



July 29, 2016

## Consolidated Financial Review for the First Quarter Ended June 30, 2016

Company name: Tokyo Electron Limited  
 URL: <http://www.tel.com>  
 Telephone number: (03) 5561-7000  
 Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 8035)

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.  
 2. Amounts are rounded down to the nearest million yen.

### 1. Consolidated financial highlights for the three months ended June 30, 2016

#### (1) Operating results (Cumulative)

Note: Percentages indicate changes from the same period of the previous fiscal year.

	Three months ended			
	June 30, 2015		June 30, 2016	
		%		%
Net sales (Millions of yen)	155,762	2.9	147,976	(5.0)
Operating income (Millions of yen)	30,279	77.4	22,095	(27.0)
Ordinary income (Millions of yen)	30,207	78.6	24,083	(20.3)
Net income attributable to owners of parent (Millions of yen)	19,481	64.6	12,684	(34.9)
Net income per share of common stock (Yen):				
Basic	109.53		77.33	
Diluted	109.22		77.16	
Comprehensive income:	Three months ended June 30, 2016: 2,791 million yen, (87.1%)			
	Three months ended June 30, 2015: 21,616 million yen, 76.6%			

#### (2) Financial position

	As of	
	March 31, 2016	June 30, 2016
Total assets (Millions of yen)	793,367	754,695
Total net assets (Millions of yen)	564,239	549,795
Equity ratio (%)	70.9	72.5
Equity:	546,810 million yen (as of June 30, 2016)	
	562,369 million yen (as of March 31, 2016)	

### 2. Dividends

	Year ended March 31, 2016	Year ending March 31, 2017 (Forecast)
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	125.00	89.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	112.00	171.00
Annual dividends per share (Yen)	237.00	260.00

Note: Revision of dividends forecast: None

**3. Financial forecasts for the fiscal year ending March 31, 2017**

Note: Percentages for year ending March 31, 2017 indicate changes from the previous fiscal year, and those for six months ending September 30, 2016 indicate changes from the same period of the previous fiscal year.

	Six months ending September 30, 2016 (Cumulative)		Year ending March 31, 2017	
		%		%
Net sales (Millions of yen)	330,000	(3.2)	714,000	7.5
Operating income (Millions of yen)	49,000	(20.0)	124,000	6.2
Ordinary income (Millions of yen)	49,000	(21.5)	124,000	3.9
Net income attributable to owners of parent (Millions of yen)	29,000	(29.9)	85,000	9.1
Net income per share (Yen)	176.79		518.17	

Note: Revision of financial forecasts: None

**\*Notes :**

- (1) Important changes in subsidiaries (Changes on specific subsidiaries with changes in scope of consolidation): None
- (2) Changes in accounting principles, accounting estimation and restatement
1. Changes in accounting policies along with changes in accounting standards: Yes
  2. Other changes of accounting policies besides number 1 above: None
  3. Changes in accounting estimation: None
  4. Restatement: None
- (3) Number of shares outstanding (common stock)
1. Number of shares outstanding (including treasury stock)
    - As of June 30, 2016: 165,210,911 shares
    - As of March 31, 2016: 165,210,911 shares
  2. Number of shares of treasury stock
    - As of June 30, 2016: 1,171,263 shares
    - As of March 31, 2016: 1,176,800 shares
  3. Average number of shares outstanding
    - As of June 30, 2016: 164,038,149 shares
    - As of June 30, 2015: 177,865,767 shares

**\*Notification of the status of quarterly financial review procedures:**

This quarterly financial report is outside the jurisdiction of auditing procedures outlined in the Financial Instruments and Exchange Act and remains incomplete at the time of this report's publication.

**\*Explanation of the appropriate use of financial forecast:**

The financial forecasts and estimates as provided in this Consolidated Financial Review are based on certain assumptions judged to be reasonable at time of report issuance and in light of currently available information. Consequently, actual operating results may differ substantially from the projections in this Consolidated Financial Review.

