



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

October 31, 2019

Name of Listed Company: Tokyo Electron Limited Stock Exchange Listing: Tokyo
 Security Code: 8035
 URL: <https://www.tel.com>
 Representative: Toshiki Kawai, Representative Director, President & CEO
 Contact: Ken Sasagawa, Vice President of Accounting Dept.
 Telephone: +81-3-5561-7000
 Scheduled start date of dividends payment: November 25, 2019
 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 Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Cumulative)

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

	Six months ended			
	September 30, 2018		September 30, 2019	
		%		%
Net sales (Millions of yen)	691,034	33.7	508,442	(26.4)
Operating income (Millions of yen)	175,418	42.2	102,454	(41.6)
Ordinary income (Millions of yen)	181,247	47.3	106,692	(41.1)
Net income attributable to owners of parent (Millions of yen)	135,294	49.2	78,722	(41.8)
Net income per share of common stock (Yen):				
Basic	824.70		490.18	
Diluted	821.27		487.48	
Comprehensive income:	Six months ended September 30, 2019: 76,235 million yen, (44.1)%			
	Six months ended September 30, 2018: 136,416 million yen, 40.9%			

(2) Consolidated Financial Position

	As of	
	March 31, 2019	September 30, 2019
Total assets (Millions of yen)	1,257,627	1,167,578
Total net assets (Millions of yen)	888,117	803,177
Equity ratio (%)	70.0	67.9
Equity:	792,438 million yen (as of September 30, 2019)	
	880,748 million yen (as of March 31, 2019)	

2. Dividends

	Year ended	Year ending
	March 31, 2019	March 31, 2020
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	413.00	246.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	345.00	290.00 (Forecast)
Annual dividends per share (Yen)	758.00	536.00 (Forecast)

Note: Revision to the dividends forecast most recently announced: Yes

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.

	Year ending March 31, 2020	
		%
Net sales (Millions of yen)	1,110,000	(13.2)
Operating income (Millions of yen)	225,000	(27.6)
Ordinary income (Millions of yen)	229,000	(28.8)
Net income attributable to owners of parent (Millions of yen)	170,000	(31.5)
Net income per share (Yen)	1,068.83	

Note: Revision to the financial forecasts most recently announced: Yes

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 12 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 September 30, 2019 : 165,210,911 shares

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

2. Number of shares of treasury stock

As of September 30, 2019: 7,707,596 shares

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

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

Six months ended September 30, 2019: 160,600,610 shares

Six months ended September 30, 2018: 164,054,351 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". (472,910 shares as of September 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 October 31, 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

While the global economy continues its modest recovery overall during the first half of the current fiscal year, there is still uncertainty as to the future of the Chinese economy and the future of the UK's withdrawal from the EU.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, capital investment in data centers and demand for smartphones are in a temporary adjustment phase, but in the future, the semiconductor manufacturing equipment market is expected to continue its gradual recovery and a return to steady growth through renewed expansion of capital investment in memory amid the growth in demand for technologies such as IoT and artificial intelligence (AI) in addition to the next-generation communication standard (5G).

Under these circumstances, the consolidated financial results (cumulative) for the first half of the current fiscal year were net sales of 508,442 million yen (year-on-year decrease of 26.4%), operating income of 102,454 million yen (year-on-year decrease of 41.6%), ordinary income of 106,692 million yen (year-on-year decrease of 41.1%) and net income attributable to owners of parent of 78,722 million yen (year-on-year decrease of 41.8%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Capital investment for logic/foundry semiconductors was solid. As described above, although DRAM and 3D NAND flash memory are in a temporary adjustment phase, we expect upward momentum to be on the way as a result of the improved balance between demand and supply. Consequently, net sales to external customers in this segment for the first half of the current fiscal year were 470,004 million yen (year-on-year decrease of 26.4%).

