



## Summary of Consolidated Financial Results for the Second Quarter Ended September 30, 2017 (Japanese GAAP)

October 31, 2017

Name of Listed Company: Tokyo Electron Limited Stock Exchange Listing: Tokyo  
 Security Code: 8035  
 URL: <http://www.tel.com>  
 Representative: Toshiki Kawai, Representative Director, President & CEO  
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 Scheduled start date of dividends payment: November 27, 2017  
 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, 2017 (April 1, 2017 to September 30, 2017)

#### (1) Consolidated Operating Results (Cumulative)

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

	Six months ended			
	September 30, 2016		September 30, 2017	
		%		%
Net sales (Millions of yen)	352,722	3.5	516,976	46.6
Operating income (Millions of yen)	60,012	(2.0)	123,318	105.5
Ordinary income (Millions of yen)	62,365	(0.0)	123,066	97.3
Net income attributable to owners of parent (Millions of yen)	41,966	1.4	90,668	116.1
Net income per share of common stock (Yen):				
Basic	255.83		552.59	
Diluted	255.16		550.74	
Comprehensive income:	Six months ended September 30, 2017: 96,850 million yen, 196.1%		Six months ended September 30, 2016: 32,710 million yen, (7.0)%	

#### (2) Consolidated Financial Position

	As of	
	March 31, 2017	September 30, 2017
Total assets (Millions of yen)	957,447	1,031,125
Total net assets (Millions of yen)	645,999	707,954
Equity ratio (%)	67.2	68.2
Equity:	703,182 million yen (as of September 30, 2017)	
	643,094 million yen (as of March 31, 2017)	

### 2. Dividends

	Year ended	Year ending
	March 31, 2017	March 31, 2018
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	128.00	277.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	224.00	328.00 (Forecast)
Annual dividends per share (Yen)	352.00	605.00 (Forecast)

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

**3. Financial Forecasts for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)**

Note: Percentages for year ending March 31, 2018 indicate changes from the previous fiscal year.

	Year ending March 31, 2018	
		%
Net sales (Millions of yen)	1,130,000	41.3
Operating income (Millions of yen)	271,000	74.1
Ordinary income (Millions of yen)	271,000	72.0
Net income attributable to owners of parent (Millions of yen)	198,000	71.9
Net income per share (Yen)	1,206.73	

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): Yes

New: - company (-) Excluded: 1 company (Tokyo Electron Tohoku Ltd.)

Please refer to "Notes" on page 12 for further information.

(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: None

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, 2017 : 165,210,911 shares

As of March 31, 2017 : 165,210,911 shares

2. Number of shares of treasury stock

As of September 30, 2017: 1,129,107 shares

As of March 31, 2017: 1,135,104 shares

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

Six months ended September 30, 2017: 164,078,737 shares

Six months ended September 30, 2016: 164,043,016 shares

\* Status of implementation of quarterly review procedures

This Summary of Consolidated Financial Results is outside the scope of the 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, 2017.

Supplementary materials to be handed out at the conference will be posted simultaneously on the Company's website.

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

### (1) Description of Operating Results

For the first half of the current fiscal year, the global economy continues a gradual recovery, with solid economic expansion in the Asian region, especially for China, in addition to the continued steady recovery in the U.S. economy. In the electronics industry, where the Tokyo Electron (TEL) Group operates, semiconductor and electronic component market conditions have been favorable as the demand for memory has grown significantly consistent with the demand for servers for data centers. Shipments of logic semiconductors have also increased.

Under these circumstances, the consolidated financial results for the first half of the current fiscal year were net sales of 516,976 million yen (year-on-year growth of 46.6%), operating income of 123,318 million yen (year-on-year growth of 105.5%), and ordinary income of 123,066 million yen (year-on-year growth of 97.3%). In addition, net income attributable to owners of parent stood at 90,668 million yen (year-on-year growth of 116.1%).

The overview of each business segment is as described below.

#### (i) Semiconductor Production Equipment

Along with the expanding demand for servers, capital investments in memory devices such as NAND flash memory and DRAM with tight supply-demand balance still continue unabated. Furthermore, in terms of logic semiconductors, there has also been investment in cutting-edge development for servers. As a result, the semiconductor production equipment market continued to perform well. These circumstances resulted in net sales to external customers in this segment of 487,743 million yen (year-on-year growth of 49.2%) for the first half of the current fiscal year.

