

Moderator: Opening remarks

Now it's time for us to start the Tokyo Electron Financial Announcement for the Fiscal Year Ending on March 31, 2023. Thank you very much for joining us today despite your busy schedule. I am Koichi Yatsuda of the IR Department, acting as the moderator for today's session.

I would like to introduce today's attendees. Mr. Toshiaki Kawai, Representative Director, President and CEO. (I'm Tony Kawai, nice to meet you everybody.) Next, Mr. Hiroshi Kawamoto, Vice President and General Manager, Finance Unit. (I'm Hiroshi Kawamoto.)

Prior to the presentations, let me explain the flow of today's conference. First of all, Mr. Kawamoto and Mr. Kawai will make presentations. After that, until 6:30 Japan Time, we will have a question-and-answer session where we take questions from the audience. This meeting will use two channels on Webex for simultaneous interpretation between Japanese and English. As we explained in our email, you are kindly requested to use apps, PCs or mobile terminals if you plan to ask questions. But if you are not going to ask questions, you can use telephones. In addition, since this conference is intended for institutional investors and analysts, we would appreciate your understanding that we receive questions only from institutional investors and analysts.

We will post the audio contents of this conference in Japanese and English on our website within a couple of days. It would be appreciated if you could also visit our website.

Now, Mr. Kawamoto, Vice President and General Manager, will present the consolidated financial summary.

FY2023 Consolidated Financial Summary

Hiroshi Kawamoto –Vice President and General Manager, Finance Unit

Good afternoon. I'm Hiroshi Kawamoto, I'd like to present the consolidated financial summary of the fiscal year that ended in March 2023. First of all, I will present the financial highlights for the fiscal year ending in March 2023.

FY2023 (April 2022 - March 2023) Financial Highlights: Slide 4

On this slide, as you can see on the left, net sales, operating income, and net income are presented in chronological order. For net sales on the left, we generated record net sales of ¥2 trillion 209 billion, delivering a 10.2% year-on-year increase. Though memory spending decelerated in the second half of the year, logic foundry maintained their investment in a broad range of technology nodes from leading-edge to mature node. We delivered operating income of ¥617.7 billion and net income of ¥471.5 billion, both of which also hit record highs. ROE was 32.3%, as you can see on the right, being kept at 30% or more which is the goal in our Medium-term Management Plan.

Financial Summary: Slide 5

This shows our financial summary. For net sales, as I reported earlier, we ended fiscal 2023 with ¥2,209.0 billion, a 10.2% year-on-year increase, surpassing the financial estimate we announced on February 9 shown on the far right. By segment, SPE net sales were ¥2 trillion 155.2 billion, a 10.9% year-on-year increase, while FPD net sales were ¥53.6 billion, 10.3% down from the previous fiscal year.

Gross profit margin, in the middle, was 44.6%, a 0.9 percentage point decline from the previous fiscal year due to soaring material costs and the impact of inflation. Operating margin was 28.0%, a decline of 1.9 percentage points from the previous fiscal year, partly because of rising R&D expenses for future growth. On the bottom, earnings per share were ¥1,007.

Financial Summary (Quarterly): Slide 6

Next, this slide shows the quarterly based financial summary. In the fourth quarter, we generated net sales of ¥558.2 billion, a 19.3% increase from the third quarter. By segment, SPE net sales were ¥543.3 billion and FPD net sales were ¥14.9 billion.

We delivered gross profit of ¥251.6 billion and operating income was ¥152.7 billion. Gross profit margin was 45.1% and operating margin was 27.4%, an increase by 1.5 percentage points and 2.9 percentage points, respectively, from the third quarter. These results are attributed to a decline in manufacturing cost to sales ratio and SG&A sales ratio due to net sales growth from the third quarter. Meanwhile on the bottom, capital expenditures increased from the third quarter because internal evaluation tools and construction in progress were taken into account.

Segment Information: Slide 7

The next slide shows the segment information. For SPE, we delivered net sales of ¥2 trillion 155.2 billion, segment income of ¥696.3 billion and segment profit margin of 32.3%. For FPD, we generated net sales of ¥53.6 billion and segment income of ¥1 billion. The FPD segment profit margin declined by 4.5 percentage points to 2.0%, as valuation loss was accounted for along with the suspension of the inkjet printing system development project.

For composition of net sales, SPE sales accounted for 98%, while FPD sales accounted for 2%, as you can see on the right-hand side.

