



Oct 28, 2016

Consolidated Financial Review for the Second Quarter Ended September 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 six months ended September 30, 2016

(1) Operating results (Cumulative)

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

	Six months ended			
	September 30, 2015		September 30, 2016	
		%		%
Net sales (Millions of yen)	340,951	15.9	352,722	3.5
Operating income (Millions of yen)	61,250	103.4	60,012	(2.0)
Ordinary income (Millions of yen)	62,384	96.3	62,365	(0.0)
Net income attributable to owners of parent (Millions of yen)	41,376	106.7	41,966	1.4
Net income per share of common stock (Yen):				
Basic	238.10		255.83	
Diluted	237.46		255.16	
Comprehensive income:	Six months ended September 30, 2016: 32,710 million yen, (7.0%)			
	Six months ended September 30, 2015: 35,153 million yen, 50.7%			

(2) Financial position

	As of	
	March 31, 2016	September 30, 2016
Total assets (Millions of yen)	793,367	840,047
Total net assets (Millions of yen)	564,239	579,712
Equity ratio (%)	70.9	68.7
Equity:	576,791 million yen (as of September 30, 2016)	
	562,369 million yen (as of March 31, 2016)	

2. Dividends

	Year ended	Year ending
	March 31, 2016	March 31, 2017
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	125.00	128.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	112.00	177.00 (Forecast)
Annual dividends per share (Yen)	237.00	305.00 (Forecast)

Note: Revision of dividends forecast: Yes

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.

	Year ending March 31, 2017	
		%
Net sales (Millions of yen)	762,000	14.8
Operating income (Millions of yen)	140,000	19.9
Ordinary income (Millions of yen)	142,000	18.9
Net income attributable to owners of parent (Millions of yen)	100,000	28.4
Net income per share (Yen)	609.57	

Note: Revision of financial forecasts: Yes

***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 September 30, 2016:	165,210,911 shares
As of March 31, 2016:	165,210,911 shares
 2. Number of shares of treasury stock

As of September 30, 2016:	1,154,615 shares
As of March 31, 2016:	1,176,800 shares
 3. Average number of shares outstanding

As of September 30, 2016:	164,043,016 shares
As of September 30, 2015:	173,781,675 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 October 28, 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

Although the world economy as a whole was still on track towards a gradual recovery during the first half of the current fiscal year, uncertainty about the future remains, due to the impact of Brexit and the economic slowdown in China.

In the electronics industry, in which the Tokyo Electron (TEL) Group participates, demand for semiconductors and electronic components remains firm, based on strong demand for servers to meet the rising trend in digital data traffic volumes, as well as demand for mobile devices to meet the high functionality and the capacity enlargement.

Under these circumstances, the TEL Group's consolidated results (cumulative) for the first half of the current fiscal year were net sales of 352,722 million yen (year-on-year growth of 3.5%), operating income of 60,012 million yen (year-on-year decrease of 2.0%), ordinary income of 62,365 million yen (year-on-year decrease of 0.0%) and net income attributable to owners of parent of 41,966 million yen (year-on-year growth of 1.4%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Given underlying above-mentioned factors, capital investments for leading-edge technology by logic semiconductor makers and 3D NAND flash memory business remain strong. Consequently, net sales to external customers in this segment for the first half of the current fiscal year were 327,008 million yen (year-on-year growth of 3.2%).

(ii) Flat Panel Display (FPD) Production Equipment

The market for FPD production equipment has been strong with growth in capital investment for small to medium-sized flat panel displays for use in mobile handsets, as well as continuing capital investment for large-sized flat panel displays. This resulted in net sales to external customers in this segment in the first half of the current fiscal year of 25,479 million yen (year-on-year growth of 39.4%).