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

In China, there has been ongoing capital investment in large-sized LCD panels for televisions and in small to medium-sized OLED and LCD panels for mobile devices, with the market for FPD production equipment continuing to perform well. These circumstances resulted in net sales to external customers in this segment of 29,024 million yen (year-on-year growth of 13.9%) for the first half of the current fiscal year.

#### (iii) Other

Net sales to external customers in this segment were 208 million yen (year-on-year decrease of 11.1%) for the first half of the current fiscal year.

(For reference)

**Consolidated Operating Results**

(Millions of yen)

	FY2017 1H	FY2017 2H	FY2018		
			1H	1Q	2Q
Net Sales	352,722	446,997	516,976	236,396	280,580
Semiconductor Production Equipment	327,008	422,885	487,743	221,969	265,773
Japan	44,248	46,954	65,244	26,776	38,468
North America	51,439	50,119	56,174	24,097	32,077
Europe	11,930	47,998	52,314	25,382	26,931
South Korea	48,837	88,951	170,165	68,375	101,790
Taiwan	88,794	137,116	82,543	45,897	36,646
China	54,093	36,575	49,830	26,757	23,073
Southeast Asia	27,664	15,167	11,469	4,683	6,786
FPD Production Equipment	25,479	23,908	29,024	14,323	14,701
Other	234	203	208	104	104
Operating Income	60,012	95,684	123,318	54,790	68,527
Ordinary Income	62,365	95,184	123,066	55,149	67,917
Net Income Attributable to Owners of Parent	41,966	73,242	90,668	41,252	49,415

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 833,204 million yen, an increase of 57,265 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 47,160 million yen in inventories, an increase of 26,063 million yen in cash and deposit, a decrease of 16,461 million yen in prepaid consumption tax, and a decrease of 11,500 million yen in short-term investments included in securities.

Tangible fixed assets increased by 10,985 million yen from the end of the previous fiscal year, to 111,426 million yen.

Intangible fixed assets increased by 1,010 million yen from the end of the previous fiscal year, to 16,412 million yen.

Investments and other assets increased by 4,416 million yen from the end of the previous fiscal year, to 70,082 million yen.

As a result, total assets increased by 73,678 million yen from the end of the previous fiscal year, to 1,031,125 million yen.

Current liabilities increased by 9,995 million yen from the end of the previous fiscal year, to 257,765 million yen. This was largely due to an increase of 4,320 million yen in trade notes and accounts payable, an increase of 3,257 million yen in accrued employees' bonuses, an increase of 3,043 million yen in income taxes payable, and a decrease of 3,861 million yen in customer advances.

Long-term liabilities increased by 1,728 million yen from the end of the previous fiscal year to 65,405 million yen.

Net assets were 707,954 million yen, an increase of 61,954 million yen from the end of the previous fiscal year. This was largely due to an increase of 90,668 million yen in net income attributable to owners of parent and a decrease resulting from the payment of 36,752 million yen in a year-end dividend for the previous fiscal year. As a result, the equity ratio was 68.2%.

**(ii) Cash Flows**

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased by 64,563 million yen when compared to the end of the previous fiscal year, to 228,930 million yen. The combined balance including 101,000 million yen in time deposits and short-term investments with maturities of at least three months that are not included in cash and cash equivalents was 329,930 million yen, an increase of 14,563 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 67,947 million yen, an increase of 15,940 million yen compared to the same period of the previous fiscal year. The major positive factors were 122,311 million yen in net income before income taxes, a 16,474 million yen decrease in prepaid consumption tax, and 9,025 million yen in depreciation and amortization. The major negative factors were an increase in inventories of 44,824 million yen, 30,238 million yen in payment of income taxes, and an 8,209 million yen increase in trade notes and accounts receivable.

Cash flows from investing activities were positive 31,272 million yen compared to negative 15,068 million yen in the same period of the previous fiscal year. These were largely due to incoming funds of 50,000 million yen from a decrease in short-term investments and the payment of 16,677 million for the purchase of fixed assets.

Cash flows from financing activities were a negative 36,802 million yen compared to a negative 18,377 million yen in the same period of the previous fiscal year. This was largely due to the payment of 36,752 million in dividends.