(ii) Flat Panel Display (FPD) Production Equipment

Although capital investments in large-sized LED panels for televisions as well as small to medium-sized panels for mobile are in an adjustment phase, we expect a return to growth from the second half of this fiscal year. Consequently, net sales to external customers in this segment for the first half of the current fiscal year were 38,330 million yen (year-on-year decrease of 26.9%).

(iii) Other

Net sales to external customers in this segment for the first half of the current fiscal year were 108 million yen (year-on-year decrease of 0.2%).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY2019 1H	FY2019 2H	FY2020		
			1H	1Q	2Q
Net Sales	691,034	587,205	508,442	216,421	292,021
Semiconductor Production Equipment	638,457	528,323	470,004	198,137	271,866
Japan	109,195	96,839	73,559	32,534	41,024
North America	74,406	57,524	87,444	28,550	58,893
Europe	49,101	44,012	34,709	20,270	14,439
South Korea	175,545	129,877	73,321	36,903	36,418
Taiwan	74,372	88,549	97,046	48,333	48,713
China	126,270	80,643	83,925	27,090	56,834
Southeast Asia	29,564	30,875	19,997	4,454	15,542
FPD Production Equipment	52,468	58,793	38,330	18,229	20,101
Other	108	89	108	54	53
Operating Income	175,418	135,152	102,454	42,552	59,901
Ordinary Income	181,247	140,415	106,692	44,591	62,100
Net Income Attributable to Owners of Parent	135,294	112,933	78,722	31,894	46,828

Note: Intersegment sales or transfers are eliminated.

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

Current assets at the end of the second quarter of the current fiscal year were 871,126 million yen, a decrease of 111,770 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 89,500 million yen in short-term investments included in securities, a decrease of 35,121 million yen in trade notes and accounts receivable, and an increase of 36,766 million yen in cash and deposits.

Tangible fixed assets increased by 16,769 million yen from the end of the previous fiscal year, to 166,838 million yen.

Intangible fixed assets increased by 288 million yen from the end of the previous fiscal year, to 9,343 million yen.

Investments and other assets increased by 4,662 million yen from the end of the previous fiscal year, to 120,269 million yen.

As a result, total assets decreased by 90,049 million yen from the end of the previous fiscal year, to 1,167,578 million yen.

Current liabilities decreased by 6,502 million yen from the end of the previous fiscal year to 298,379 million yen. This was largely due to a decrease of 30,475 million yen in income taxes payable, a decrease of 14,513 million yen in accrued employees' bonuses, and an increase of 37,156 million yen in customer advances.

Long-term liabilities increased by 1,393 million yen from the end of the previous fiscal year, to 66,021 million yen.

Net assets decreased by 84,940 million yen from the end of the previous fiscal year, to 803,177 million yen. This was largely due to a decrease of 108,607 million yen resulting from the purchase of treasury stock, a decrease resulting from the payment of 56,651 million yen in year-end dividends for the previous fiscal year, and an increase of 78,722 million yen in net income attributable to owners of parent. As a result, the equity ratio was 67.9%.

(ii) Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased by 22,266 million yen compared to the end of the previous fiscal year, to 254,901 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 339,901 million yen, a decrease of 52,733 million yen from the end of the previous fiscal year. The overall situation regarding cash flows during the first half of the current fiscal year was as described below.

Cash flows from operating activities were positive 141,202 million yen, an increase of 5,681 million yen compared to the same period of the previous fiscal year. The major positive factors were 106,629 million yen in income before income taxes, a 37,777 million yen increase in customer advances, and a 32,425 million yen decrease in trade notes and accounts receivable. The major negative factors were a 29,377 million yen payment of income taxes and an increase of 27,484 million yen in inventories.

Cash flows from investing activities were positive 50,577 million yen compared to negative 52,908 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 short-term investments and the payment of 22,860 million yen for the purchase of fixed assets.