(iii) Other

Net sales to external customers in this segment in the first half of the current fiscal year were 234 million yen (year-on-year decrease of 95.9%).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY2016 1H	FY2016 2H	FY2017		
			1H	1Q	2Q
Net Sales	340,951	322,997	352,722	147,976	204,745
Semiconductor Production Equipment	316,987	296,044	327,008	130,796	196,211
Japan	62,820	53,451	44,248	17,819	26,429
U.S.	60,267	43,193	51,439	17,022	34,416
Europe	26,674	24,414	11,930	5,234	6,695
Korea	53,351	46,223	48,837	19,805	29,031
Taiwan	76,058	85,871	88,794	30,504	58,289
China	31,125	32,480	54,093	30,049	24,044
Southeast Asia	6,689	10,410	27,664	10,360	17,304
FPD Production Equipment	18,275	26,411	25,479	17,064	8,414
Other	5,687	541	234	115	119
Operating Income	61,250	55,538	60,012	22,095	37,916
Ordinary Income	62,384	57,014	62,365	24,083	38,281
Net Income Attributable to Owners of Parent	41,376	36,514	41,966	12,684	29,281

Note: Intersegment sales or transfers are eliminated.

Production and Order Performance**1. Production**

(Millions of yen)

	FY2016 1H	FY2016 2H	FY2017		
			1H	1Q	2Q
Semiconductor Production Equipment	298,007	294,223	343,732	140,236	203,496
FPD Production Equipment	23,194	27,750	16,455	9,623	6,832
Other	5,124	-	-	-	-
Total	326,325	321,973	360,188	149,860	210,328

Note: 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

2. Orders Received

(Millions of yen)

	FY2016 1H	FY2016 2H	FY2017		
			1H	1Q	2Q
Semiconductor Production Equipment	276,291	346,643	393,192	197,496	195,695
FPD Production Equipment	24,349	26,153	30,988	15,955	15,032
Other	2,039	501	231	111	119
Total	302,680	373,299	424,412	213,564	210,848

Note: 1. Intersegment sales or transfers are eliminated.

2. The above amounts do not include consumption taxes.

3. Orders Backlog

(Millions of yen)

	FY2016 1H	FY2016 2H	FY2017	
			1Q	2Q
Semiconductor Production Equipment	212,689	263,288	329,988	329,473
FPD Production Equipment	37,686	37,428	36,319	42,937
Other	44	4	1	0
Total	250,419	300,721	366,309	372,411

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 second quarter of the current fiscal year were 670,210 million yen, an increase of 52,794 million yen compared to the end of the previous fiscal year. Factors contributing to the increase were a 32,779 million yen increase in trade notes and accounts receivable, a 21,283 million yen increase in cash and deposits, a 9,849 million yen increase in inventories, and an 11,529 million yen decrease in prepaid consumption taxes.

Tangible fixed assets decreased by 125 million yen from the end of the previous fiscal year, to 96,191 million yen.

Intangible fixed assets decreased by 2,601 million yen from the end of the previous fiscal year, to 15,001 million yen.

Investment and other assets decreased by 3,387 million yen from the end of the previous fiscal year, to 58,644 million yen.

As a result of the foregoing, total assets increased by 46,679 million yen from the end of the previous fiscal year, to 840,047 million yen.

Current liabilities increased by 31,652 million yen compared to the end of the previous fiscal year, to 197,713 million yen. This was primarily due to a 28,142 million yen increase in customer advances, a 5,566 million yen increase in accrued employees' bonuses, a 3,958 million yen increase in trade notes and accounts payable, and a 4,261 million yen decrease in income taxes payable.

Long-term liabilities decreased by 446 million yen compared to the end of the previous fiscal year, to 62,621 million yen.

Net assets increased by 15,473 million yen compared to the end of the previous fiscal year, to 579,712 million yen. The primary factors were an increase due to reported net income attributable to owners of parent of 41,966 million yen, a decrease resulting from the payment of 18,371 million yen in year-end dividends for the previous fiscal year and a decrease of 9,265 million yen in accumulated other comprehensive income. As a result of the foregoing, the equity ratio was 68.7%.