The company plans to hold a financial meeting for analysts and investors on July 29, 2016. Supplementary schedules and other information deemed relevant to these financial reports will be handed out at this meeting and posted simultaneously on our company website.

## 1. Qualitative Information on Financial Results for the Current Quarter

### (1) Description of Operating Results

In the first quarter of the current fiscal year, the world economy continued to experience a modest recovery, but the market outlook remains cautious due to the impact of the economic slowdown in China and the problems stemming from Brexit.

In the electronics industry, sluggish conditions were seen in the electronic equipment market, due to the production adjustments for high-performance smartphones, however, investments in leading-edge technologies by logic semiconductor makers remained strong, and in general, the semiconductor production equipment market, of which the Tokyo Electron (TEL) Group is a part, generally showed strength.

Under these circumstances, TEL Group's consolidated results (cumulative) for the first quarter of the current fiscal year were net sales of 147,976 million yen (a year-on-year decrease of 5.0%), operating income of 22,095 million yen (a year-on-year decrease of 27.0%), ordinary income of 24,083 million yen (a year-on-year decrease of 20.3%), and quarterly net income attributable to owners of parent of 12,684 million yen (a year-on-year decrease of 34.9%).

The overview of each business segment is as described below.

#### (i) Semiconductor Production Equipment

Capital investments for leading-edge technology by logic semiconductor makers and 3D NAND flash memory business remained robust, net sales to external customers in this segment in the first quarter of the current fiscal year were 130,796 million yen (a year-on-year decrease of 6.8%).

#### (ii) Flat Panel Display (FPD) Production Equipment

The FPD production equipment segment continued to benefit from strong capital investment in China for small to medium-sized flat panel displays used primarily for mobile devices and capital investment in large flat panel displays. Given these circumstances, net sales to external customers in this segment in the first quarter of the current fiscal year were 17,064 million yen (a year-on-year growth of 69.4%).

#### (iii) Other

Net sales to external customers in this segment in the first quarter of the current fiscal year were 115 million yen (a year-on-year decrease of 97.8%).

(For reference)

**Consolidated Operating Results**

(Millions of yen)

	FY 2016					FY 2017 1Q
	Full Year	1Q	2Q	3Q	4Q	
Net Sales	663,948	155,762	185,189	158,771	164,225	147,976
Semiconductor Production Equipment	613,032	140,365	176,622	146,523	149,520	130,796
Japan	116,272	25,011	37,809	27,028	26,423	17,819
U.S.	103,460	30,776	29,491	23,428	19,765	17,022
Europe	51,088	17,053	9,620	14,856	9,557	5,234
Korea	99,574	28,140	25,211	15,257	30,965	19,805
Taiwan	161,930	23,130	52,928	43,354	42,517	30,504
China	63,605	14,084	17,041	17,219	15,260	30,049
Southeast Asia	17,099	2,169	4,520	5,379	5,030	10,360
FPD Production Equipment	44,687	10,070	8,205	11,724	14,686	17,064
Other	6,228	5,326	361	522	18	115
Operating Income	116,788	30,279	30,970	25,513	30,025	22,095
Ordinary Income	119,399	30,207	32,177	25,655	31,359	24,083
Net Income Attributable to Owners of Parent	77,891	19,481	21,895	17,858	18,656	12,684

Note: Intersegment sales or transfers are eliminated.

**1. Production**

(Millions of yen)

	FY 2016					FY 2017 1Q
	Full Year	1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	592,230	147,830	150,176	131,554	162,669	140,236
FPD Production Equipment	50,944	10,435	12,758	10,295	17,455	9,623
Other	5,124	5,124	-	-	-	-
Total	648,299	163,390	162,935	141,849	180,124	149,860

Note: 1. Amounts are based on sales prices.  
2. The above amounts do not include consumption taxes.

**2. Orders Received**

(Millions of yen)

	FY 2016					FY 2017 1Q
	Full Year	1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	626,275	156,663	122,499	159,307	187,804	197,470
FPD Production Equipment	50,503	11,847	12,502	13,947	12,206	15,955
Other	2,541	1,835	204	492	9	111
Total	679,320	170,346	135,206	173,747	200,020	213,538

Note: 1. Intersegment sales or transfers are eliminated.  
2. The above amounts do not include consumption taxes.

