



Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2017 (Japanese GAAP)

July 27, 2017

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, 2017 (April 1, 2017 to June 30, 2017)

(1) Consolidated Operating Results (Cumulative)

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

	Three months ended			
	June 30, 2016		June 30, 2017	
		%		%
Net sales (Millions of yen)	147,976	(5.0)	236,396	59.8
Operating income (Millions of yen)	22,095	(27.0)	54,790	148.0
Ordinary income (Millions of yen)	24,083	(20.3)	55,149	129.0
Net income attributable to owners of parent (Millions of yen)	12,684	(34.9)	41,252	225.2
Net income per share of common stock (Yen):				
Basic	77.33		251.42	
Diluted	77.16		250.65	
Comprehensive income:	Three months ended June 30, 2017: 44,059 million yen, - %			
	Three months ended June 30, 2016: 2,791 million yen, (87.1)%			

(2) Consolidated Financial Position

	As of	
	March 31, 2017	June 30, 2017
Total assets (Millions of yen)	957,447	954,981
Total net assets (Millions of yen)	645,999	655,162
Equity ratio (%)	67.2	68.1
Equity:	650,392 million yen (as of June 30, 2017)	
	643,094 million yen (as of March 31, 2017)	

2. Dividends

	Year ended March 31, 2017	Year ending March 31, 2018 (Forecast)
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	128.00	241.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	224.00	256.00
Annual dividends per share (Yen)	352.00	497.00

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

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, and those for six months ending September 30, 2017 indicate changes from the same period of the previous fiscal year.

	Six months ending September 30, 2017 (Cumulative)		Year ending March 31, 2018	
		%		%
Net sales (Millions of yen)	480,000	36.1	980,000	22.5
Operating income (Millions of yen)	104,000	73.3	216,000	38.7
Ordinary income (Millions of yen)	104,000	66.8	216,000	37.1
Net income attributable to owners of parent (Millions of yen)	79,000	88.2	163,000	41.5
Net income per share (Yen)	481.48		993.43	

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: 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 June 30, 2017 :	165,210,911 shares
As of March 31, 2017:	165,210,911 shares
 2. Number of shares of treasury stock

As of June 30, 2017 :	1,132,687 shares
As of March 31, 2017:	1,135,104 shares
 3. Average number of shares outstanding (Cumulative quarterly period)

Three months ended June 30, 2017:	164,076,929 shares
Three months ended June 30, 2016:	164,038,149 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 July 27, 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

In the first quarter of the current fiscal year, the global economy continued a moderate recovery, with a sustained economic upturn in the U.S.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, demand for semiconductors and electronic components remained strong as demand for data center servers continued to grow, reflecting increases in data transmission volumes. Under these circumstances, the consolidated financial results (cumulative) for the first quarter of the current fiscal year were net sales of 236,396 million yen (year-on-year growth of 59.8%), operating income of 54,790 million yen (year-on-year growth of 148.0%), ordinary income of 55,149 million yen (year-on-year growth of 129.0%) and net income attributable to owners of parent of 41,252 million yen (year-on-year growth of 225.2%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

In the semiconductor production equipment market, a robust server market continues to drive NAND flash memory, DRAM, and logic demand. The market transition away from hard disk drives to SSD (solid state drives) also contributed to increased investment in three-dimensional NAND flash memory. As a result, net sales to external customers in this segment for the first quarter of the current fiscal year were 221,969 million yen (year-on-year growth of 69.7%).

(ii) Flat Panel Display (FPD) Production Equipment

As the utilization of OLED panels for smartphones has continued to advance, investment in facilities for small to medium-sized panels continues to expand. In addition, there has been on-going investment in facilities for large-sized LCD panels in China. As a result, the FPD production equipment market remained robust. Accordingly, net sales to external customers in this segment for the first quarter of the current fiscal year were 14,323 million yen (year-on-year decrease of 16.1%).

(iii) Other

Net sales to external customers in this segment for the first quarter of the current fiscal year were 104 million yen (year-on-year decrease of 9.7 %).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY 2017					FY 2018
	Full Year	1Q	2Q	3Q	4Q	1Q
Net Sales	799,719	147,976	204,745	186,364	260,632	236,396
Semiconductor Production Equipment	749,893	130,796	196,211	179,373	243,511	221,969
Japan	91,203	17,819	26,429	20,329	26,625	26,776
North America	101,559	17,022	34,416	24,634	25,485	24,097
Europe	59,929	5,234	6,695	15,061	32,937	25,382
South Korea	137,788	19,805	29,031	33,376	55,575	68,375
Taiwan	225,910	30,504	58,289	62,360	74,755	45,897
China	90,669	30,049	24,044	13,798	22,777	26,757
Southeast Asia	42,832	10,360	17,304	9,812	5,355	4,683
FPD Production Equipment	49,387	17,064	8,414	6,887	17,020	14,323
Other	438	115	119	103	100	104
Operating Income	155,697	22,095	37,916	34,147	61,536	54,790
Ordinary Income	157,549	24,083	38,281	33,327	61,857	55,149
Net Income Attributable to Owners of Parent	115,208	12,684	29,281	25,951	47,290	41,252

Note: Intersegment sales or transfers are eliminated.