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

The consolidated financial forecast for the fiscal year ending March 31, 2018 (announced on April 28, 2017) has been revised as below in light of the fact that market conditions for semiconductor production equipment and FPD production equipment are expected to be brisk. Note that an unusual or infrequent loss of approximately 3 billion yen is expected to incur as a result of the Company's decision to transfer a part of defined benefit pension plan to a defined contribution pension plan.

**Consolidated Forecast** (Billions of yen, Y/Y change)

	FY2018(E)	
Net Sales	1,130.0	41.3%
Semiconductor Production Equipment	1,054.7	40.6%
FPD Production Equipment	75.0	51.9%
Other	0.2	—
Operating Income	271.0	74.1%
Ordinary Income	271.0	72.0%
Net Income Attributable to Owners of Parent	198.0	71.9%

Note: 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 those described in this Summary of Consolidated Financial Results.

## Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2017	September 30, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposit	70,866	96,930
Trade notes and accounts receivable	133,858	142,850
Securities	244,500	233,000
Merchandise and finished goods	152,629	185,256
Work in process	51,112	61,441
Raw materials and supplies	32,514	36,719
Others	90,520	77,076
Allowance for doubtful accounts	(63)	(70)
Total current assets	775,938	833,204
<b>Long-term assets</b>		
Tangible fixed assets	100,441	111,426
Intangible fixed assets		
Others	15,401	16,412
Total intangible fixed assets	15,401	16,412
Investments and other assets		
Others	67,482	71,536
Allowance for doubtful accounts	(1,816)	(1,453)
Total investments and other assets	65,666	70,082
Total long-term assets	181,508	197,921
<b>Total assets</b>	957,447	1,031,125

## Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2017	September 30, 2017
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	79,217	83,537
Income taxes payable	31,069	34,112
Accrued employees' bonuses	21,853	25,110
Other allowances	10,470	12,385
Others	105,159	102,618
Total current liabilities	<u>247,770</u>	<u>257,765</u>
<b>Long-term liabilities</b>		
Other allowances	374	374
Net liability for defined benefits	55,825	56,607
Others	7,476	8,422
Total long-term liabilities	<u>63,677</u>	<u>65,405</u>
<b>Total liabilities</b>	<u>311,447</u>	<u>323,171</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	503,325	557,220
Treasury stock, at cost	(7,766)	(7,727)
Total shareholders' equity	<u>628,543</u>	<u>682,477</u>
<b>Accumulated other comprehensive income</b>		
Net unrealized gains (losses) on investment securities	10,788	14,338
Net deferred gains (losses) on hedging instruments	59	(170)
Foreign currency translation adjustments	5,789	9,023
Accumulated remeasurements of defined benefit plans	(2,086)	(2,486)
Total accumulated other comprehensive income (loss)	<u>14,551</u>	<u>20,705</u>
<b>Share subscription rights</b>	2,620	4,503
<b>Non-controlling interests</b>	284	268
<b>Total net assets</b>	<u>645,999</u>	<u>707,954</u>
<b>Total liabilities and net assets</b>	<u>957,447</u>	<u>1,031,125</u>



## Consolidated Statements of Income

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Net sales</b>	352,722	516,976
Cost of sales	214,032	301,561
<b>Gross profit</b>	<u>138,689</u>	<u>215,415</u>
Selling, general & administrative expenses		
Research and development expenses	39,805	46,062
Others	38,871	46,034
Total selling, general and administrative expenses	<u>78,677</u>	<u>92,097</u>
<b>Operating income</b>	<u>60,012</u>	<u>123,318</u>
Non-operating income		
Dividend income of insurance	300	334
Foreign exchange gain	946	-
Others	1,236	1,328
Total non-operating income	<u>2,483</u>	<u>1,663</u>
Non-operating expenses		
Foreign exchange loss	-	1,769
Others	131	145
Total non-operating expenses	<u>131</u>	<u>1,915</u>
<b>Ordinary income</b>	<u>62,365</u>	<u>123,066</u>
Unusual or infrequent profit		
Gain on sales of fixed assets	43	73
Others	6	-
Total unusual or infrequent profit	<u>50</u>	<u>73</u>
Unusual or infrequent loss		
Loss on disposal and sales of fixed assets	91	292
Loss on disaster	7,828	-
Loss on valuation of investment securities	0	536
Others	74	-
Total unusual or infrequent loss	<u>7,994</u>	<u>829</u>
<b>Income before income taxes</b>	<u>54,420</u>	<u>122,311</u>
Income taxes	12,426	31,615
<b>Net income</b>	<u>41,993</u>	<u>90,695</u>
Net income attributable to non-controlling interests	27	27
<b>Net income attributable to owners of parent</b>	<u>41,966</u>	<u>90,668</u>