Cash flows from financing activities were negative 165,432 million yen, compared to negative 61,950 million yen in the same period of the previous fiscal year. This was largely due to the payment of 108,607 million yen for the purchase of treasury stock, and the payment of 56,651 million yen in dividends.

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

Regarding the first half of the fiscal year, sales were better than initial forecasts due to favorable sales of core semiconductor production equipment for logic/foundry. On the income side as well, operating income, ordinary income, and net income attributable to owners of parent each exceeded initial forecasts.

In addition, the figures announced on April 26, 2019 for the full-year financial forecasts as well were revised as follows, reflecting the most recent trends in customer capital investment and business performance.

Consolidated Operating Results (Cumulative) for the First Half of the Year Ending March 31, 2020

(Billions of yen)

	Results for FY2020 1H		Previous forecast (April 26, 2019)
Net Sales	508.4	(26.4%)	490.0
Semiconductor Production Equipment	470.0	(26.4%)	450.0
FPD Production Equipment	38.3	(26.9%)	40.0
Operating Income	102.4	(41.6%)	85.0
Ordinary Income	106.6	(41.1%)	85.0
Net Income Attributable to Owners of Parent	78.7	(41.8%)	63.0

Notes:

*1. Percentages indicate changes from the same period of the previous fiscal year.

*2. Intersegment sales or transfers are eliminated.

Consolidated Forecast for the Year Ending March 31, 2020

(Billions of yen)

	Revised forecast		Previous forecast (April 26, 2019)
Net Sales	1,110.0	(13.2%)	1,100.0
Semiconductor Production Equipment	1,035.0	(11.3%)	1,030.0
FPD Production Equipment	74.8	(32.8%)	70.0
Operating Income	225.0	(27.6%)	220.0
Ordinary Income	229.0	(28.8%)	220.0
Net Income Attributable to Owners of Parent	170.0	(31.5%)	164.0

Notes:

*1. Percentages indicate changes from the same period of the previous fiscal year.

*2. Intersegment sales or transfers are eliminated.

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 September 30, 2019
ASSETS		
Current assets		
Cash and deposits	177,634	214,401
Trade notes and accounts receivable	146,971	111,849
Securities	215,000	125,500
Merchandise and finished goods	234,102	255,119
Work in process	62,785	66,840
Raw materials and supplies	57,331	54,419
Others	89,156	43,067
Allowance for doubtful accounts	(84)	(71)
Total current assets	982,897	871,126
Long-term assets		
Tangible fixed assets	150,069	166,838
Intangible fixed assets		
Others	9,054	9,343
Total intangible fixed assets	9,054	9,343
Investments and other assets		
Others	117,033	121,680
Allowance for doubtful accounts	(1,426)	(1,411)
Total investments and other assets	115,607	120,269
Total long-term assets	274,730	296,451
Total assets	1,257,627	1,167,578

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	75,448	80,385
Income taxes payable	57,671	27,195
Customer advances	77,247	114,404
Accrued employees' bonuses	33,139	18,625
Accrued warranty expenses	14,097	13,064
Other allowances	5,111	1,034
Others	42,166	43,670
Total current liabilities	304,882	298,379
Long-term liabilities		
Other allowances	932	110
Net defined benefit liabilities	60,600	61,439
Others	3,094	4,472
Total long-term liabilities	64,628	66,021
Total liabilities	369,510	364,400
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	748,827	769,946
Treasury stock, at cost	(11,821)	(118,764)
Total shareholders' equity	869,977	784,154
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	13,024	18,928
Net deferred gains (losses) on hedging instruments	(34)	14
Foreign currency translation adjustments	4,366	(5,480)
Accumulated remeasurements of defined benefit plans	(6,585)	(5,178)
Total accumulated other comprehensive income (loss)	10,770	8,283
Share subscription rights	7,368	10,739
Total net assets	888,117	803,177
Total liabilities and net assets	1,257,627	1,167,578

