



Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2019 (Japanese GAAP)

July 26, 2019

Name of Listed Company: Tokyo Electron Limited Stock Exchange Listing: Tokyo
 Security Code: 8035
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 Scheduled start date of dividends payment: -
 Preparation of supplementary materials for the quarterly financial results: Yes
 Quarterly earnings release conference: Yes (for investors and analysts)

Note: Amounts are rounded down to the nearest million yen.

1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (Cumulative)

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

| | Three months ended | | | |
|---|--|------|---------------|--------|
| | June 30, 2018 | | June 30, 2019 | |
| | | % | | % |
| Net sales (Millions of yen) | 295,569 | 25.0 | 216,421 | (26.8) |
| Operating income (Millions of yen) | 72,418 | 32.2 | 42,552 | (41.2) |
| Ordinary income (Millions of yen) | 75,212 | 36.4 | 44,591 | (40.7) |
| Net income attributable to owners of parent (Millions of yen) | 55,741 | 35.1 | 31,894 | (42.8) |
| Net income per share of common stock (Yen): | | | | |
| Basic | 339.65 | | 195.68 | |
| Diluted | 338.34 | | 194.72 | |
| Comprehensive income: | Three months ended June 30, 2019 : 27,071 million yen, (50.0)% | | | |
| | Three months ended June 30, 2018 : 54,152 million yen, 22.9% | | | |

(2) Consolidated Financial Position

| | As of | |
|------------------------------------|--|---------------|
| | March 31, 2019 | June 30, 2019 |
| Total assets (Millions of yen) | 1,257,627 | 1,149,391 |
| Total net assets (Millions of yen) | 888,117 | 819,354 |
| Equity ratio (%) | 70.0 | 70.3 |
| Equity: | 807,956 million yen (as of June 30, 2019) | |
| | 880,748 million yen (as of March 31, 2019) | |

2. Dividends

| | Year ended | Year ending |
|------------------------------------|----------------|------------------------------|
| | March 31, 2019 | March 31, 2020 (Forecast) |
| 1Q-end dividends per share (Yen) | - | - |
| 2Q-end dividends per share (Yen) | 413.00 | 193.00 |
| 3Q-end dividends per share (Yen) | - | - |
| Year-end dividends per share (Yen) | 345.00 | 309.00 |
| Annual dividends per share (Yen) | 758.00 | 502.00 |

Note: Revision to the dividends forecast most recently announced: None

3. Financial Forecasts for the Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

Note: Percentages for year ending March 31, 2020 indicate changes from the previous fiscal year, and those for six months ending September 30, 2019 indicate changes from the same period of the previous fiscal year.

| | Six months ending | | Year ending | |
|---|------------------------------------|--------|----------------|--------|
| | September 30, 2019 (Cumulative) | | March 31, 2020 | |
| | | % | | % |
| Net sales (Millions of yen) | 490,000 | (29.1) | 1,100,000 | (13.9) |
| Operating income (Millions of yen) | 85,000 | (51.5) | 220,000 | (29.2) |
| Ordinary income (Millions of yen) | 85,000 | (53.1) | 220,000 | (31.6) |
| Net income attributable to owners of parent (Millions of yen) | 63,000 | (53.4) | 164,000 | (33.9) |
| Net income per share (Yen) | 388.83 | | 1,015.21 | |

Note: Revision to the financial forecasts most recently announced: None

Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries associated with changes in scope of consolidation): None

(2) Adoption of special accounting methods for preparation of quarterly financial statements: Yes

Please refer to "Notes" on page 11 for further information.

(3) Changes in accounting policies, changes in accounting estimates and restatements

1. Changes in accounting policies along with changes in accounting standards: Yes

2. Other changes of accounting policies besides the number 1 above: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding (including treasury stock)

As of June 30, 2019 : 165,210,911 shares

As of March 31, 2019: 165,210,911 shares

2. Number of shares of treasury stock

As of June 30, 2019 : 4,151,346 shares

As of March 31, 2019: 1,252,517 shares

3. Average number of shares outstanding (Cumulative quarterly period)

Three months ended June 30, 2019: 162,993,433 shares

Three months ended June 30, 2018: 164,113,708 shares

Note: The number of shares of treasury stock includes the Company's shares held by "Executive compensation Board Incentive Plan (BIP) trust" and "share-delivering Employee Stock Ownership Plan (ESOP) trust". (249,626 shares as of June 30, 2019, 249,701 shares as of March 31, 2019)
In addition, these Company's shares are included in the treasury stock which is deducted in calculating the average number of shares.

