



# Interim Financial Briefing for the Fiscal Year Ending March 31, 2023

**TOKYO ELECTRON DEVICE**

October 31, 2022

## Financial Report

Corporate Director / Senior Executive Vice President  
Yukio Saeki

## Forecast for the Fiscal Year Ending March 31, 2023

President & Representative Director Atsushi Tokushige



# Financial Report

Corporate Director /  
Senior Executive Vice President Yukio Saeki

# Summary of Interim Financial Results for the Fiscal Year Ending March 31, 2023



Year-on-Year Comparison: Higher sales and income

Net sales: 35.0% increase

Ordinary income: 109.9% increase

Net income attributable to owners of parent: 35.5% increase

CN Business: While IT investment has been strong, longer product delivery times and the weak yen have had a negative impact.

EC Business: Strong demand for semiconductor products as well as the weak yen led to positive results.

PB Business: Design and manufacturing was strong.

# Summary of Financial Results: Comparison with Prior Year



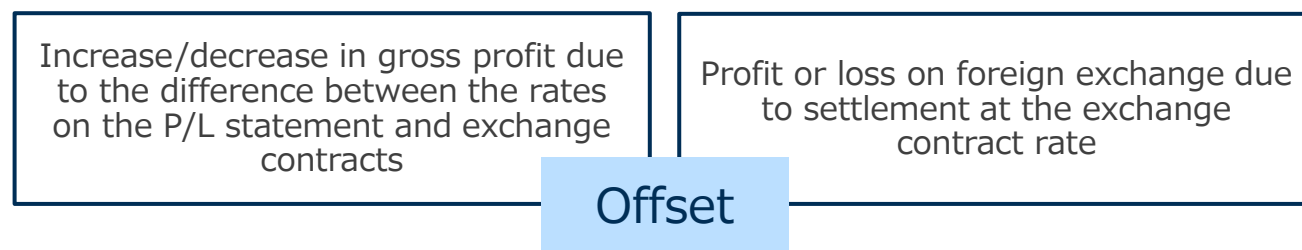
(million yen)

	FY2022 Interim	FY2023 Interim	Change	FY2023 Forecast Revised Sep. 29
Net sales	82,780	111,769	28,989	110,000
Cost of sales	71,517	95,706	24,189	
Gross profit	11,262	16,062	4,800	
Selling, general & administrative expenses	8,505	9,489	984	
Operating income	2,757	6,573	3,816	
Non-operating income	137	160	23	
Non-operating expenses	412	1,524	1,112	
Ordinary income	2,481	5,208	2,726	4,850
Interim net income	2,646	3,584	938	3,350
Number of employees	1,280	1,313	33	

\* Interim net income is quarterly net income attributable to owners of the parent.

# Foreign Exchange Losses

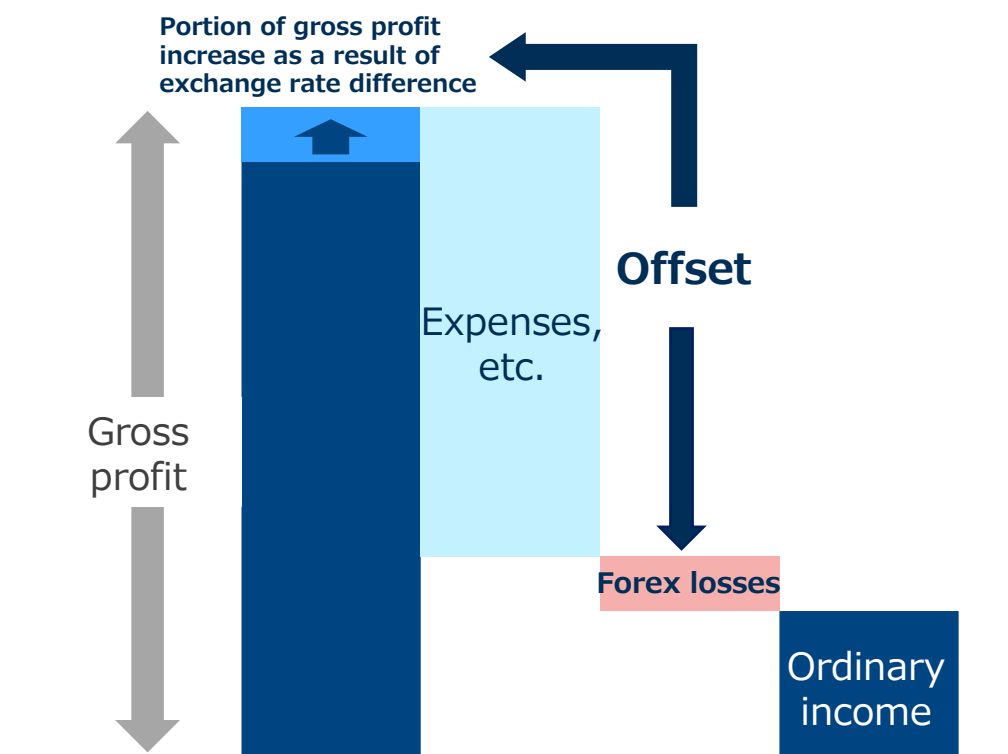
Exchange contracts utilized to hedge foreign exchange risk



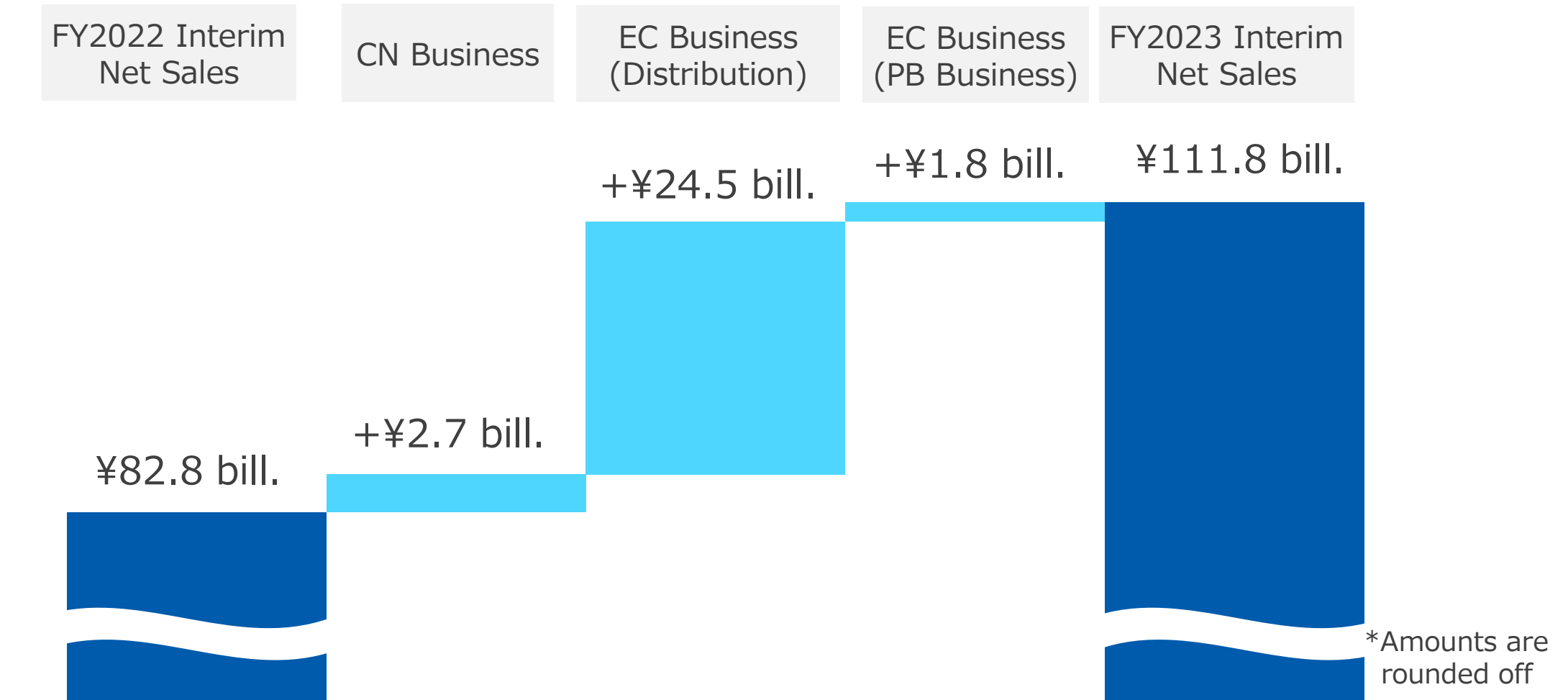
Impact of foreign exchange fluctuations on ordinary income is negligible

Note: However, interest rate discounts, resulting from the difference in interest rates between Japan and the US, are exchange contract costs and are recorded as part of foreign exchange losses.