SPE Division: New Equipment Sales by Product: Slide 8

This shows SPE new equipment sales by product. SPE new equipment sales in fiscal 2023 amounted to \$1 trillion 692.7 billion, a 12.9% increase on a year-on-year basis, while the sales composition by product certainly changed due to the change in customers' investment mix.

SPE Division: New Equipment Sales by Application: Slide 9

Now, this shows SPE new equipment sales by application. As you can see here in the pink portion, the sales to logic/foundry showed a significant increase because of their active investment. On the other hand, the proportion of sales to memory manufacturers decreased as they adjusted investment while rebalancing their inventories.

Field Solutions Sales: Slide 10

This slide shows field solutions sales. In fiscal 2023, field solutions sales amounted to ¥474.0 billion, increasing by 4.0% on a year-on-year basis. Driven by a growing number of installed equipment, our parts and service sales maintained strong growth following the previous fiscal year.

Balance Sheet: Slide 11

This shows the balance sheet. The total assets as of the end of fiscal 2023 was ¥2 trillion 311.5 billion. Cash and cash equivalents were ¥473.1 billion, an increase of ¥85.6 billion from the previous quarter. Accounts receivable and contract assets were ¥464.8 billion. Inventories were ¥652.2 billion. On the lower left, investment and other assets were ¥282.9 billion, an increase of ¥58.4 billion from the third quarter, partly because of the growing value of the stocks we own. Liabilities shown on the right was ¥712.0 billion, an increase of ¥53.7 billion due to the increase of accrued employees' bonus, income tax payable, et cetera. Net assets were ¥1 trillion 599.5 billion. The equity ratio was 68.7%, remaining at a high level.

Cash Flow: Slide 12

My last slide shows the cash flow. In the fourth quarter, cash flow from operating activity was ¥109.6 billion, mainly due to the profit posted along with the increase of net sales. The cash flow from investing activities was minus ¥23.1 billion, due to the expenditure on capital. As a result, the free cash flow was

¥86.5 billion.

This concludes my presentation about the consolidated financial summary of the fiscal year ending in March 2023.

Moderator: Introduction of the next presentation

Next, Mr. Kawai will present the business environment and financial estimates. Mr. Kawai, please.

Business Environment and Financial Estimates

Toshiki Kawai – Representative Director, President & CEO

Good afternoon, everybody. I'm Tony Kawai. Now let me talk about the business environment and financial estimates.

FY2023 Highlights: Slide 14

First of all, let me start with the full year business highlights for the fiscal year ending in March 2023. As Mr. Kawamoto reported before, in fiscal 2023, we renewed record highs both in net sales and income. Amid these circumstances, in order to prepare for future growth, we made record high R&D investment of ¥191.1 billion.

Regarding our business performance, by leveraging our high value-added strategic products, we successfully won PORs and adoption from customers, making steady progress toward the achievement of our Mid-term Management Plan that we established last June. For HARC etching, which is the strategic process that we placed special focus on, we won development PORs from multiple customers. Also, for film deposition tools, we won development PORs with new materials for NAND. In addition, for single wafer cleaning tools, processes for customer adoption are steadily expanding.

We established a new business unit called DSS, or Diverse Systems and Solutions, last month to intensify our activities in things such as the MAGIC market, which has high potential for further growth. MAGIC stands for Metaverse, Autonomous mobility, Green energy, IoT and information, Communications. This started in April this year.

Highlights of FY2023: Establishment of New Vision and the Medium-term Management Plan: Slide 15

As we celebrate our 60th anniversary this year, we have established a New Vision, a company filled with dreams and vitality that contributes to technological innovation in semiconductors. As it becomes the common global goal to drive both digitalization and decarbonization for global environmental conservation, semiconductor technology innovation plays a very important role.

By leveraging our professional expertise that we have accumulated as a leading company in the industry and continuously creating high value-added advanced equipment and technological services, Tokyo Electron aims to increase mid- and long-term profits and enhance our corporate value in a sustained manner.

As a milestone, we set financial goals and announced our net zero initiative, as shown here on this slide. While semiconductors further gain importance as an essential contributor to develop society full of dreams, Tokyo Electron will promote our business activities based on TEL's Shared Value, our guiding principles, to contribute to technology innovation of semiconductors.

Business Environment (Outlook as of May 2023): Slide 16

Next, I will talk about the current business environment. For the semiconductor market, according to the general view of various market research companies, about minus 10% growth is expected in 2023 compared with 2022. But the semiconductor market is expected to recover in 2024, and the market size in 2024 is expected to exceed that of 2022.