(ii) Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased by 13,786 million yen compared to the end of the previous fiscal year, to 109,425 million yen. The combined balance including 146,232 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 255,657 million yen, an increase of 18,983 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 a positive 52,007 million yen, an increase of 4,431 million yen compared to the same period of the previous fiscal year. Positive contributors were 54,420 million yen in net income before income taxes, an increase of 29,410 million yen in customer advances, and a decrease of 11,475 million yen in prepaid consumption tax. Negative contributors were an increase of 37,023 million yen in trade notes and accounts receivable, 20,729 million yen in payment of income taxes, and a 15,353 million yen increase in inventories.

Cash flows from investing activities were a negative 15,068 million yen compared to a negative 111,814 million yen in the same period of the previous fiscal year. The primary negative contributors were 9,631 million yen in the payment for purchase of fixed assets and 5,201 million yen in outgo associated with an increase in short-term investments.

Cash flows from financing activities were a negative 18,377 million yen, compared to a negative 101,000 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.

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

The financial forecast for the fiscal year ending March 31, 2017 announced on May 12, 2016 has been revised up, as we expect market conditions perform strong continuously in the light of our current orders of our core semiconductor production equipment segment.

Consolidated Forecast

(Billions of yen, Y/Y change)

	FY2017(E)	
Net Sales	762.0	14.8%
Semiconductor Production Equipment	712.5	16.2%
FPD Production Equipment	49.0	9.7%
Other	0.5	-92.0%
Operating Income	140.0	19.9%
Ordinary Income	142.0	18.9%
Net Income Attributable to Owners of Parent	100.0	28.4%

Note: Intersegment sales or transfers are eliminated.

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 September 30, 2016
ASSETS		
Current assets		
Cash and deposit	75,674	96,957
Trade notes and accounts receivable	116,503	149,283
Securities	160,999	158,700
Merchandise and finished goods	130,478	133,131
Work in process	41,556	46,806
Raw materials and supplies	23,044	24,991
Others	69,207	60,395
Allowance for doubtful accounts	(48)	(54)
Total current assets	617,416	670,210
Long-term assets		
Tangible fixed assets	96,316	96,191
Intangible fixed assets		
Others	17,603	15,001
Total intangible fixed assets	17,603	15,001
Investments and other assets		
Others	63,857	60,420
Allowance for doubtful accounts	(1,825)	(1,776)
Total investments and other assets	62,031	58,644
Total long-term assets	175,951	169,836
Total assets	793,367	840,047

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	55,050	59,008
Income taxes payable	22,460	18,199
Accrued employees' bonuses	11,623	17,190
Other allowances	10,108	8,607
Others	66,818	94,707
Total current liabilities	<u>166,060</u>	<u>197,713</u>
Long-term liabilities		
Other allowances	374	374
Net liability for defined benefit	55,302	56,301
Others	7,390	5,944
Total long-term liabilities	<u>63,067</u>	<u>62,621</u>
Total liabilities	<u>229,128</u>	<u>260,334</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	427,618	451,153
Treasury stock, at cost	(8,050)	(7,899)
Total shareholders' equity	<u>552,551</u>	<u>576,238</u>
Accumulated other comprehensive income		
Net unrealized gains on investment securities	7,902	5,889
Net deferred gains on hedging instruments	50	6
Foreign currency translation adjustments	6,742	(686)
Accumulated remeasurements of defined benefit plans	(4,877)	(4,656)
Total accumulated other comprehensive income	<u>9,817</u>	<u>552</u>
Share subscription rights	1,641	2,683
Non-controlling interests	<u>228</u>	<u>237</u>
Total net assets	<u>564,239</u>	<u>579,712</u>
Total liabilities and net assets	<u>793,367</u>	<u>840,047</u>

