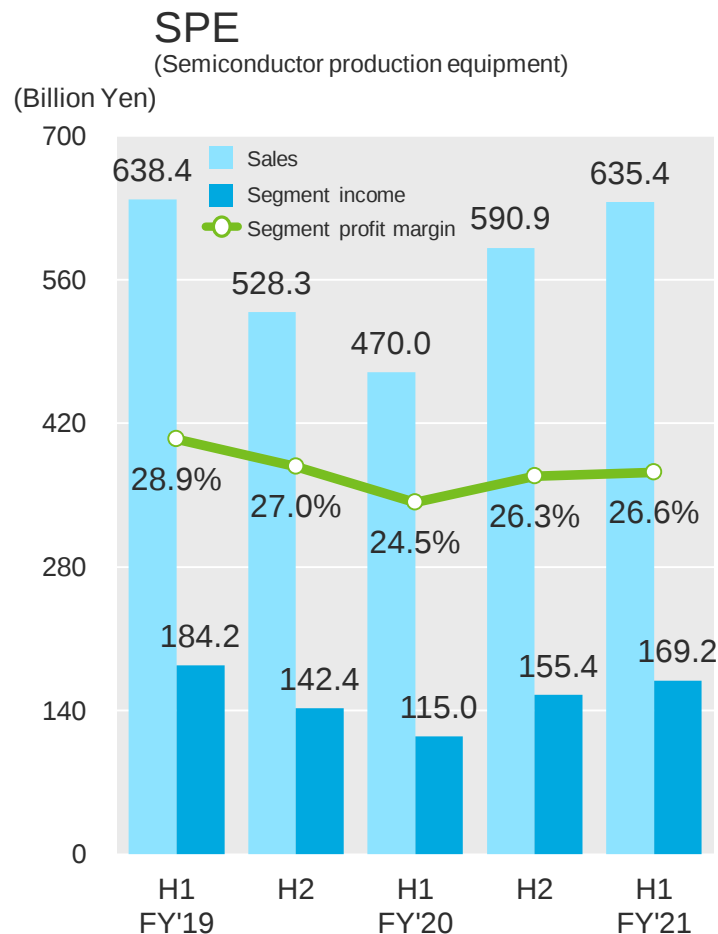
*3 Cash on hand includes cash and cash equivalents + time deposits and short-term investments with original maturities of more than three months.

Appendix

Financial Performance (Biannually)



Segment Information (Biannually)

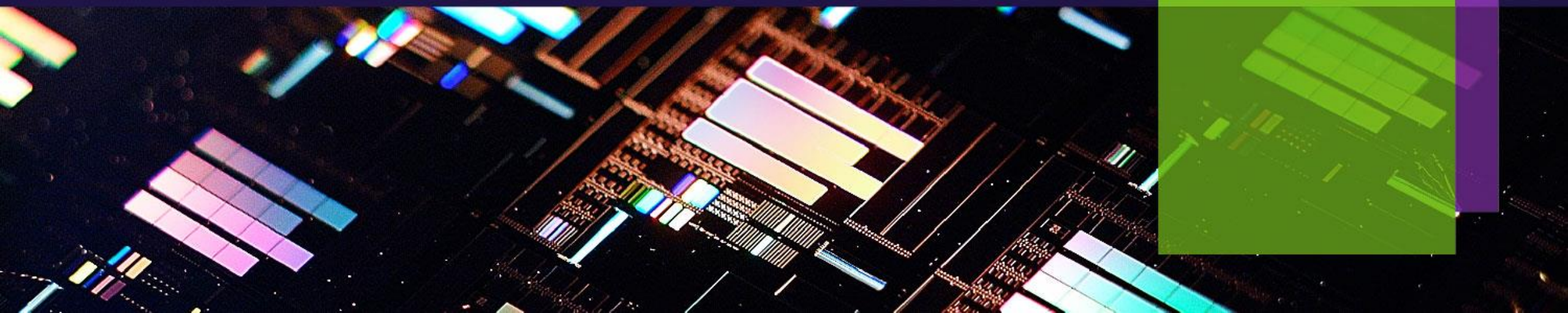


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2. R&D expenses such as fundamental research and element research, etc. and other general and administrative expenses are not included in the above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