As for the WFE market this year, because the policy interest rate keeps rising along with the current trend of inflation and because memory manufacturers are rebalancing their inventories, we have revised our outlook slightly downward from that in February 2023, and now expect around \$70 billion to \$75 billion in market size. However, our forecast that the WFE market will grow strongly in 2024 and beyond remains unchanged.

Various applications and technologies to drive strong growth are shown here in this slide. Growing investment in data centers, recovery of smartphone demand, PC replacement demand triggered by new OS introduction, spread of EV and autonomous driving and adoption of generative AI such as Chat-GPT, which has become a popular topic these days. Driven by these trends and factors, we expect the WFE market to keep growing significantly toward the future.

Business Opportunities and Focus Areas by 2025: Slide 17

And accordingly, semiconductor technology innovation will be further promoted. For logic, to achieve low power consumption and address high-speed CPUs in the 2-nanometer node, gate all around (GAA) Nanosheet and Backside PDN structure will play a central role in the change in technology. For DRAM, in order to address DDR5, which is high-speed working memory, chipmakers will introduce EUV lithography and high-k metal gate. For NAND, to realize larger storage, initiatives to deliver high stacking structure of 300 layers will finally begin. In addition, the NAND manufacturing process is expected to adopt multitier stacking and bonding technology to bond memory cells and peripheral circuit fabricated on different wafers. Our company offers a broad product portfolio which responds to such future changes in technology. We believe the area indicated in boldface, in particular, will provide us with great business opportunities. We aim to expand the share in those high value-added areas.

FY2024 Financial Estimates: Slide 18,19

Next, I will present the financial estimates for the fiscal year ending in March 2024. As I described earlier, due to such factors as concern for the deceleration of the macro economy, chipmakers are currently deferring and trimming their capital investment. Amid those business circumstances, while curtailing fixed costs in this fiscal year, we plan to make record high R&D investment of ¥200 billion to fund future growth.

Taking account of these factors, in fiscal 2024, on a full-year basis, we expect net sales of ¥1 trillion 700 billion, gross profit of ¥741 billion, operating income of ¥393 billion and net income of ¥300 billion. Semiconductor technology innovation is expected to play an important role toward the future, driven by migration to a data-driven society through the spread of ICT, an initiative to build a decarbonization society due to the importance of high speed, high capacity, high reliability and low power consumption. For those reasons, the WFE market is expected to grow furthermore. We expect the market will recover significantly in fiscal 2025.

FY2024 SPE New Equipment Sales Forecast: Slide 20

This slide shows the SPE new equipment sales forecast for fiscal 2024. As shown here, SPE new equipment sales are expected to be ¥573 billion in the first half and ¥690 billion in the second half of fiscal 2024. We expect that net sales will bottom out in the first half of fiscal 2024 and start recovering in the second half and beyond.

FY2024 R&D Expenses and Capex Plan: Slide 21

This shows our plan for R&D expenses and Capex. In fiscal 2024, we plan to spend R&D expenses of ¥200 billion and capital investment of ¥124 billion, both of which are expected to hit record highs. And we

project depreciation expenses of ¥57 billion. Capital investments are expected to increase in this fiscal year. As shown here, R&D buildings and the distribution center in Yamanashi, Iwate, Kumamoto and Miyagi are planned to be prepared for further business expansion. We will accelerate proactive R&D and capital investment to respond to the growing market and meet ever diversifying needs for leading-edge technologies.

FY2024 Dividend Forecast: Slide 22

Next, this slide shows the dividend forecast. The fiscal 2023 full year dividend per share is ¥1,711, which includes the 60th anniversary commemorative dividend of ¥200. Effective on April 1, 2023, Tokyo Election split the shares of common stock in the proportion of one share into three shares. As for dividends in the fiscal year ending in March 2024, since the value after the stock split applies, we plan a full year dividend per share of ¥320. Just for your information, the full year dividend per share, which does not take account of the stock split, is ¥960.

Acquisition of Treasury Stock: Slide 23

In the board of directors meeting held today, it was decided that we will purchase shares up to ¥120 billion. In accordance with our capital policy, we made this decision by comprehensively considering investment for future growth to pursue mid- and long-term profit increase and current cash position. We are continuously performing agile and flexible balance sheet management.

Total Return Amount: Slide 24

Here, you can see the fluctuation in total return amount. When the share repurchase is completed as planned, total return amount in this fiscal year is expected to be ¥270.3 billion, including a dividend payment based on the payout ratio of 50%. We will keep working to enhance shareholder value.

Thank you very much for your listening today. This concludes my presentation.