Production and Order Performance

Production results are excluded as sales is a proxy for production activities and adjustments are made in response to changes in market conditions. Sales results are presented in the overview by business segment in “1. Qualitative information on Financial Results for the Current Quarter (1) Description of Operating Results”.

In addition, order results (orders received and orders backlog) are not presented as quarterly orders may fluctuate significantly based on the customer’s investment trend and are not necessarily an appropriate predictor of annual operating results and trends.

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

Current assets at the end of the first quarter of the current fiscal year were 766,278 million yen, down 9,660 million yen compared to the end of the previous fiscal year. This was primarily due to an increase of 30,398 million yen in inventories, an increase of 5,892 million yen in trade notes and accounts receivable, a 28,818 million yen decrease in prepaid consumption tax, and a 25,500 million yen decrease in short-term investments included in securities.

Tangible fixed assets increased by 3,786 million yen from the end of the previous fiscal year, to 104,227 million yen.

Intangible fixed assets increased by 801 million yen from the end of the previous fiscal year, to 16,202 million yen.

Investments and other assets increased by 2,607 million yen from the end of the previous fiscal year, to 68,273 million yen.

As a result of the foregoing, total assets decreased by 2,465 million yen from the end of the previous fiscal year, to 954,981 million yen.

Current liabilities decreased by 11,923 million yen when compared to the end of the previous fiscal year, to 235,846 million yen. This was primarily due to a 12,960 million yen decrease in income taxes payable, a 10,361 million yen decrease in accrued employees’ bonuses, and a 7,363 million yen increase in customer advances.

Long-term liabilities increased by 294 million yen when compared to the end of the previous fiscal year, to 63,972 million yen.

Net assets increased by 9,163 million yen compared to the end of the previous fiscal year, to 655,162 million yen. Contributing factors were an increase of 41,252 million yen in net income attributable to owners of parent and a decrease resulting from the payment of 36,752 million yen in year-end dividends for the previous fiscal year. As a result, the equity ratio was 68.1%.

(ii) Cash Flows

Cash and cash equivalents at the end of the first quarter of the current fiscal year, when compared to the prior quarter, increased by 4,301 million yen to 168,668 million yen. The combined balance of 294,668 million yen includes 126,000 million yen in time deposits and short-term investments with periods to maturity or redemption of at least three months that are not included in cash and cash equivalents, a decrease of 20,698 million yen from the end of the previous fiscal year. The overall status of cash flows during the first quarter of the current fiscal year was as described below.

Cash flows from operating activities increased 2,269 million yen to positive 24,463 million yen compared to the same period of the previous fiscal year. The major positive factors were 55,147 million yen in net income before income taxes, 4,243 million yen in depreciation and amortization, a decrease of 28,812 million yen in prepaid consumption tax, and an increase of 6,748 million yen in customer advances. The major negative factors were an increase of 28,814 million yen in inventories, the payment of income taxes of 26,280 million yen, a decrease of 10,357 million yen in accrued employees' bonuses, and an increase of 5,719 million yen in trade notes and accounts receivable.

Cash flows from investing activities were positive 15,692 million yen compared to positive 20,063 million yen in the same period of the previous fiscal year. The primary factors were 25,000 million yen in income associated with a decrease in time deposits and short-term investments, and the payment of 7,557 million yen for the acquisition of tangible fixed assets.

Cash flows from financing activities were negative 36,800 million yen, compared to negative 18,375 million yen in the same period of the previous fiscal year. These were primarily attributable to the payment of 36,752 million yen in dividends.

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	Three month ended June 30, 2016	Three month ended June 30, 2017
Cash flows from operating activities	22,193	24,463
Income before income taxes	16,191	55,147
Depreciation and amortization	3,994	4,243
Decrease (increase) in trade notes and accounts receivable	10,636	(5,719)
Decrease (increase) in inventories	(12,488)	(28,814)
Increase (decrease) in trade notes and accounts payable	(1,452)	(95)
Other, net	5,313	(298)
Cash flows from investing activities	20,063	15,692
Decrease (increase) in time deposits and short-term investments	24,998	25,000
Other (Acquisition of fixed assets)	(4,934)	(9,307)
Cash flows from financing activities	(18,375)	(36,800)
Effect of exchange rate changes on cash and cash equivalents	(4,609)	946
Net increase (decrease) in cash and cash equivalents	19,271	4,301
Cash and cash equivalents at beginning of year	95,638	164,366
Cash and cash equivalents at end of period	114,910	168,668
Cash and cash equivalents, time deposits and short-term investments with periods to maturity or redemption of at least three months	230,943	294,668

(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, 2018 from the forecasts released at the time of the previous announcement on April 28, 2017.