Example when the yen weakens



# Summary of Financial Results: Change in Net Sales



In the segment categories, the PB Business is included in the EC Business.  
PB is an abbreviation of "Private Brand;" the title was changed from In-House Brand Business, which was used in the past.  
The PB Business includes Tokyo Electron Device Nagasaki Limited and FAST CORPORATION.

# Sales and Income by Segment

- CN Business: Despite longer delivery times for IT equipment, net sales increased for both product sales and services. Income decreased due to the weak yen and increased SG&A expenses resulting from an increase in employees.
- EC Business: Strong demand for semiconductors despite the continuing supply problems. Net sales and income both increased in part due to the impact of the weak yen.

(million yen)

	FY2022 Interim		FY2023 Interim			
	Net Sales	Segment Income	Net Sales	Change	Segment Income	Change
Computer Networks (CN) business	10,002	918	12,670	2,668	903	▲ 15
Electronic Components (EC) business	72,777	1,563	99,098	26,320	4,305	2,742
Total	82,780	2,481	111,769	28,989	5,208	2,726

\*Segment income is ordinary income

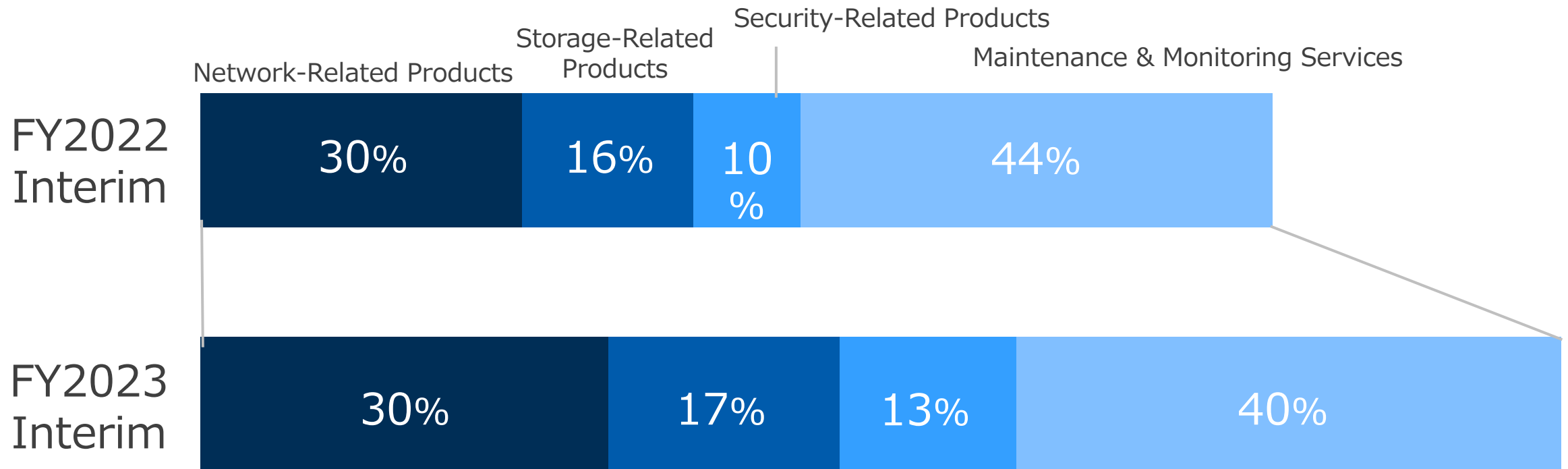
\*In the segment categories, the PB Business is included in the EC Business



# Segment Information: CN Business (1/2)

## Sales Component Ratios by Product Category

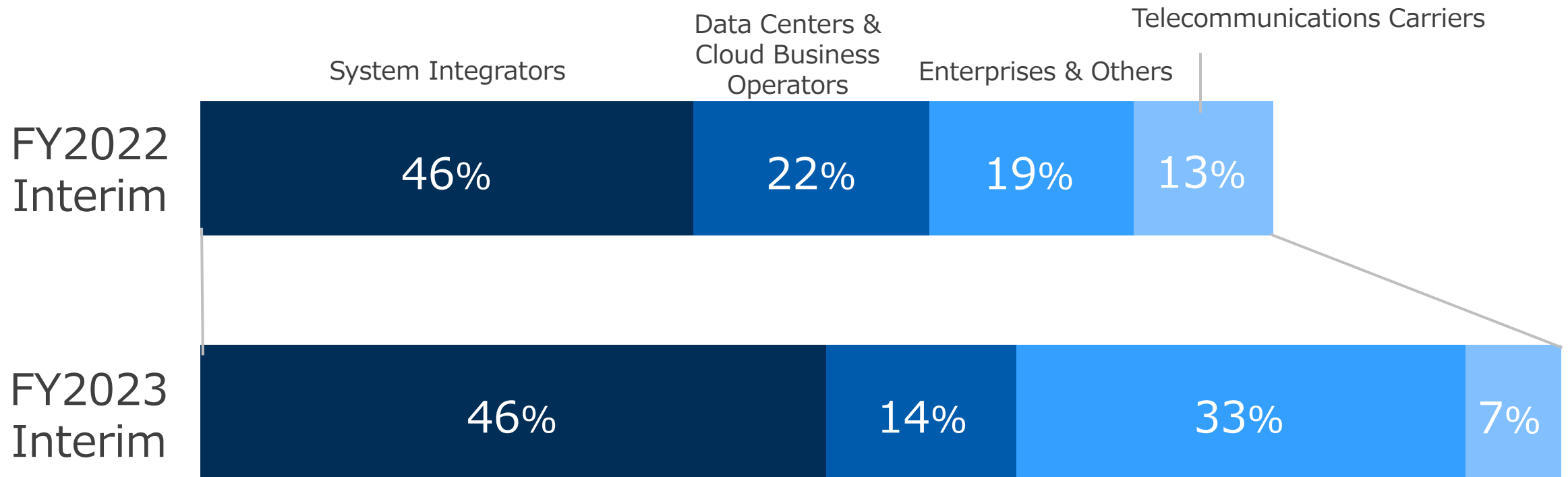
- Sales of network-related products to system integrators and enterprises were strong
- Sales of security-related products grew for cloud security and endpoint security
- Sales of maintenance and monitoring services were strong



# Segment Information: CN Business (2/2)

## Sales Component Ratios by Field

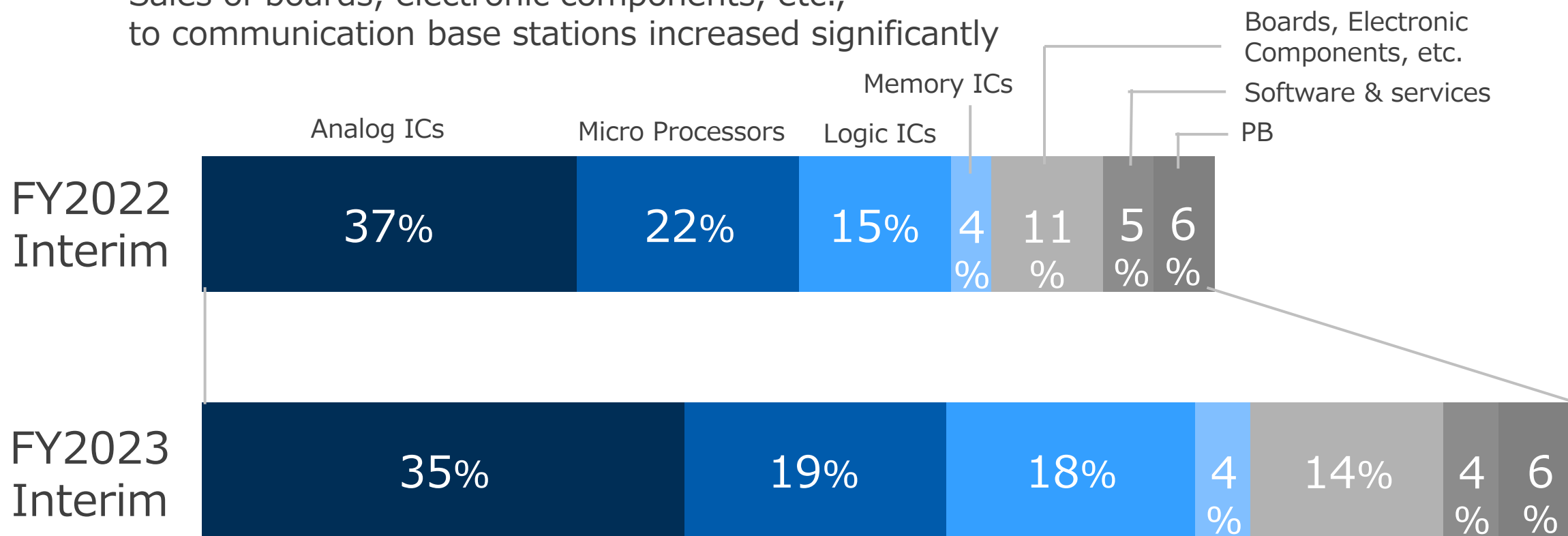
- Sales to system integrators were strong in all categories
- Sales of network- and security-related products to enterprises were strong
- Sales to data centers decreased due to the impact of longer delivery times