Business Environment and Financial Estimates

October 29, 2020

Toshiki Kawai
Representative Director, President & CEO



Business Environment (Outlook as of October 2020)

▶ WFE*¹ capex

Expecting CY2020 WFE market to grow more than 10% YoY to a record high

▶ FPD production equipment capex for TFT array process*²

Continuing investment in large panels for TVs and a recovery in investment in OLED for mobile applications

Expecting approx. 15% YoY growth in CY2020

*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: At a high level, up YoY
 - Market environment: Firm demand for both leading-edge and matured technologies
 - Opportunities: Business expansion in more complex patterning processes
- DRAM: Steady YoY
 - Market environment: Approx. 80% of capex for 1Ynm generation and beyond
 - Opportunities: Adoption of new technologies that accommodate scaling
- Non-volatile memory: Approx. 50% increase YoY
 - Market environment: Accelerating investment for expanding production capacity. 9X/12X generations to comprise over 80% of capex
 - Opportunities: Differentiation through high value-added etch and clean

FY2021 H1 Business Progress

- H1 sales and operating income both exceeded estimates. Sales rose 31.4% YoY and operating income rose 43.9% YoY
 - Amid restrictions on travel overseas, accomplished equipment installations through collaboration between our plants and overseas subsidiaries
 - SPE business: Sales surpassed estimates on good progress in equipment installation and some customers having accelerated investment plans
 - FPD business: Started recovering in Q2 on progress in equipment installation
 - Field Solutions: Parts and services sales rose on high fab utilization rate by customers and optimization of inventory at our local subsidiaries
- New production buildings began operation at both the Tohoku and Yamanashi plants