* Status of implementation of quarterly review procedures

This Summary of Consolidated Financial Results is outside the scope of external auditor's quarterly review procedures under the Financial Instruments and Exchange Act.

* Explanation of the appropriate use of financial forecast:

The financial forecasts and estimates in this Summary of Consolidated Financial Results are based on information available to the Company at the time of report issuance and certain assumptions judged to be reasonable by the Company, and therefore are not guarantees of future performance. Consequently, actual results may differ substantially from those described in this Summary of Consolidated Financial Results. Please refer to "1. Qualitative Information on Financial Results for the Current Quarter (3) Description of Financial Estimates Information such as Consolidated Financial Forecasts" on page 6.

The Company plans to hold an earnings release conference for investors and analysts on July 26, 2019. Supplementary materials to be handed out at the conference will be posted on the Company's website.

1. Qualitative Information on Financial Results for the Current Quarter

(1) Description of Operating Results

During the first quarter of the current fiscal year, growth of the global economy was sluggish with signs of weakness in China and other parts of Asia, moderated by continued strong growth in the U.S. economy and a trend toward recovery in Europe.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, the market has entered an adjustment phase due to factors such as a slowdown in capital investment in data centers and slowing demand for smartphones. However, further market expansion in the medium to long term is expected due to new technologies such as IoT, artificial intelligence (AI) and the next-generation communication standard (5G).

Under these circumstances, the consolidated financial results (cumulative) for the first quarter of the current fiscal year were net sales of 216,421 million yen (year-on-year decrease of 26.8%), operating income of 42,552 million yen (year-on-year decrease of 41.2%), ordinary income of 44,591 million yen (year-on-year decrease of 40.7%) and net income attributable to owners of parent of 31,894 million yen (year-on-year decrease of 42.8%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Although the capital investment growth trend in logic semiconductors to support next generation technology remains intact, capital investment in DRAM and 3D NAND flash memory has entered a temporary adjustment phase as memory manufacturers review their capital investment plans due to a slowdown in demand for data centers. However, capital investment is expected to recover as the balance between supply and demand improves going forward. Consequently, net sales to external customers in this segment for the first quarter of the current fiscal year were 198,137 million yen (year-on-year decrease of 29.3%).

(ii) Flat Panel Display (FPD) Production Equipment

There are signs of adjustment of investment in capital investment for small to medium-sized OLED panels for smartphones, and capital investment for large-sized LCD panels for televisions is also slowing down, but it is expected that demand will recover beginning in the second half of the year. Consequently, net sales to external customers in this segment for the first quarter of the current fiscal year were 18,229 million yen (year-on-year growth of 20.6%).

(iii) Other

Net sales to external customers in this segment for the first quarter of the current fiscal year were 54 million yen (year-on-year decrease of 0.9%).

(For reference)

Consolidated Operating Results

(Millions of yen)

| | FY 2019 | | | | | FY 2020 |
|---|-----------|---------|---------|---------|---------|---------|
| | Full Year | 1Q | 2Q | 3Q | 4Q | 1Q |
| Net Sales | 1,278,240 | 295,569 | 395,465 | 268,169 | 319,036 | 216,421 |
| Semiconductor Production Equipment | 1,166,781 | 280,400 | 358,057 | 239,525 | 288,798 | 198,137 |
| Japan | 206,035 | 51,146 | 58,048 | 54,095 | 42,743 | 32,534 |
| North America | 131,931 | 28,496 | 45,910 | 22,767 | 34,757 | 28,550 |
| Europe | 93,113 | 17,755 | 31,345 | 18,613 | 25,398 | 20,270 |
| South Korea | 305,422 | 88,986 | 86,558 | 60,960 | 68,917 | 36,903 |
| Taiwan | 162,922 | 26,315 | 48,057 | 29,384 | 59,165 | 48,333 |
| China | 206,914 | 54,964 | 71,306 | 38,099 | 42,544 | 27,090 |
| Southeast Asia | 60,440 | 12,734 | 16,830 | 15,604 | 15,271 | 4,454 |
| FPD Production Equipment | 111,261 | 15,113 | 37,354 | 28,598 | 30,195 | 18,229 |
| Other | 197 | 55 | 53 | 46 | 42 | 54 |
| Operating Income | 310,571 | 72,418 | 103,000 | 58,735 | 76,416 | 42,552 |
| Ordinary Income | 321,662 | 75,212 | 106,034 | 60,660 | 79,754 | 44,591 |
| Net Income Attributable to Owners of Parent | 248,228 | 55,741 | 79,553 | 48,831 | 64,101 | 31,894 |