# Segment Information: EC Business (1/2)

## Sales Component Ratios by Product Category

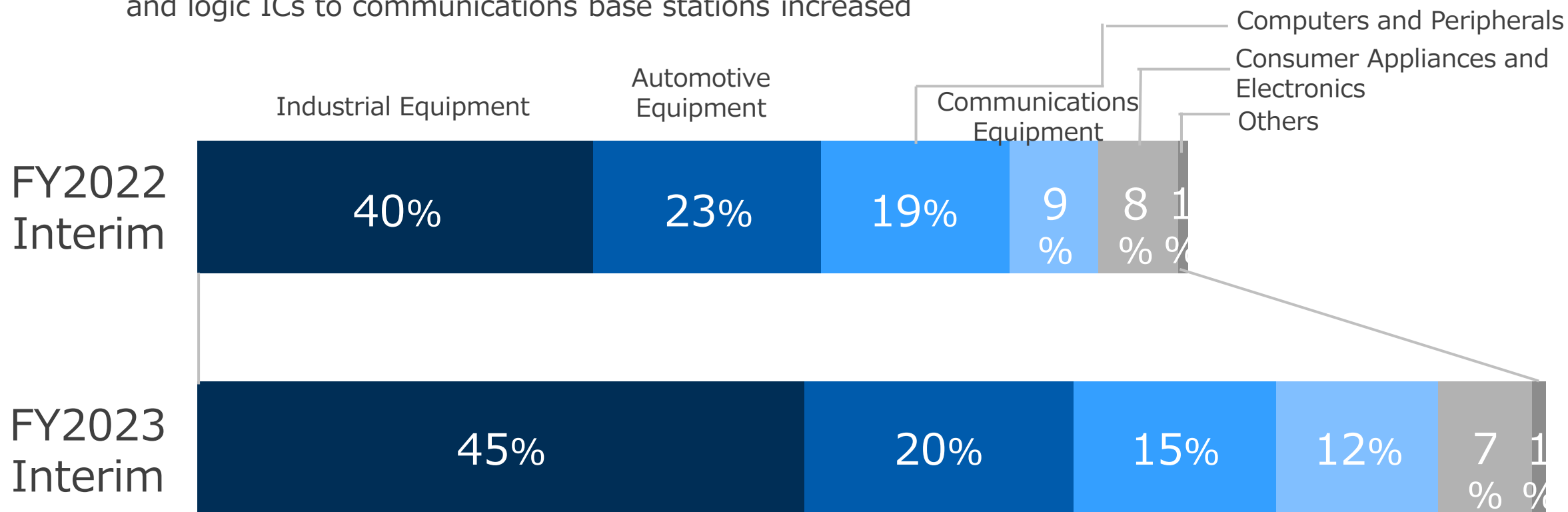
- Analog ICs: Sales increased for industrial equipment
- Logic ICs: Sales increased for industrial equipment and communication base stations
- Sales of boards, electronic components, etc., to communication base stations increased significantly



# Segment Information: EC Business (2/2)

## Sales Component Ratios by Application

- Sales increased across all product categories
- For industrial equipment, analog ICs, processors, and design and manufacturing increased
- For communications equipment, sales of electronic components and logic ICs to communications base stations increased



\*The categorization for Sales Component Ratios by Application for the EC Business has been changed.

# Consolidated Overseas Subsidiaries: Net Sales— EC Business

- Strong sales for industrial equipment
- Sales for computers and peripherals were weak
- Impacted by the weak yen

	FY2022 Interim	FY2023 Interim	Change	Rate of Change
Consolidated overseas subsidiaries net sales (million yen)	20,931	25,985	5,053	24.1%
Consolidated overseas subsidiaries net sales ratio	28.8%	26.2%		
Consolidated overseas subsidiaries net sales (\$1M)	190	193	3	1.7%
Exchange rate (yen)	109.81	134.03		

\*The net sales ratio is the ratio to EC Business net sales.

# PB Business: Net Sales—EC Business

- Design & Manufacturing Services : Sales for medical equipment and semiconductor manufacturing equipment were strong
- TED Nagasaki: Strong sales for semiconductor manufacturing equipment
- FAST: Imaging-related products are on a recovery trend

(million yen)

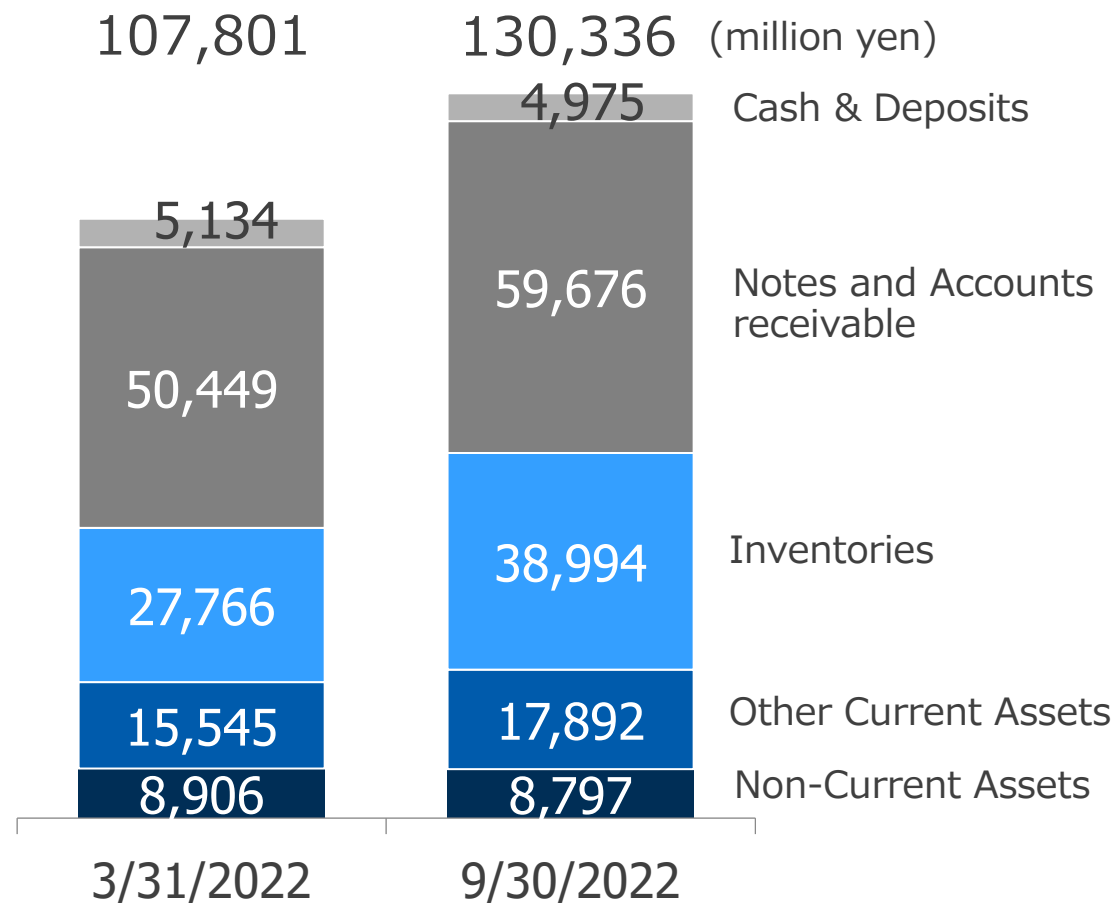
	FY2022 Interim	FY2023 Interim	Change	Rate of Change
PB business net sales	4,261	6,088	1,826	42.9%
Net sales ratio	5.9%	6.1%		

\*The net sales ratio is the ratio to EC Business net sales.