FY2021 Financial Estimates

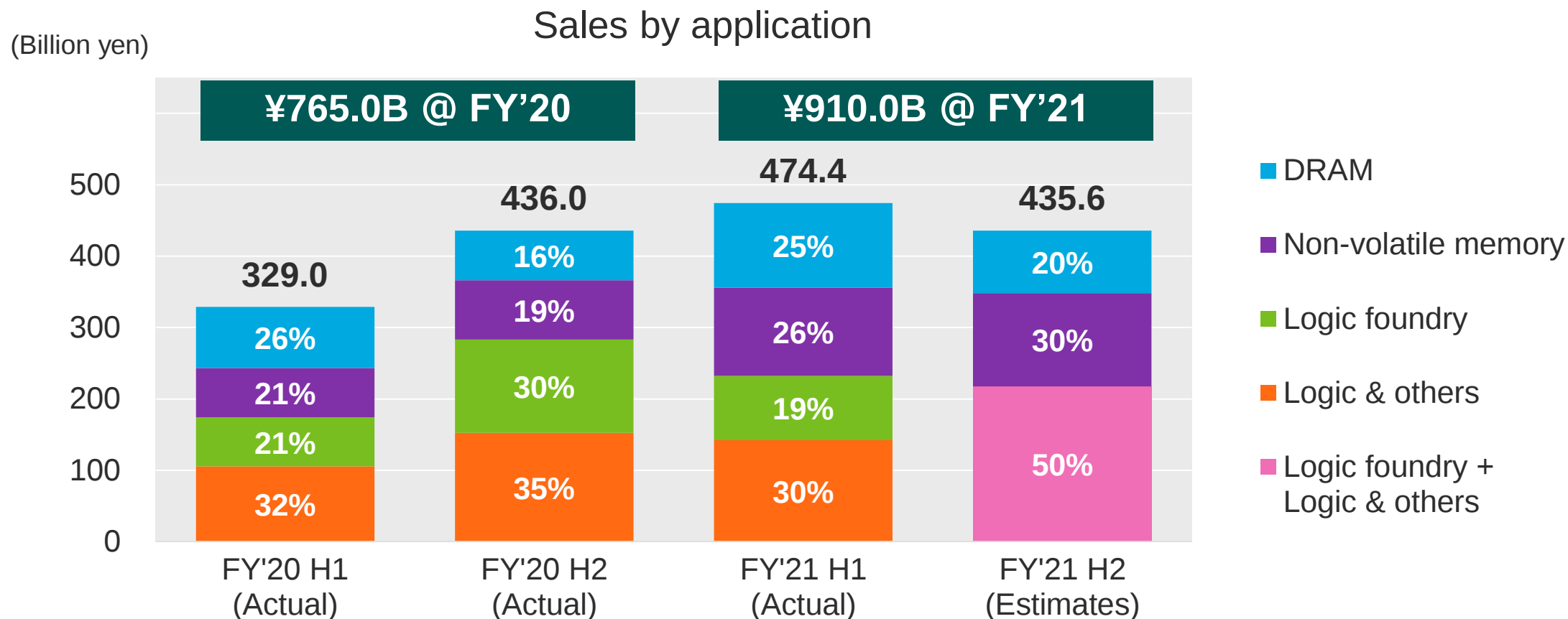
Revision of FY2021 Financial Estimates

(Billion yen)

	FY2020 (Actual)	FY2021 (Estimates)				
		1 st half	2 nd half	Full year		Full year YoY change
		Actual	New estimates	New estimates	Adjustments*1	
Net sales	1,127.2	668.1	631.8	1,300.0	+20.0	+15.3%
SPE	1,060.9	635.4	584.5	1,220.0	+20.0	+15.0%
FPD	66.0	32.6	47.3	80.0	0	+21.0%
Gross profit Gross profit margin	451.9 40.1%	264.8 39.6%	258.1 40.9%	523.0 40.2%	+3.0 -0.4pts	+71.0 +0.1pts
SG&A expenses	214.6	117.3	124.6	242.0	-3.0	+27.3
Operating income Operating margin	237.2 21.0%	147.4 22.1%	133.5 21.1%	281.0 21.6%	+6.0 +0.1pts	+43.7 +0.6pts
Income before income taxes	244.6	147.7	133.2	281.0	+6.0	+36.3
Net income attributable to owners of parent	185.2	112.0	98.0	210.0	+5.0	+24.7
Net income per share (Yen)	1,170.57	720.29	-	1,350.57	+32.47	+180.00

Upwardly revised full year estimates to reflect good progress in H1 and additional investment by customers

FY2021 SPE Division New Equipment Sales Forecast

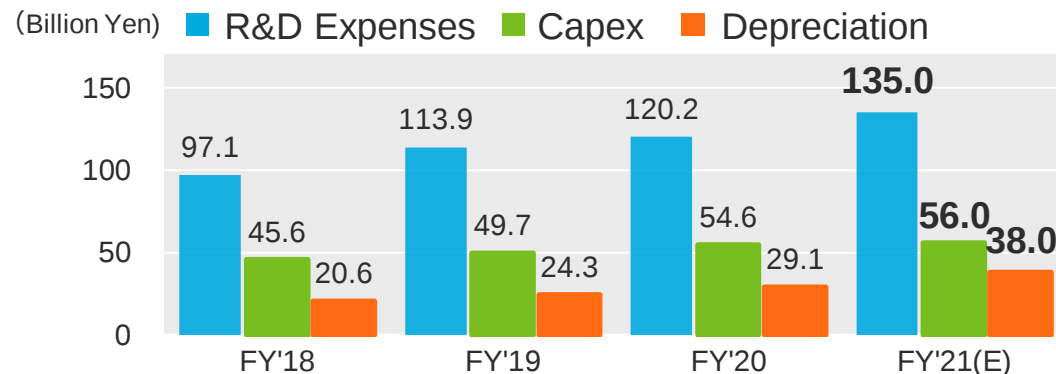


Expect FY2021 full year sales to rise approx. 20% YoY

Percentages on the graph show the composition ratio of new equipment sales. Field solutions sales are not included.
Figures for FY2021 H2 are rough estimates.