Note: Intersegment sales or transfers are eliminated.

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

Current assets at the end of the first quarter of the current fiscal year were 871,320 million yen, a decrease of 111,576 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 94,000 million yen in short-term investments included in securities, a decrease of 50,612 million yen in trade notes and accounts receivable, and an increase of 42,251 million yen in cash and deposits.

Tangible fixed assets increased by 1,877 million yen from the end of the previous fiscal year, to 151,946 million yen.

Intangible fixed assets decreased by 203 million yen from the end of the previous fiscal year, to 8,851 million yen.

Investments and other assets increased by 1,665 million yen from the end of the previous fiscal year, to 117,273 million yen.

As a result, total assets decreased by 108,236 million yen from the end of the previous fiscal year, to 1,149,391 million yen.

Current liabilities decreased by 39,641 million yen from the end of the previous fiscal year, to 265,240 million yen.

This was largely due to a decrease of 40,963 million yen in income taxes payable, a decrease of 24,153 million yen in accrued employees' bonuses, and an increase of 27,480 million yen in customer advances.

Long-term liabilities increased by 167 million yen from the end of the previous fiscal year, to 64,795 million yen.

Net assets decreased by 68,762 million yen from the end of the previous fiscal year, to 819,354 million yen. This was largely due to an increase of 31,894 million yen in net income attributable to owners of parent, a decrease resulting from the payment of 56,651 million yen in year-end dividends for the previous fiscal year, and a decrease of 43,253 million yen resulting from the purchase of treasury stock. As a result, the equity ratio was 70.3%.

(ii) Cash Flows

Cash and cash equivalents at the end of the first quarter of the current fiscal year increased by 23,251 million yen compared to the end of the previous fiscal year, to 255,886 million yen. The combined balance including 85,000 million yen in time deposits and short-term investments with maturities of more than three months that are not included in cash and cash equivalents was 340,886 million yen, a decrease of 51,748 million yen from the end of the previous fiscal year. The overall situation regarding cash flows during the first quarter of the current fiscal year was as described below.

Cash flows from operating activities were positive 59,466 million yen, an increase of 7,996 million yen compared to the same period of the previous fiscal year. The major positive factors were a 48,762 million yen decrease in trade notes and accounts receivable, 44,572 million yen in income before income taxes, a 35,451 million yen decrease in prepaid consumption tax, and a 27,746 million yen increase in customer advances. The major negative factors were 52,064 million yen in payment of income taxes, a 29,534 million yen increase in inventories, and a 23,961 million yen decrease in accrued employees' bonuses.

Cash flows from investing activities were positive 66,452 million yen compared to negative 21,153 million yen in the same period of the previous fiscal year. This was largely due to an inflow of 75,000 million yen from a decrease in time deposits and short-term investments and the payment of 8,088 million yen for the purchase of fixed assets.

Cash flows from financing activities were negative 99,994 million yen compared to negative 56,948 million yen in the same period of the previous fiscal year. This was largely due to the payment of 56,651 million yen in dividends and 43,253 million yen for the purchase of treasury stock.