# Balance Sheet

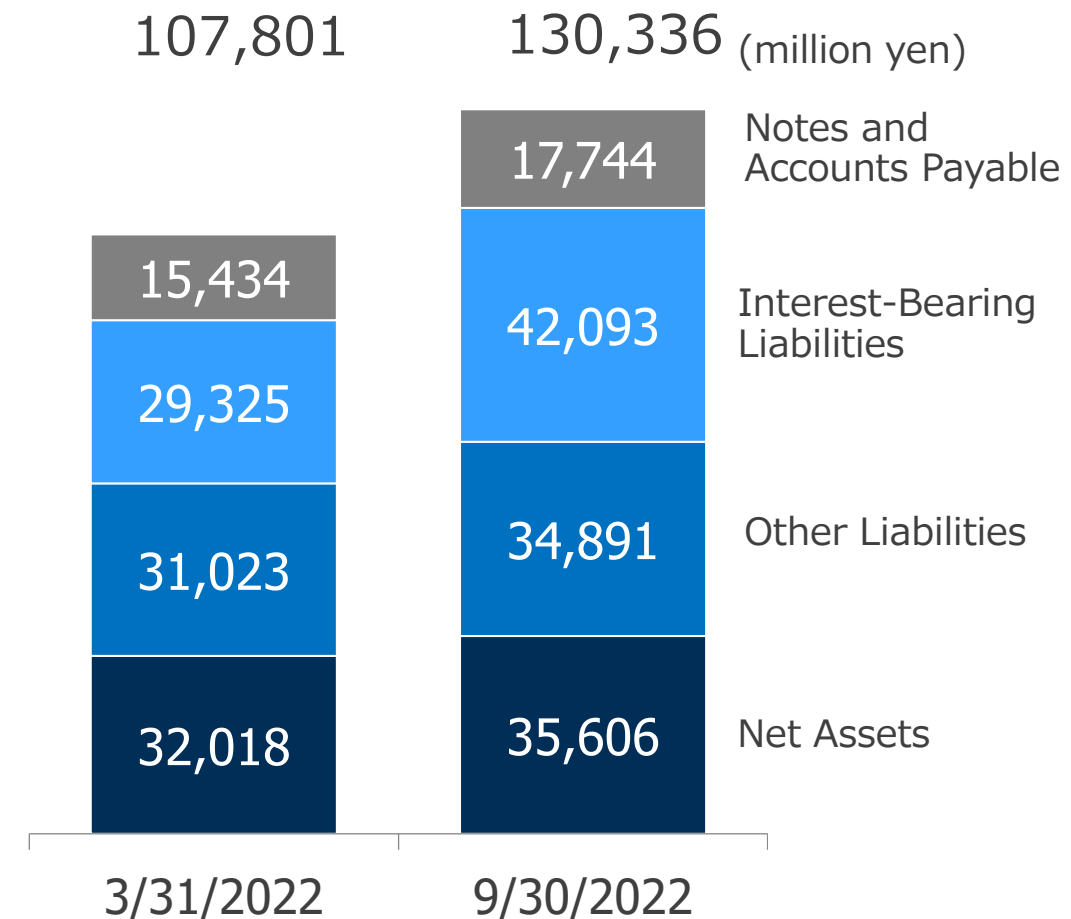
## Assets

- Notes and accounts receivable and inventories increased due to strong orders and sales
- Prepaid expenses increased due to increased maintenance and subscription business

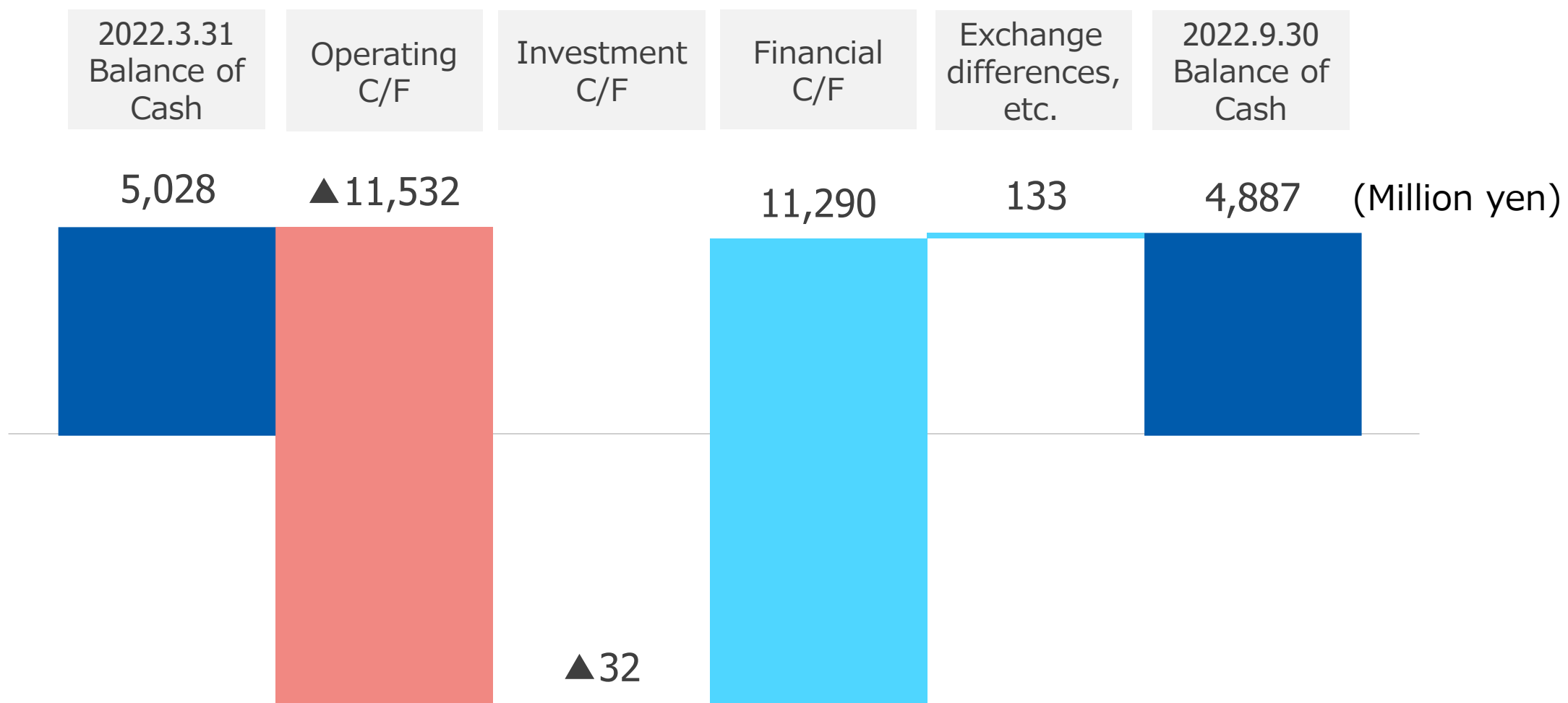


## Liabilities & Net Assets

- Notes and accounts payable increased in conjunction with increased orders placed
- Interest-bearing liabilities increased due to demand for working capital



# Statement of Cash Flows

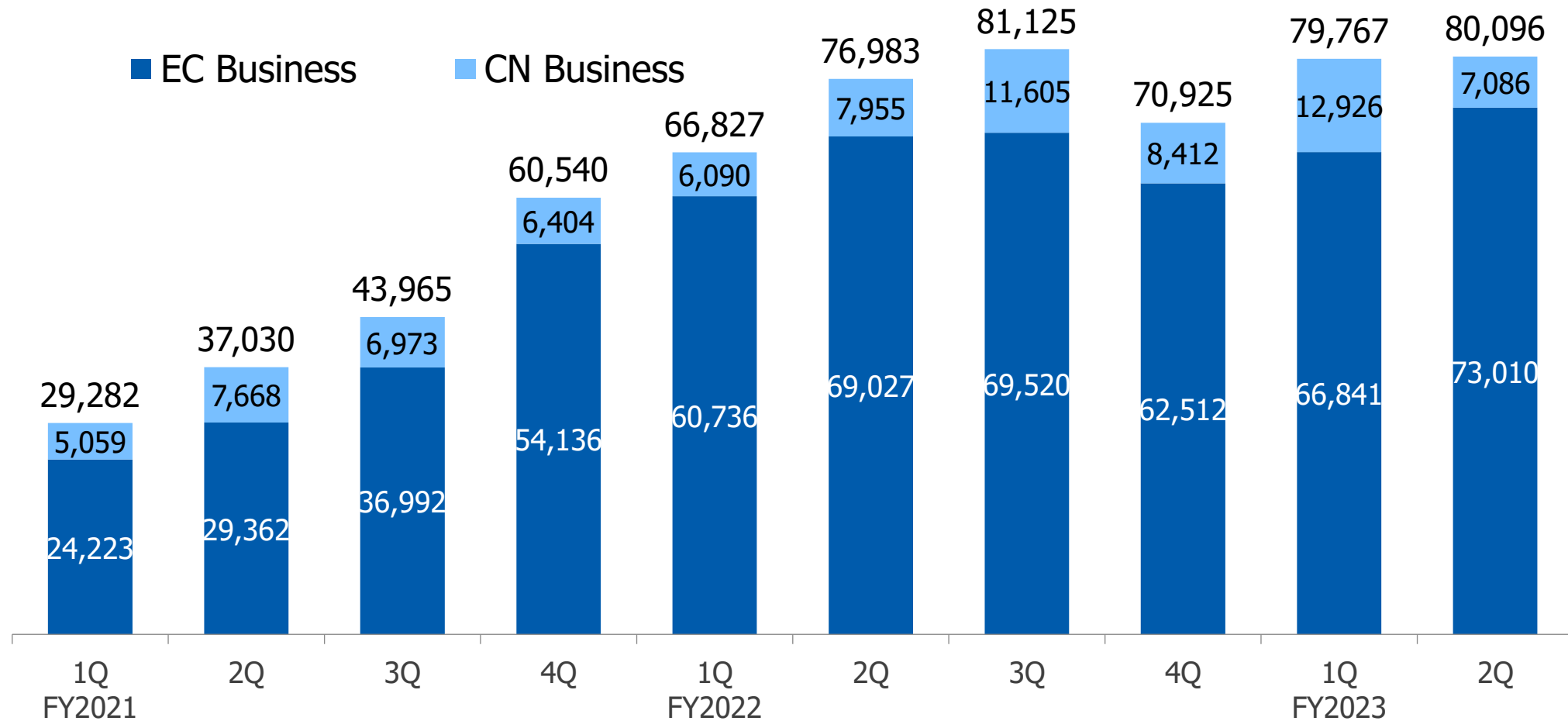




# Changes in Orders Received

- CN Business: In FY2023, there was an increase in long-term delivery orders, and large orders in 1Q
- EC Business: Proceeding toward normalization from 4Q of FY2022