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	340,951	352,722
Cost of sales	204,940	214,032
Gross profit	136,010	138,689
Selling, general and administrative expenses		
Research and development expenses	37,578	39,805
Others	37,181	38,871
Total selling, general and administrative expenses	74,759	78,677
Operating income	61,250	60,012
Non-operating income		
Foreign exchange gain	32	946
Others	1,693	1,537
Total non-operating income	1,725	2,483
Non-operating expenses		
Maintenance cost for domestic closed facilities	91	55
Commission for purchase of treasury stock	360	-
Others	139	75
Total non-operating expenses	591	131
Ordinary income	62,384	62,365
Unusual or infrequent profit		
Gain on sales of fixed assets	998	43
Others	-	6
Total unusual or infrequent profit	998	50
Unusual or infrequent loss		
Loss on impairment of fixed assets, goodwill and other assets	4,434	-
Loss on disaster	-	7,828
Others	1,429	166
Total unusual or infrequent loss	5,864	7,994
Income before income taxes	57,519	54,420
Income taxes	16,123	12,426
Net income	41,396	41,993
Net income attributable to non-controlling interests	19	27
Net income attributable to owners of parent	41,376	41,966

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	41,396	41,993
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(3,376)	(2,012)
Net deferred gains (losses) on hedging instruments	(148)	(25)
Foreign currency translation adjustments	(1,913)	(7,375)
Remeasurements of defined benefit plans	(801)	209
Share of other comprehensive income of associates accounted for using equity method	(2)	(79)
Total other comprehensive income (loss)	<u>(6,242)</u>	<u>(9,283)</u>
Comprehensive income	<u>35,153</u>	<u>32,710</u>
(Breakdown)		
Comprehensive income attributable to owners of parent	35,146	32,701
Comprehensive income attributable to non-controlling interests	7	8

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Income before income taxes	57,519	54,420
Depreciation and amortization	9,376	8,199
Loss on impairment of fixed assets, goodwill and other assets	4,434	-
Amortization of goodwill	628	307
Increase (decrease) in accrued employees' bonuses	(1,318)	5,900
Loss (gain) on sales of affiliates' shares	1,110	-
Decrease (increase) in trade notes and accounts receivable	(420)	(37,023)
Decrease (increase) in inventories	(6,195)	(15,353)
Increase (decrease) in trade notes and accounts payable	(11,168)	6,634
Decrease (increase) in prepaid consumption tax	13,480	11,475
Increase (decrease) in customer advances	(4,798)	29,410
Others	(8,302)	8,106
Subtotal	54,346	72,077
Receipts from interest and dividends	608	659
Income taxes paid or refund (paid)	(7,378)	(20,729)
Net cash provided by operating activities	47,576	52,007
Cash flows from investing activities		
Decrease (increase) in time deposits	12	-
Decrease (increase) in short-term investments	(108,492)	(5,201)
Payment for purchase of fixed assets	(4,713)	(9,631)
Payment for acquisition of intangible assets	(305)	(320)
Others	1,684	85
Net cash provided by (used in) investing activities	(111,814)	(15,068)
Cash flows from financing activities		
Payment for purchase of treasury stock	(88,756)	(4)
Dividends paid	(12,190)	(18,371)
Others	(53)	(1)
Net cash used in financing activities	(101,000)	(18,377)
Effect of exchange rate changes on cash and cash equivalents	(189)	(4,775)
Net increase (decrease) in cash and cash equivalents	(165,427)	13,786
Cash and cash equivalents at beginning of period	317,632	95,638
Cash and cash equivalents at end of period	152,204	109,425

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 of 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)

Six months ended September 30, 2016

(Millions of yen)

	Reportable Segments		Other *1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	327,008	25,479	6,954	359,442
Segment profit (loss)	71,637	1,733	31	73,403

	Eliminations and Corporate *2	Consolidated *3
Net sales	(6,719)	352,722
Segment profit (loss)	(18,983)	54,420

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 18,983 million yen includes corporate expenses not allocated to any reportable segments. The corporate expenses consist of research and development costs of 7,983 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