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | 51,470 | 59,466 |
| Income before income taxes | 75,205 | 44,572 |
| Depreciation and amortization | 5,078 | 6,081 |
| Decrease (increase) in trade notes and accounts receivable | 8,403 | 48,762 |
| Decrease (increase) in inventories | (37,454) | (29,534) |
| Increase (decrease) in trade notes and accounts payable | (7,929) | 945 |
| Other, net | 8,166 | (11,360) |
| Cash flows from investing activities | (21,153) | 66,452 |
| Decrease (increase) in time deposits and short-term investments | (9,000) | 75,000 |
| Other (Acquisition of fixed assets) | (12,153) | (8,547) |
| Cash flows from financing activities | (56,948) | (99,994) |
| Purchase of treasury stock | (0) | (43,253) |
| Other (Dividends paid) | (56,948) | (56,740) |
| Effect of exchange rate changes on cash and cash equivalents | (657) | (2,673) |
| Net increase (decrease) in cash and cash equivalents | (27,289) | 23,251 |
| Cash and cash equivalents at beginning of period | 257,877 | 232,634 |
| Cash and cash equivalents at end of period | 230,588 | 255,886 |
| Cash and cash equivalents, time deposits and short-term investments with maturities of more than three months | 355,588 | 340,886 |

(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, 2020 from the forecasts released at the time of the previous announcement on April 26, 2019.

Note: The financial forecasts and estimates stated in this Summary of Consolidated Financial Results 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 described in this Summary of Consolidated Financial Results.

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|-------------------------------------|-------------------------|------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 177,634 | 219,886 |
| Trade notes and accounts receivable | 146,971 | 96,358 |
| Securities | 215,000 | 121,000 |
| Merchandise and finished goods | 234,102 | 256,718 |
| Work in process | 62,785 | 71,975 |
| Raw materials and supplies | 57,331 | 52,371 |
| Others | 89,156 | 53,123 |
| Allowance for doubtful accounts | (84) | (112) |
| Total current assets | 982,897 | 871,320 |
| Long-term assets | | |
| Tangible fixed assets | 150,069 | 151,946 |
| Intangible fixed assets | | |
| Others | 9,054 | 8,851 |
| Total intangible fixed assets | 9,054 | 8,851 |
| Investments and other assets | | |
| Others | 117,033 | 118,688 |
| Allowance for doubtful accounts | (1,426) | (1,415) |
| Total investments and other assets | 115,607 | 117,273 |
| Total long-term assets | 274,730 | 278,070 |
| Total assets | 1,257,627 | 1,149,391 |

Consolidated Balance Sheets

| | (Millions of yen) | |
|--|-------------------|---------------|
| | As of | As of |
| | March 31, 2019 | June 30, 2019 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade notes and accounts payable | 75,448 | 75,058 |
| Income taxes payable | 57,671 | 16,707 |
| Customer advances | 77,247 | 104,728 |
| Accrued warranty expenses | 14,097 | 12,431 |
| Other allowances | 38,251 | 9,463 |
| Others | 42,166 | 46,850 |
| Total current liabilities | 304,882 | 265,240 |
| Long-term liabilities | | |
| Other allowances | 932 | 119 |
| Net defined benefit liabilities | 60,600 | 60,503 |
| Others | 3,094 | 4,172 |
| Total long-term liabilities | 64,628 | 64,795 |
| Total liabilities | 369,510 | 330,036 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 54,961 | 54,961 |
| Capital surplus | 78,011 | 78,011 |
| Retained earnings | 748,827 | 724,075 |
| Treasury stock, at cost | (11,821) | (55,039) |
| Total shareholders' equity | 869,977 | 802,008 |
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on investment securities | 13,024 | 13,772 |
| Net deferred gains (losses) on hedging instruments | (34) | 77 |
| Foreign currency translation adjustments | 4,366 | (2,041) |
| Accumulated remeasurements of defined benefit plans | (6,585) | (5,860) |
| Total accumulated other comprehensive income (loss) | 10,770 | 5,947 |
| Share subscription rights | 7,368 | 11,398 |
| Total net assets | 888,117 | 819,354 |
| Total liabilities and net assets | 1,257,627 | 1,149,391 |