(million yen)





# Forecast for the Fiscal Year Ending March 31, 2023

President & Representative  
Director Atsushi Tokushige

# Assumptions of Business Plan for the Second Half of the Fiscal Year Ending March 31, 2023 (1/2)

	Forecast at FY Start (Full year)	Revised Forecast (2 <sup>nd</sup> half)
<b>Exchange rate trend</b>	•The yen will remain weak (compared to previous FY)	•Weaker yen than initial forecast
<b>Semiconductor supply and demand trend</b>	•Tight supplies will continue in the first half, but turn hopeful in the second half	•Continued tight supply for main products
<b>Russia–Ukraine issue</b>	•It is difficult to predict the impact on our business (not incorporated into business plan)	•No change
<b>COVID-19 trend</b>	•Reduced impact on economic activity (minimal impact on business performance)	•No change

# Assumptions of Business Plan for the Second Half of the Fiscal Year Ending March 31, 2023 (1/2)



## CN Business

- A strong environment for IT-related investment
- Partial recovery of longer delivery times for IT equipment

## EC Business

- Strong demand primarily for industrial and automotive equipment
- Tight supply and demand continues primarily for main products

## PB Business

- Strong demand primarily for industrial and medical equipment
- Increasing expenses for parts and materials

# Forecast of Financial Results for the Fiscal Year Ending March 31, 2023



(Million yen)

	FY2022	FY2023			YoY Change	
	Full year	1st Half Actual	2nd Half Forecast	Full Year Forecast	Change	Rate of Change
Net sales	179,907	111,769	118,230	230,000	50,092	27.8%
CN Business	23,460	12,670	14,229	26,900	3,439	14.7%
EC Business (consolidated)	156,446	99,098	104,001	203,100	46,653	29.8%
EC Business	146,229	93,010	97,189	190,200	43,970	30.1%
PB Business	10,217	6,088	6,811	12,900	2,682	26.3%
Ordinary income (income ratio)	7,318 (4.1%)	5,208 (4.7%)	5,791 (4.9%)	11,000 (4.8%)	3,681	50.3%
Net income (income ratio)	5,085 (2.8%)	3,584 (3.2%)	4,015 (3.4%)	7,600 (3.3%)	2,514	49.5%

\*Net income is net income attributable to owners of the parent

# Shareholder return

## Dividends Per Share

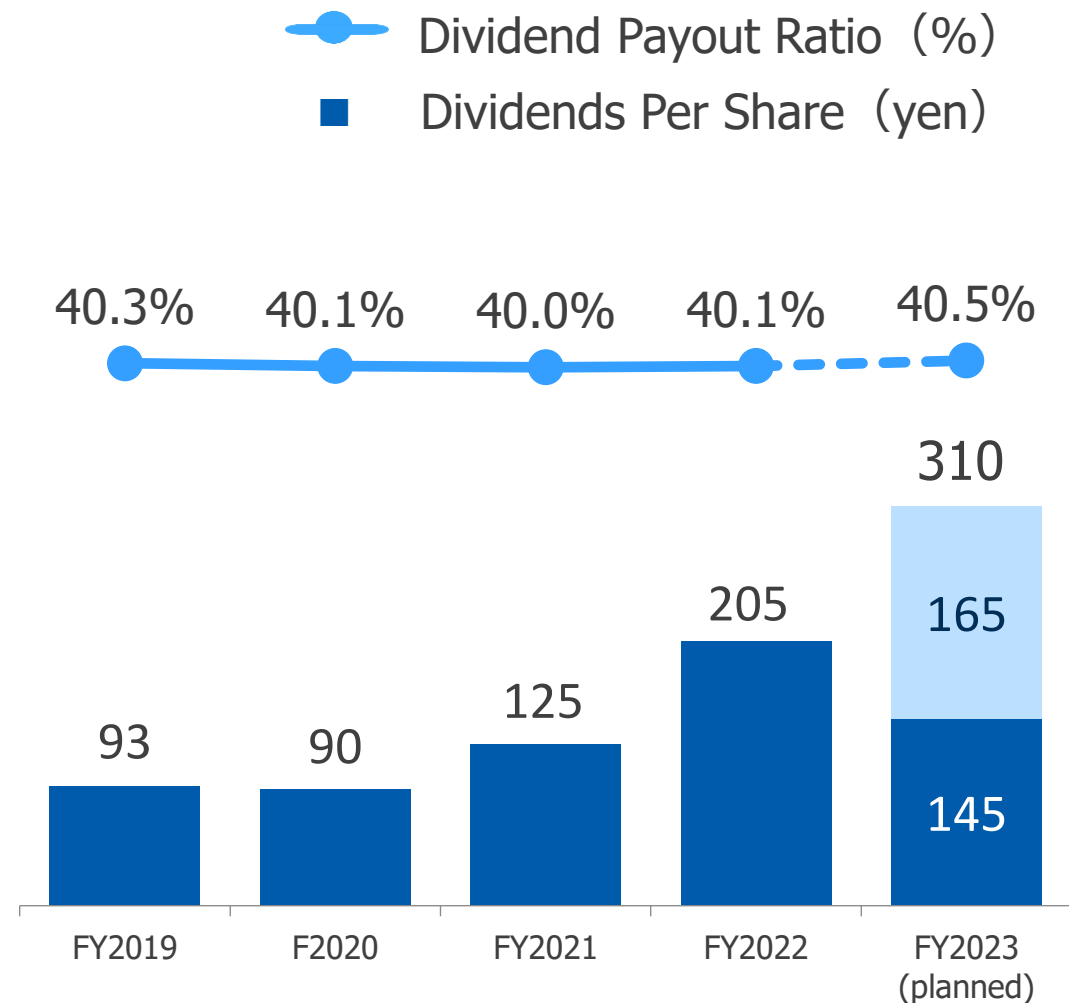
(yen)

	FY2021	FY2022	FY2023	
			Beginning of term	10/28 Revised
Interim	40	105	105	145
Year-End	85	100	135	165
<b>Full-year</b>	<b>125</b>	<b>205</b>	<b>240</b>	<b>310</b>


## Dividend policy

- Dividend payout ratio: 40%
- Stable, continuous dividends

## Dividends / Dividend Payout Ratio



# Promotion of Promising Businesses for Profitable Growth (1/4)



## Strengthening service business

- Security products and services
- AI services (AI evaluation and verification)
- Cloud services