**3. Orders Backlog**

(Millions of yen)

	FY 2016				FY 2017 1Q
	1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	276,766	222,643	235,426	273,710	340,384
FPD Production Equipment	33,388	37,686	39,908	37,428	36,319
Other	201	44	13	4	1
Total	310,355	260,373	275,348	311,143	376,704

Note: 1. Intersegment sales or transfers are eliminated.  
2. The above amounts do not include consumption taxes.

## **(2) Description of Financial Conditions**

### **(i) Financial Conditions**

Current assets at the end of the first quarter of the current fiscal year stood at 586,378 million yen, a decrease of 31,037 million yen compared to the end of the previous fiscal year. Factors contributing to the decrease were a 22,204 million yen decline in prepaid consumption tax, a 13,756 million yen decrease in trade notes and accounts receivable, a 13,499 million yen drop in short-term investments included in securities, an 8,401 million yen increase in inventories and a 7,768 million yen rise in cash and deposits.

Tangible fixed assets declined by 1,575 million yen from the end of the previous fiscal year, to 94,741 million yen.

Intangible fixed assets decreased by 1,884 million yen from the end of the previous fiscal year, to 15,718 million yen.

Investment and other assets were down by 4,175 million yen from the end of the previous fiscal year, to 57,856 million yen.

As a result, total assets declined by 38,672 million yen from the end of the previous fiscal year to 754,695 million yen.

Current liabilities stood at 143,314 million yen, a decrease of 22,746 million yen compared to the end of the previous fiscal year. Factors contributing to the decrease were a 14,523 million yen decline in income taxes payable, a 7,276 million yen decrease in accrued employees' bonuses, a 3,509 million yen decrease in trade notes and accounts payable.

Long-term liabilities stood at 61,586 million yen, a decrease of 1,481 million yen compared to the end of the previous fiscal year.

Net assets stood at 549,795 million yen, a decrease of 14,443 million yen compared to the end of the previous fiscal year. This net decrease is mainly due to the fact that TEL recorded a 12,684 million yen in quarterly net income attributable to owners of parent, a decrease stemming from the payment of 18,371 million yen in fiscal year-end dividends in the previous fiscal year and a decrease of 9,886 million yen in accumulated other comprehensive income. As a result, the equity ratio was 72.5%.

### **(ii) Cash Flow**

Cash and cash equivalents at the end of the first quarter of the current fiscal year stood at 114,910 million yen, an increase of 19,271 million yen compared to the end of the previous fiscal year. The combined balance including 116,032 million yen in time deposits and short-term investments with periods to maturity or redemption of at least three months not included in cash and cash equivalents was 230,943 million yen, down 5,730 million yen from the end of the previous fiscal year. The overall situation regarding cash flow during the first quarter of the current fiscal year is described below.

Cash flow from operating activities was a positive 22,193 million yen, up 4,799 million yen compared to the same period of the previous fiscal year. Positive contributors were 16,191 million yen in net income before income taxes, 3,994 million yen in depreciation and amortization, a 22,140 million yen decrease in prepaid consumption tax, and a 10,636 million yen decrease in trade notes and accounts receivable. Negative contributors were income taxes paid of 19,414 million yen and an increase of 12,488 million yen in inventories.

Cash flow from investing activities was a positive 20,063 million yen compared to a negative 32,028 million yen in the

same period of the previous year. The primary positive contributor was 24,998 million yen in income associated with a decrease in short-term investments and the primary negative contributor was 4,762 million yen in payments for purchases of fixed assets.

Cash flow from financing activities was a negative 18,375 million yen, compared to a negative 36,362 million yen in the same period of the previous fiscal year. This was primarily the result of the payment of 18,371 million yen in dividends.

### Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	Three month ended June 30, 2015	Three month ended June 30, 2016
Cash flows from operating activities	17,394	22,193
Income before income taxes	29,099	16,191
Depreciation and amortization	4,624	3,994
Decrease in trade notes and accounts receivable	13,427	10,636
Increase in inventories	(18,515)	(12,488)
Decrease in trade notes and accounts payable	(6,123)	(1,452)
Other, net	(5,117)	5,313
Cash flows from investing activities	(32,028)	20,063
Decrease (increase) in time deposits and short-term investments	(29,987)	24,998
Other (Acquisition of fixed assets)	(2,041)	(4,934)
Cash flows from financing activities	(36,362)	(18,375)
Effect of exchange rate changes on cash and cash equivalents	2,262	(4,609)
Net increase (decrease) in cash and cash equivalents	(48,734)	19,271
Cash and cash equivalents at beginning of year	317,632	95,638
Cash and cash equivalents at end of period	268,897	114,910
Cash and cash equivalents, time deposits and short-term investments with periods to maturity or redemption of at least three months	298,936	230,943

### (3) Description of Financial Estimates Information such as Consolidated Financial Forecasts

There are no changes in the consolidated financial forecast for the fiscal year ending March 31, 2017 from the forecasts released at the time of the previous announcement on May 12, 2016.

Note: The financial forecasts and estimates stated in this announcement are based on certain assumptions judged to be reasonable by the Company in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in foreign exchange rates, and other factors that may have an impact on performance. The company does not promise that the forecasts or estimates will be accurate.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products (and their success or failure), and global conditions in the semiconductor related industry. Consequently, actual sales and profits may differ substantially from the projections stated in this announcement.

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposit	75,674	83,443
Trade notes and accounts receivable	116,503	102,746
Securities	160,999	147,500
Merchandise and finished goods	130,478	133,995
Work in process	41,556	44,779
Raw materials and supplies	23,044	24,706
Others	69,207	49,265
Allowance for doubtful accounts	(48)	(58)
Total current assets	617,416	586,378
<b>Long-term assets</b>		
Tangible fixed assets	96,316	94,741
Intangible fixed assets		
Others	17,603	15,718
Total intangible fixed assets	17,603	15,718
Investments and other assets		
Others	63,857	59,639
Allowance for doubtful accounts	(1,825)	(1,782)
Total investments and other assets	62,031	57,856
Total long-term assets	175,951	168,317
<b>Total assets</b>	793,367	754,695

# Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	55,050	51,540
Income taxes payable	22,460	7,937
Accrued warranty expenses	8,686	7,571
Other allowances	13,044	4,582
Others	66,818	71,681
Total current liabilities	<u>166,060</u>	<u>143,314</u>
<b>Long-term liabilities</b>		
Other allowances	374	374
Net liability for defined benefit	55,302	55,506
Others	7,390	5,704
Total long-term liabilities	<u>63,067</u>	<u>61,586</u>
<b>Total liabilities</b>	<u>229,128</u>	<u>204,900</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	427,618	421,907
Treasury stock, at cost	(8,050)	(8,012)
Total shareholders' equity	<u>552,551</u>	<u>546,879</u>
<b>Accumulated other comprehensive income</b>		
Net unrealized gains on investment securities	7,902	5,225
Net deferred gains on hedging instruments	50	137
Foreign currency translation adjustments	6,742	(741)
Accumulated remeasurements of defined benefit plans	(4,877)	(4,690)
Total accumulated other comprehensive income	<u>9,817</u>	<u>(68)</u>
<b>Share subscription rights</b>	1,641	2,763
<b>Non-controlling interests</b>	228	221
<b>Total net assets</b>	<u>564,239</u>	<u>549,795</u>
<b>Total liabilities and net assets</b>	<u>793,367</u>	<u>754,695</u>



## Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
<b>Net sales</b>	155,762	147,976
Cost of sales	90,057	90,650
<b>Gross profit</b>	<u>65,704</u>	<u>57,325</u>
Selling, general and administrative expenses		
Research and development expenses	17,577	17,767
Others	17,848	17,461
Total selling, general and administrative expenses	<u>35,425</u>	<u>35,229</u>
<b>Operating income</b>	<u>30,279</u>	<u>22,095</u>
Non-operating income		
Dividend income	268	278
Foreign exchange gain	-	1,302
Others	600	467
Total non-operating income	<u>869</u>	<u>2,048</u>
Non-operating expenses		
Maintenance cost for domestic closed facilities	47	26
Foreign exchange loss	810	-
Others	82	34
Total non-operating expenses	<u>941</u>	<u>61</u>
<b>Ordinary income</b>	<u>30,207</u>	<u>24,083</u>
Unusual or infrequent profit		
Gain on sales of fixed assets	258	23
Gain on sales of investment securities	-	6
Total unusual or infrequent profit	<u>258</u>	<u>29</u>
Unusual or infrequent loss		
Loss on disaster	-	7,828
Loss on sales of subsidiaries' stock	1,110	-
Others	255	93
Total unusual or infrequent loss	<u>1,366</u>	<u>7,921</u>
<b>Income before income taxes</b>	<u>29,099</u>	<u>16,191</u>
Income taxes	9,610	3,492
<b>Net income</b>	<u>19,488</u>	<u>12,698</u>
Net income attributable to non-controlling interests	7	13
<b>Net income attributable to owners of parent</b>	<u>19,481</u>	<u>12,684</u>

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
<b>Net income</b>	19,488	12,698
<b>Other comprehensive income (loss)</b>		
Net unrealized gains (losses) on investment securities	555	(2,673)
Net deferred gains (losses) on hedging instruments	(32)	31
Foreign currency translation adjustments	2,129	(7,447)
Remeasurements of defined benefit plans	(521)	181
Share of other comprehensive income of associates accounted for using equity method	(3)	0
Total other comprehensive income (loss)	<u>2,127</u>	<u>(9,906)</u>
<b>Comprehensive income</b>	<u>21,616</u>	<u>2,791</u>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of parent	21,602	2,798
Comprehensive income attributable to non-controlling interests	14	(7)

## Notes

Going concern : None

Remarkable changes in shareholders' equity : None

Note on consolidated statements of income :

Loss on disaster

These are actual and current estimated expenses relating to the recovery of buildings, production and development facilities as well as the disposal of inventories caused by the impact of the Kumamoto earthquake in 2016.

Segment information :

(i) General information about reportable segments

A reportable segment is a component or an aggregated component of TEL Group. For each of the components, discrete financial information is available and the operating result is regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

The operation of TEL Group consists of segments by products and services based on business units (BUs), and TEL Group identifies as a reportable segment, "semiconductor production equipment (SPE)" and "flat panel display (FPD) production equipment". Products of the SPE segment consist of coater/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, sells and distributes such products.

Products of the FPD production equipment segment consist of coater/developers and etch/ash systems used in the manufacture of flat panel displays. The FPD production equipment segment principally develops, manufactures, sells and distributes such products.

(ii) Information about reportable segment net sales, segment profit (loss)

Three months ended June 30, 2016

(Millions of yen)

	Reportable Segments		Other*1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	130,796	17,064	3,288	151,149
Segment profit (loss)	26,720	1,197	131	28,049

	Eliminations and Corporate *2	Consolidated *3
Net sales	(3,173)	147,976
Segment profit (loss)	(11,858)	16,191

Notes:

\*1. "Other" includes all other operating segments which are not included in the reportable segments, including PV Production Equipment business, group-wide logistic services, facility maintenance and insurance.

\*2. "Eliminations and Corporate" segment loss totaling 11,858 million yen includes corporate expenses not allocated to any reportable segments. The corporate expenses consist of research and development costs of 3,542 million yen, pertaining to fundamental research and element research, and loss on disaster costs of 7,828 million yen.

\*3. Segment profit is adjusted to income before income taxes on consolidated statements of Income.

(iii) Impairment losses on fixed assets and goodwill, etc. in reportable segments

Significant impairment losses related to fixed assets: None

Significant changes in goodwill amount: None

Significant income related to negative goodwill: None