Consolidated Statements of Income

| | (Millions of yen) | |
|--|--------------------|--------------------|
| | Three months ended | Three months ended |
| | June 30, 2018 | June 30, 2019 |
| Net sales | 295,569 | 216,421 |
| Cost of sales | 173,085 | 126,537 |
| Gross profit | 122,483 | 89,884 |
| Selling, general & administrative expenses | | |
| Research and development expenses | 26,131 | 25,692 |
| Others | 23,933 | 21,639 |
| Total selling, general and administrative expenses | 50,065 | 47,332 |
| Operating income | 72,418 | 42,552 |
| Non-operating income | | |
| Dividend income | 346 | 434 |
| Foreign exchange gain | 1,891 | 1,043 |
| Others | 589 | 623 |
| Total non-operating income | 2,826 | 2,101 |
| Non-operating expenses | | |
| Maintenance and operation costs of closed facilities | 12 | - |
| Others | 19 | 62 |
| Total non-operating expenses | 32 | 62 |
| Ordinary income | 75,212 | 44,591 |
| Unusual or infrequent profit | | |
| Gain on sales of fixed assets | 0 | 0 |
| Total unusual or infrequent profit | 0 | 0 |
| Unusual or infrequent loss | | |
| Loss on disposal and sales of fixed assets | 7 | 19 |
| Total unusual or infrequent loss | 7 | 19 |
| Income before income taxes | 75,205 | 44,572 |
| Income taxes | 19,463 | 12,677 |
| Net income | 55,741 | 31,894 |
| Net income attributable to owners of parent | 55,741 | 31,894 |

Consolidated Statements of Comprehensive Income

| | (Millions of yen) | |
|--|--------------------|--------------------|
| | Three months ended | Three months ended |
| | June 30, 2018 | June 30, 2019 |
| Net income | 55,741 | 31,894 |
| Other comprehensive income (loss) | | |
| Net unrealized gains (losses) on investment securities | (2,008) | 749 |
| Net deferred gains (losses) on hedging instruments | (347) | 98 |
| Foreign currency translation adjustments | 243 | (6,381) |
| Remeasurements of defined benefit plans | 519 | 715 |
| Share of other comprehensive income of associates accounted for using the equity method | 2 | (4) |
| Total other comprehensive income (loss) | (1,589) | (4,822) |
| Comprehensive income | 54,152 | 27,071 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 54,152 | 27,071 |

Notes

Going concern: None

Significant changes in Shareholders' Equity: Yes

The Company executed the purchase of treasury stock based on the resolution of its Board of Directors dated May 27, 2019. Mainly due to this purchase, the amount of treasury stock increased by 43,217 million yen for the first quarter of the current fiscal year and resulted in 55,039 million yen at the end of the first quarter of the current fiscal year.

Changes in significant subsidiaries during the period: None

Adoption of special accounting methods for preparation of quarterly financial statements: Yes

The company and part of its consolidated subsidiaries calculate tax expenses by reasonably estimating the annual effective tax rate on income before income taxes after the application of tax effect accounting for the fiscal year, and applying this rate to income before income taxes for the current quarter under review.

Changes in accounting policies, changes in accounting estimates and restatements: Yes

Changes in accounting policies

Part of consolidated overseas subsidiaries adopted IFRS 16 "Leases" from the beginning of this fiscal year, and recognize all leases as a lessee in principle as assets and liabilities on the balance sheets. The effect of this change on the consolidated financial statements is immaterial.

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, etch systems, deposition systems, cleaning systems, wafer probers used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, sells such products and provide services on them.

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

(ii) Net sales and profit or loss in reportable segments

Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(Millions of yen)

| | Reportable Segments | | Others *1 | Total |
|-----------------------|------------------------------------|--------------------------|-----------|---------|
| | Semiconductor Production Equipment | FPD Production Equipment | | |
| Net sales | 198,137 | 18,229 | 4,436 | 220,803 |
| Segment profit (loss) | 46,483 | 3,500 | 235 | 50,218 |

| | Adjustments *2 | Consolidated *3 |
|-----------------------|----------------|-----------------|
| Net sales | (4,381) | 216,421 |
| Segment profit (loss) | (5,646) | 44,572 |

Notes:

*1. "Others" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, facility maintenance and insurance.

*2. "Adjustments" for segment profit (loss) totaling (5,646) million yen mainly consists of research and development costs of (4,751) million yen pertaining to the fundamental research and element research of TEL and other general and administrative costs that do not belong to reportable segments.

*3. Segment profit (loss) is adjusted against income before income taxes in 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 gains on negative goodwill: None