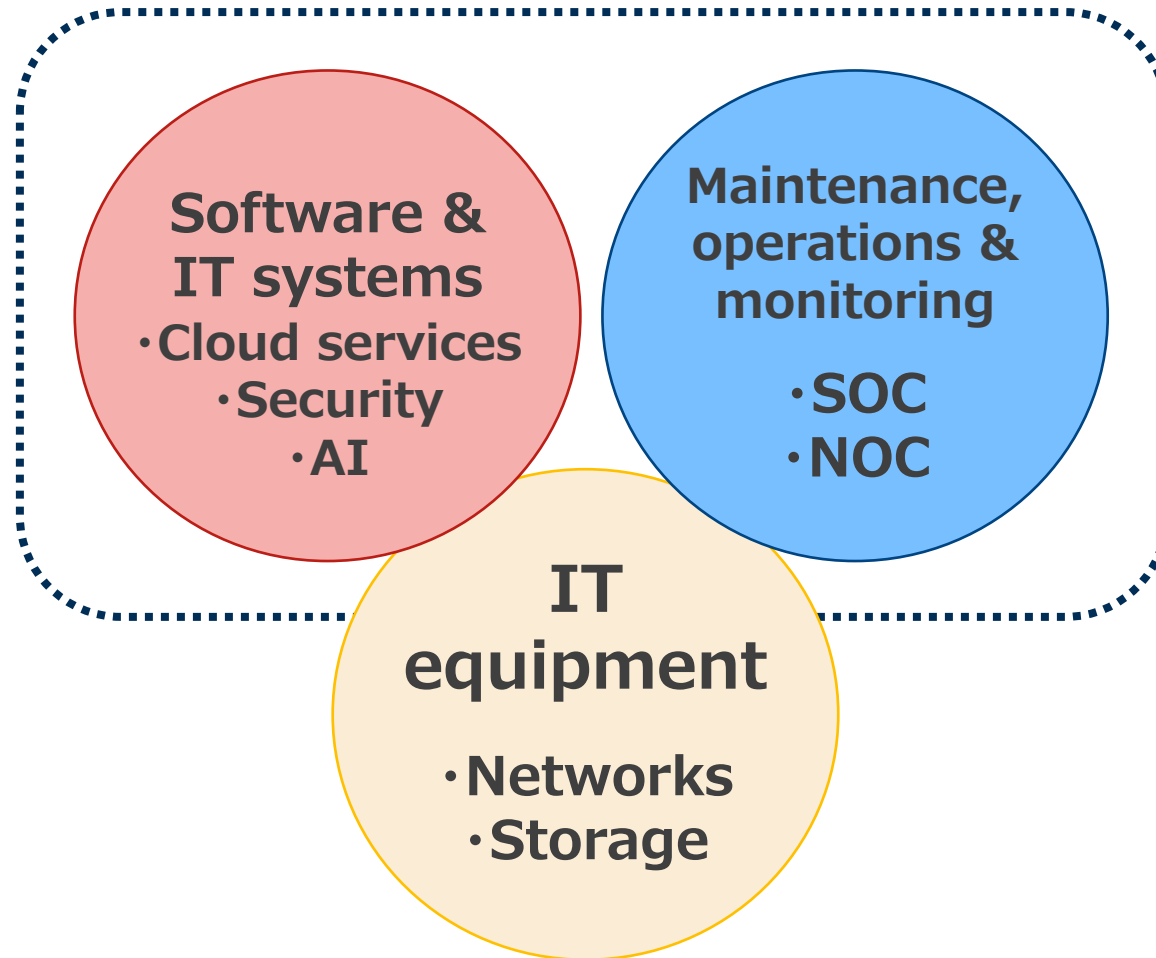


## Strengthening manufacturer functions

- ODM (medical and specimen testing equipment)
- Overseas development of manufacturing systems
- Improved functionality of robot vision
- Design and Manufacturing services

# Promotion of Promising Businesses for Profitable Growth (2/4)

## Strengthening Service Businesses



## Promotion through Synergy

- Differentiation and providing high added value
- Expansion of sales opportunities
- Accumulation of stock business

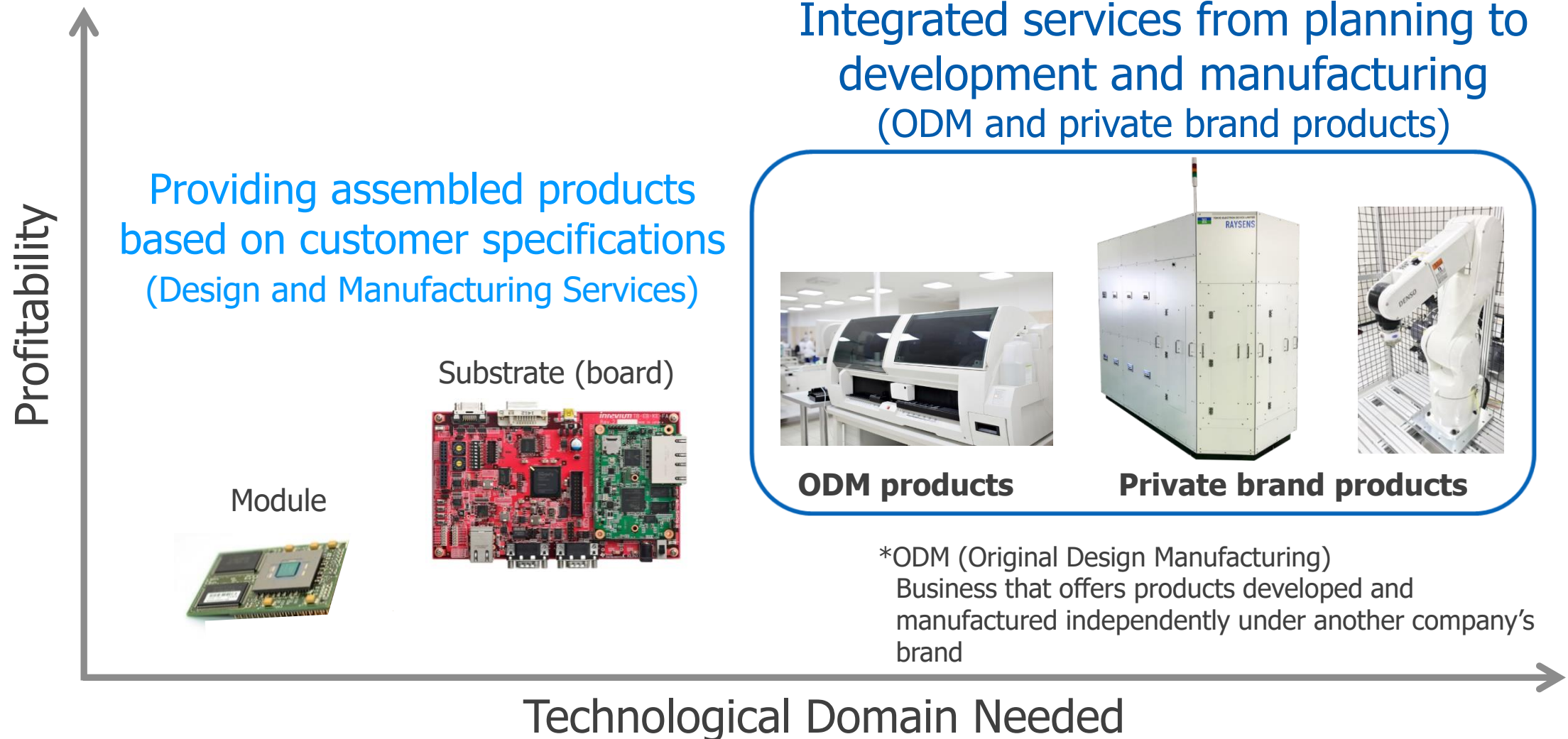


Notes: SOC (Security Operation Center), NOC (Network Operation Center)



# Promotion of Promising Businesses for Profitable Growth (3/4)

## Strengthening manufacturer functions

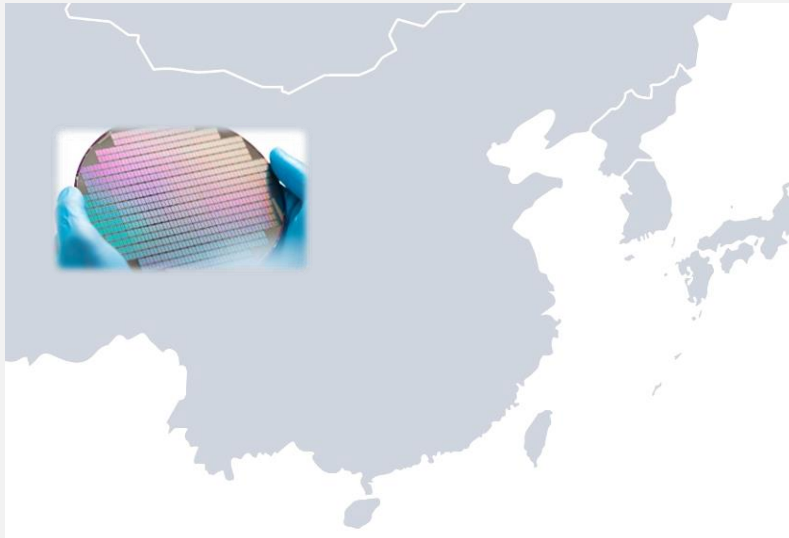


# Promotion of Promising Businesses for Profitable Growth (4/4)

## Strengthening manufacturer functions

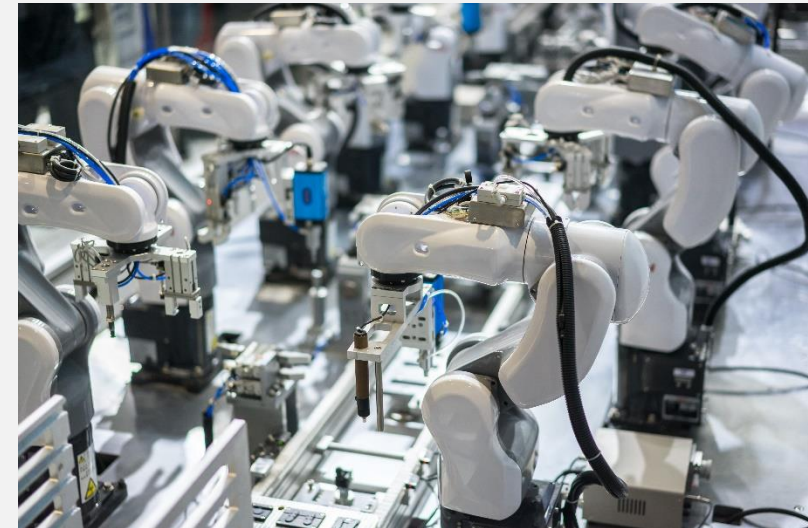
### Deploying Manufacturing Systems Outside Japan

- Partnerships with local trading companies
- We plan to begin accepting orders from next fiscal year



### Increasing the Functionality of Robot Vision

- Enhancing the practical level of picking
- Promoting the development of applications for industrial equipment





#### Cautionary Notes Regarding this Document

The forward-looking projections in this document were developed based on information available at this time. Please note that the Company's actual future results may differ from those indicated in this document due to various factors that have direct and indirect impacts on the Company's results.