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



New production buildings
(deposition systems, gas chemical etch systems)



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



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

Sapporo office
(software development)



Sapporo City, Hokkaido Prefecture:
(Scheduled to open in
November 2020)

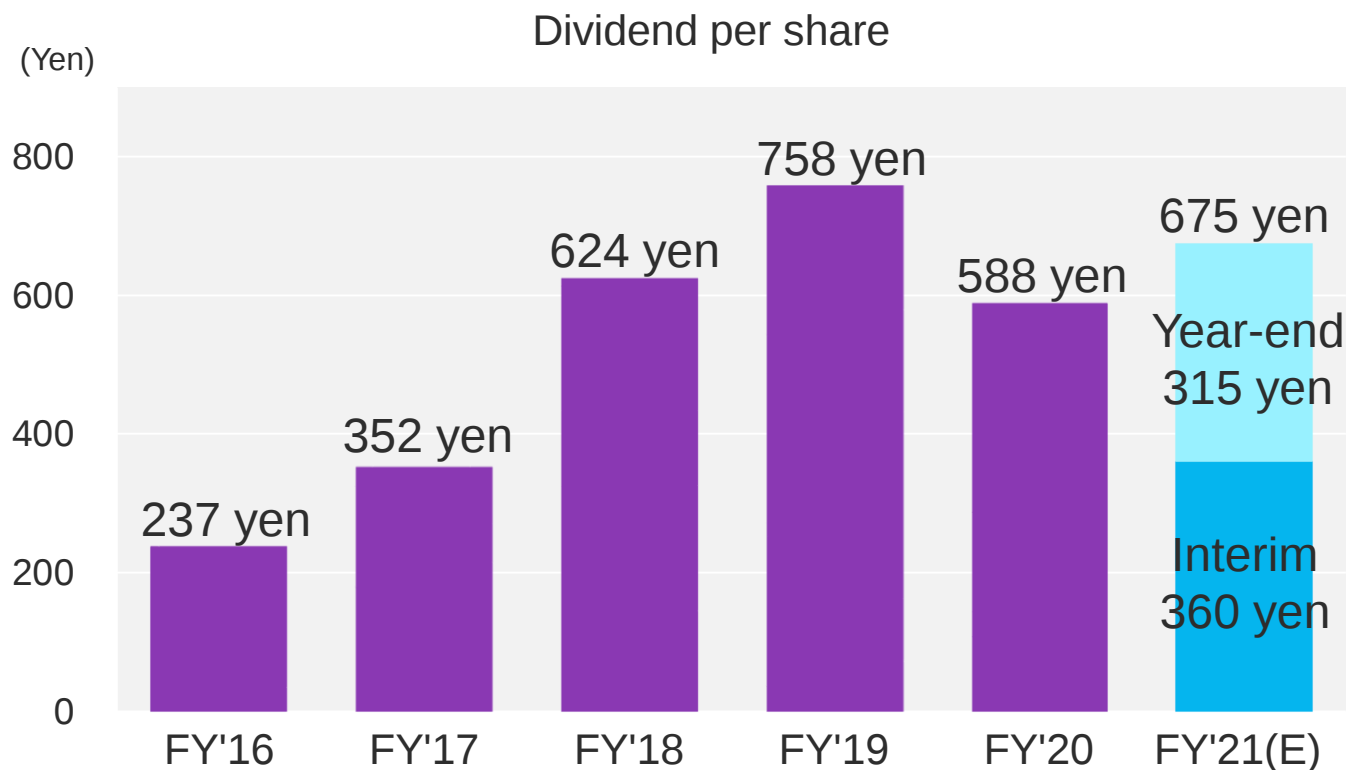
Miyagi Technology Innovation Center
(etch systems)



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 675 yen, in-line with 50% dividend payout ratio



TOKYO ELECTRON