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	691,034	508,442
Cost of sales	406,925	303,922
Gross profit	284,109	204,520
Selling, general & administrative expenses		
Research and development expenses	57,338	56,896
Others	51,352	45,170
Total selling, general and administrative expenses	108,691	102,066
Operating income	175,418	102,454
Non-operating income		
Foreign exchange gain	1,885	2,363
Others	4,052	2,316
Total non-operating income	5,938	4,680
Non-operating expenses		
Additional payment of custom tax	-	173
Commission for purchase of treasury stock	-	114
Maintenance and operation costs of closed facilities	33	-
Others	75	153
Total non-operating expenses	109	442
Ordinary income	181,247	106,692
Unusual or infrequent profit		
Gain on sales of fixed assets	2	2
Total unusual or infrequent profit	2	2
Unusual or infrequent loss		
Loss on disposal and sales of fixed assets	146	65
Total unusual or infrequent loss	146	65
Income before income taxes	181,103	106,629
Income taxes	45,808	27,906
Net income	135,294	78,722
Net income attributable to owners of parent	135,294	78,722

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	135,294	78,722
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(3,648)	5,905
Net deferred gains (losses) on hedging instruments	(422)	63
Foreign currency translation adjustments	4,188	(9,819)
Remeasurements of defined benefit plans	970	1,389
Share of other comprehensive income of associates accounted for using the equity method	34	(26)
Total other comprehensive income (loss)	1,121	(2,487)
Comprehensive income	136,416	76,235
(Breakdown)		
Comprehensive income attributable to owners of parent	136,416	76,235

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Income before income taxes	181,103	106,629
Depreciation and amortization	10,718	12,835
Amortization of goodwill	266	98
Increase (decrease) in accrued employees' bonuses	(453)	(14,290)
Increase (decrease) in accrued directors' bonuses	(1,999)	(4,077)
Decrease (increase) in trade notes and accounts receivable	5,592	32,425
Decrease (increase) in inventories	1,426	(27,484)
Increase (decrease) in trade notes and accounts payable	(26,535)	7,073
Decrease (increase) in prepaid consumption tax	28,861	21,351
Increase (decrease) in customer advances	(2,310)	37,777
Others	336	(2,945)
Subtotal	197,006	169,395
Receipts from interest and dividends	2,094	1,185
Income taxes paid or refund (paid)	(63,580)	(29,377)
Net cash provided by operating activities	135,521	141,202
Cash flows from investing activities		
Decrease (increase) in short-term investments	(28,500)	75,000
Payment for purchase of fixed assets	(22,330)	(22,860)
Payment for acquisition of intangible assets	(862)	(1,107)
Others	(1,215)	(454)
Net cash provided by (used in) investing activities	(52,908)	50,577
Cash flows from financing activities		
Payment for purchase of treasury stock	(5,001)	(108,607)
Dividends paid	(56,947)	(56,651)
Others	(1)	(173)
Net cash used in financing activities	(61,950)	(165,432)
Effect of exchange rate changes on cash and cash equivalents	746	(4,081)
Net increase (decrease) in cash and cash equivalents	21,408	22,266
Cash and cash equivalents at beginning of period	257,877	232,634
Cash and cash equivalents at end of period	279,286	254,901

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 106,942 million yen for the six months ended September 30, 2019, and resulted in 118,764 million yen as of September 30, 2019.

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.

TEL Group elected to use the method to recognize the cumulative effect of initially applying this standard at the date of initial application in accordance with the transitional treatment. Right-of-use assets were recognized at the same value as lease liabilities, and therefore there was no impact on retained earnings at the beginning of the current fiscal year.

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

Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(Millions of yen)

	Reportable Segments		Others *1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	470,004	38,330	9,216	517,551
Segment profit (loss)	115,089	6,128	511	121,729

	Adjustments *2	Consolidated *3
Net sales	(9,108)	508,442
Segment profit (loss)	(15,099)	106,629

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 (15,099) million yen mainly consists of research and development costs of (9,221) 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