If any material changes are made, the Company will announce them at that time. The company names, product names, service names, and logos used in this document are the trademarks or registered trademarks of their respective holders.



# Supplementary Materials

# List of Supplementary Materials

- Revision to the FY2023 Full Year Consolidated Results Forecast P30
- Medium-Term Management Plan VISION2025 P31-P34
- CN Business: Sales Component Ratios by Product Category P35
- EC Business: Sales Component Ratios by Product Category P36
- EC Business: Sales Component Ratios by Application P37
- Product Categories P38
- Change in Balance of Orders Received P39

# Revision to the FY2023 Full Year Consolidated Results Forecast



(Oct. 28, 2022)

(million yen)

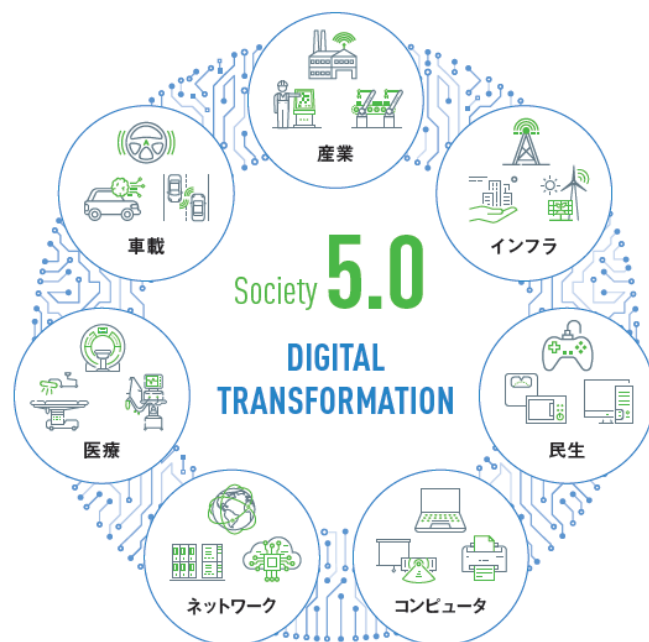
	FY2022	FY2023		
		A: Previously Announced Forecast (Apr. 26, 2022)	B: This Revised Forecast	Difference (B – A)
Net sales	179,907	200,000	230,000	30,000
Ordinary income	7,318	8,500	11,000	2,500
Net income	5,085	5,900	7,600	1,700

Note: Net income is net income attributable to owners of the parent.

## BUSINESS ENVIRONMENT

### **Society 5.0** to Arrive

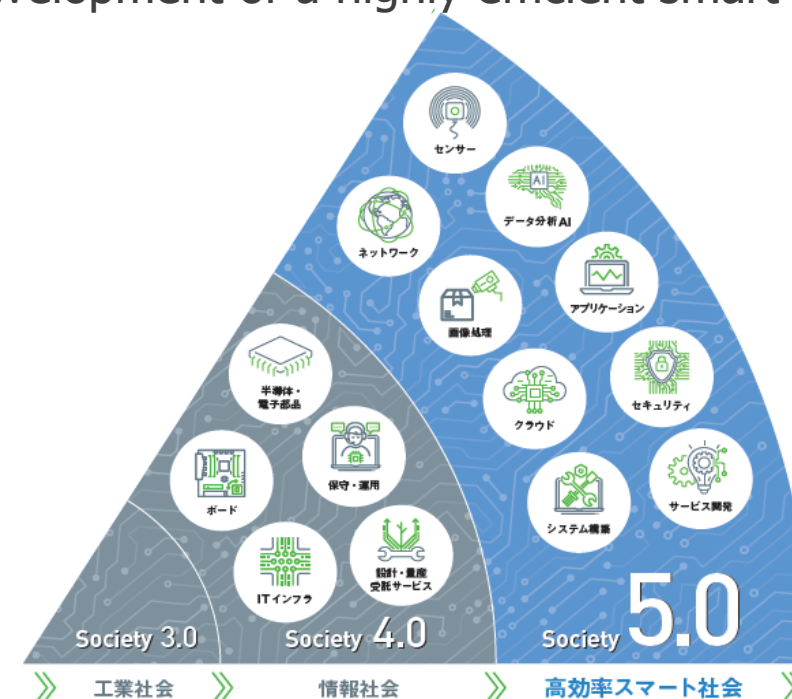
Highly efficient smart society amid  
Slow Economic Growth



## OUR MISSION

### **DRIVING DIGITAL TRANSFORMATION**

Providing products and services that can  
achieve digital transformation,  
thus contributing to the sustainable  
development of a highly efficient smart society



## To become a manufacturer with technology trading company functions

### Evolving technology trading company functions

- Business model that will generate profits from data, service, and stock businesses
- Maintain and expand customer base that contributes toward growth of business as a manufacturer
- Build a base for stable income

### The kind of manufacturer we want to be

- Manufacturing system manufacturer
- Original design manufacturer (ODM)
- Design development division based on providing solutions to issue
- Highly efficient smart factories



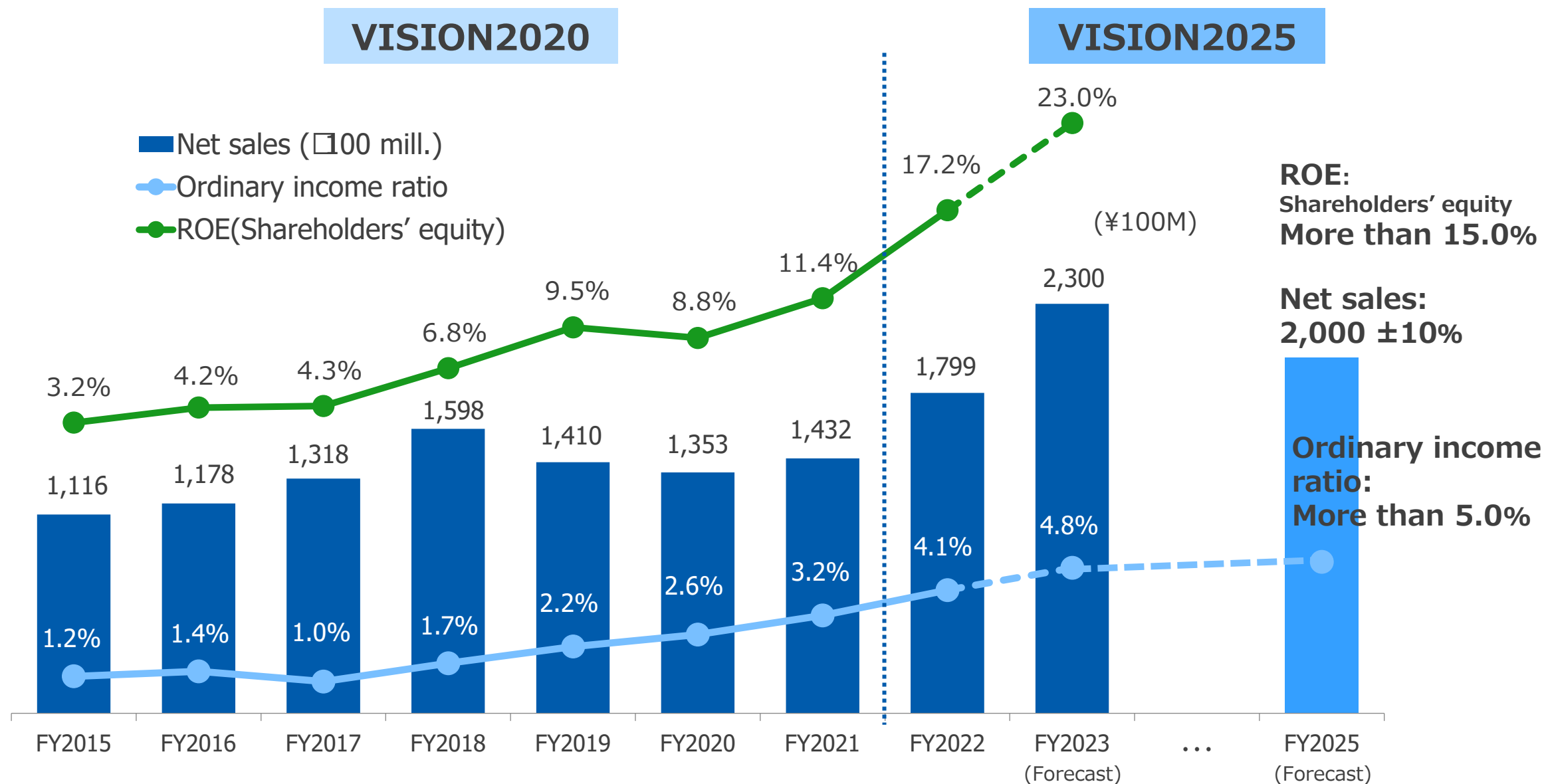
# Pursuing Sustainable Growth with Profit and Revenue Growth (Profit Growth Outpacing Revenue Growth)