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended	Six months ended
	September 30, 2016	September 30, 2017
<b>Net income</b>	41,993	90,695
<b>Other comprehensive income (loss)</b>		
Net unrealized gains (losses) on investment securities	(2,012)	3,550
Net deferred gains (losses) on hedging instruments	(25)	(181)
Foreign currency translation adjustments	(7,375)	3,229
Remeasurements of defined benefit plans	209	(404)
Share of other comprehensive income of associates accounted for using the equity method	(79)	(38)
Total other comprehensive income (loss)	<u>(9,283)</u>	<u>6,155</u>
<b>Comprehensive income</b>	<u>32,710</u>	<u>96,850</u>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of parent	32,701	96,822
Comprehensive income attributable to non-controlling interests	8	28

## Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Cash flows from operating activities</b>		
Income before income taxes	54,420	122,311
Depreciation and amortization	8,199	9,025
Amortization of goodwill	307	325
Increase (decrease) in accrued employees' bonuses	5,900	3,161
Increase (decrease) in accrued warranty expenses	(745)	1,554
Decrease (increase) in trade notes and accounts receivable	(37,023)	(8,209)
Decrease (increase) in inventories	(15,353)	(44,824)
Increase (decrease) in trade notes and accounts payable	6,634	2,645
Decrease (increase) in prepaid consumption tax	11,475	16,474
Increase (decrease) in accrued consumption tax	(134)	(1,230)
Increase (decrease) in customer advances	29,410	(4,742)
Others	8,986	980
Subtotal	72,077	97,470
Receipts from interest and dividends	659	715
Income taxes paid or refund (paid)	(20,729)	(30,238)
Net cash provided by operating activities	52,007	67,947
<b>Cash flows from investing activities</b>		
Decrease (increase) in short-term investments	(5,201)	50,000
Payment for purchase of fixed assets	(9,631)	(16,677)
Payment for acquisition of intangible assets	(320)	(2,163)
Others	85	113
Net cash provided by (used in) investing activities	(15,068)	31,272
<b>Cash flows from financing activities</b>		
Payment for purchase of treasury stock	(4)	(3)
Dividends paid	(18,371)	(36,752)
Others	(1)	(45)
Net cash used in financing activities	(18,377)	(36,802)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(4,775)	2,145
<b>Net increase (decrease) in cash and cash equivalents</b>	13,786	64,563
<b>Cash and cash equivalents at beginning of period</b>	95,638	164,366
<b>Cash and cash equivalents at end of period</b>	109,425	228,930

## Notes

**Going concern: None**

**Significant changes in Shareholders' Equity: None**

**Changes in significant subsidiaries during the period: Yes**

The absorption-type merger of Tokyo Electron Yamanashi Ltd. and Tokyo Electron Tohoku Ltd. was performed, effective July 1, 2017 with Tokyo Electron Yamanashi Ltd. as the surviving company and Tokyo Electron Tohoku Ltd. as the absorbed company, and the name of the surviving company following the merger was changed to Tokyo Electron Technology Solutions Ltd.

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

The company and a 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: None**

## 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, thermal processing systems, single wafer 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, 2017 (April 1, 2017 to September 30, 2017)

(Millions of yen)

	Reportable Segments		Others *1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	487,743	29,024	8,896	525,664
Segment profit (loss)	144,829	2,724	(98)	147,455

	Eliminations and Corporate *2	Consolidated *3
Net sales	(8,687)	516,976
Segment profit (loss)	(25,144)	122,311

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. "Eliminations and Corporate" segment loss totaling 25,144 million yen includes corporate expenses not allocated to any reportable segments. The corporate expenses consist of research and development costs of 10,765 million yen, pertaining to the fundamental research and element research of TEL.

\*3. Segment profit or 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