# Fiscal 2025

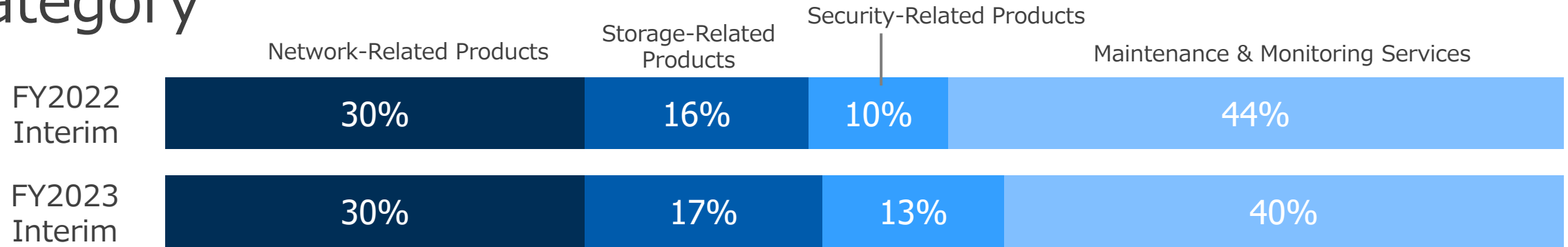
- Net sales                      ¥200.0 billion ±10%
- Ordinary income ratio        > 5 %
- ROE                             >15 %

	Percentage of total sales	Ordinary income ratio
CN Business	20 %	> 13 %
EC Business	70 %	> 2 %
PB Business	10 %	> 10 %

# Medium-Term Management Plan: Results and Plan

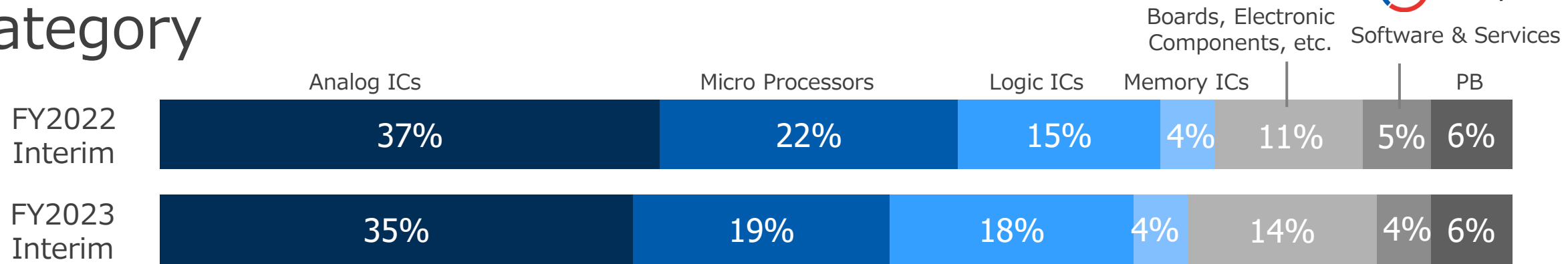


# CN Business: Sales Component Ratios by Product Category



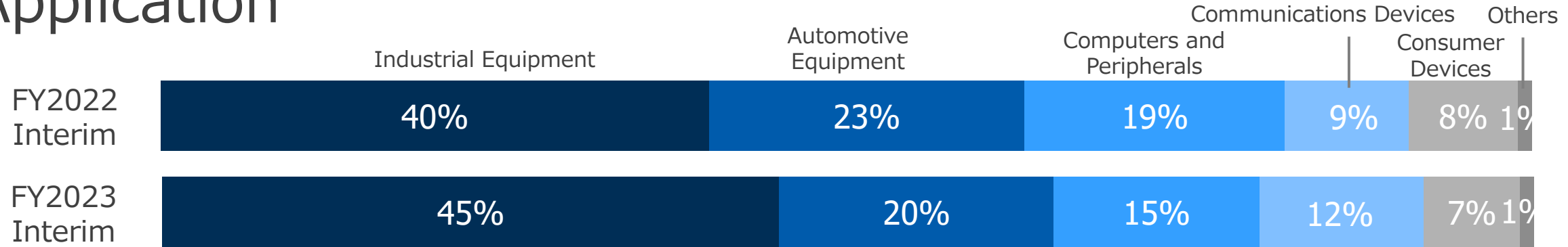
Product	Rate of Change	Main Causes	Main Suppliers
Network-related products	27.8%	Strong equipment sales to system integrators and enterprises	F5 Arista Networks Extreme Networks
Storage-related products	42.3%	Large flash storage deal for system integrator	Pure Storage Dell Technologies
Security-related products	53.6%	Growth in both cloud security for system integrators and endpoint security for enterprises	Nutanix Netskope
Maintenance & monitoring services	14.3%	Increase in storage product maintenance	TED

# EC Business: Sales Component Ratios by Product Category



Product	Rate of Change	Main Causes	Main Suppliers
Analog ICs	26.6%	Increase in all categories due to higher demands.	TI / NXP
Micro processors	15.9%	Increase in computer peripheral equipment and industrial equipment. POS sluggish.	NXP / TI / Intel / Infineon
Logic ICs	60.0%	Increase for industrial equipment and base stations. Increase for automotive equipment due to acquisition of commercial rights.	TI / NXP / Lattice / Infineon / MaxLinear / Realtek / Socionext
Memory ICs	46.9%	Increase for automotive and industrial equipment.	Infineon
Boards, electronic components, etc.	78.2%	Increased sales for communications base stations. Increased sales for PC storage.	NXP / PFU / Hagiwara Solutions / ams / Western Digital / Intel
Software & services	20.0%	Increase in cloud business.	Microsoft / DELL / McAfee
PB	42.9%	Increased Design & Manufacturing Services, TED Nagasaki, FAST	TED / TED Nagasaki / FAST

# EC Business: Sales Component Ratios by Application



Application	Rate of Change	Main Uses	TED Trends
Industrial equipment	53.0%	Medical equipment, broadcasting equipment, surveillance cameras, FA equipment, measuring equipment, industrial robots, machine tools, semiconductor manufacturing equipment, inverters	Increase in analog IC processors due to increased inventories of parts and materials Increase in boards for semiconductor manufacturing equipment and medical equipment
Automotive equipment	19.2%	Car navigation systems, car audio equipment, autobody-related products	Increase in analog IC processors due to increased inventories of parts and materials
Computers and peripherals	1.7%	Multifunctional printers, projectors, office equipment, storage, servers, PCs and peripheral devices, POS terminals	Large decrease in processors for POS terminals Increase in processors for PC services and PC storage due to increased inventories of parts and materials
Communications Devices	90.8%	Routers, transmission equipment, base stations	Increase in electronic components, processors, and logic ICs for base stations
Consumer Devices	26.7%	Digital cameras, digital video cameras, TVs/DVD/AV equipment, home gaming consoles, remote controls, major home appliances	Increase in analog ICs for electronic musical instruments

# Product Categories

	Category	Main Products	Functions
CN Business	Network-related products	Network load distribution devices Ethernet switches	Distribute Internet connection loads Switching hubs
	Storage-related products	Flash storage	Connect to and store large volumes of data at high speed
	Security-related products	End points, networks, cloud	Protect computer systems, networks, data, etc. from attacks, damage, and unauthorized access
	Maintenance & monitoring services	Device maintenance services and security monitoring services	
EC Business	Analog ICs	Analog ICs	ICs used in common in various applications
	Micro processors	CPUs, DSPs	Brains of electronic devices, calculation and control functions
	Logic ICs	Image processing ICs Communications and network applications ICs ASIC, PLD	ICs with packaged logic circuits, special-purpose ICs made for particular applications, special ICs made according to customer specifications
	Memory ICs	SRAM, FRAM, MRAM Flash memory	Memory ICs, readable/writable memory products, read-only products
	Boards, electronic components, etc.	Boards, power supplies, optical components	ICs on printed circuit boards, power supplies, products with mounted connectors and other components (boards)
	Software & services	Software, cloud services	Software embedded in industrial equipment for enterprises Provision of subscription services
	PB	Design and mass production contract services, private brand products	Design, development and mass production of boards according to customer specifications Devices for manufacturing industries

# Change in Balance of Orders Received