Note: The financial forecasts and estimates 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 future 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	As of
	March 31, 2017	June 30, 2017
ASSETS		
Current assets		
Cash and deposit	70,866	75,668
Trade notes and accounts receivable	133,858	139,750
Securities	244,500	219,000
Merchandise and finished goods	152,629	175,042
Work in process	51,112	56,596
Raw materials and supplies	32,514	35,016
Others	90,520	65,273
Allowance for doubtful accounts	(63)	(69)
Total current assets	<u>775,938</u>	<u>766,278</u>
Long-term assets		
Tangible fixed assets	100,441	104,227
Intangible fixed assets		
Others	15,401	16,202
Total intangible fixed assets	<u>15,401</u>	<u>16,202</u>
Investments and other assets		
Others	67,482	70,098
Allowance for doubtful accounts	(1,816)	(1,824)
Total investments and other assets	<u>65,666</u>	<u>68,273</u>
Total long-term assets	<u>181,508</u>	<u>188,703</u>
Total assets	<u>957,447</u>	<u>954,981</u>

Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2017	June 30, 2017
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	79,217	79,939
Income taxes payable	31,069	18,109
Accrued employees' bonuses	21,853	11,492
Other allowances	10,470	9,795
Others	105,159	116,510
Total current liabilities	<u>247,770</u>	<u>235,846</u>
Long-term liabilities		
Other allowances	374	374
Net liability for defined benefits	55,825	55,913
Others	7,476	7,684
Total long-term liabilities	<u>63,677</u>	<u>63,972</u>
Total liabilities	<u>311,447</u>	<u>299,818</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	503,325	507,816
Treasury stock, at cost	(7,766)	(7,751)
Total shareholders' equity	<u>628,543</u>	<u>633,048</u>
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	10,788	12,692
Net deferred gains (losses) on hedging instruments	59	6
Foreign currency translation adjustments	5,789	6,911
Accumulated remeasurements of defined benefit plans	(2,086)	(2,267)
Total accumulated other comprehensive income (loss)	<u>14,551</u>	<u>17,343</u>
Share subscription rights	2,620	4,516
Non-controlling interests	284	254
Total net assets	<u>645,999</u>	<u>655,162</u>
Total liabilities and net assets	<u>957,447</u>	<u>954,981</u>

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	147,976	236,396
Cost of sales	90,650	139,244
Gross profit	57,325	97,152
Selling, general & administrative expenses		
Research and development expenses	17,767	21,187
Others	17,461	21,173
Total selling, general and administrative expenses	35,229	42,361
Operating income	22,095	54,790
Non-operating income		
Interest income	106	173
Dividend income	278	282
Foreign exchange gain	1,302	-
Others	361	343
Total non-operating income	2,048	800
Non-operating expenses		
Foreign exchange loss	-	412
Others	61	29
Total non-operating expenses	61	441
Ordinary income	24,083	55,149
Unusual or infrequent profit		
Gain on sales of fixed assets	23	46
Gain on sales of investment securities	6	-
Total unusual or infrequent profit	29	46
Unusual or infrequent loss		
Loss on disposal of fixed assets	41	47
Loss on disaster	7,828	-
Others	52	0
Total unusual or infrequent loss	7,921	47
Income before income taxes	16,191	55,147
Income taxes	3,492	13,880
Net income	12,698	41,267
Net income attributable to non-controlling interests	13	14
Net income attributable to owners of parent	12,684	41,252

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended	Three months ended
	June 30, 2016	June 30, 2017
Net income	12,698	41,267
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(2,673)	1,908
Net deferred gains (losses) on hedging instruments	31	(23)
Foreign currency translation adjustments	(7,447)	1,123
Remeasurements of defined benefit plans	181	(183)
Share of other comprehensive income of associates accounted for using the equity method	0	(33)
Total other comprehensive income (loss)	<u>(9,906)</u>	<u>2,791</u>
Comprehensive income	<u>2,791</u>	<u>44,059</u>
(Breakdown)		
Comprehensive income attributable to owners of parent	2,798	44,045
Comprehensive income attributable to non-controlling interests	(7)	13

Notes

Going concern: None

Significant changes in Shareholders' Equity: None

Changes in significant subsidiaries during the period: None

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

Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)

(Millions of yen)

	Reportable Segments		Others *1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	221,969	14,323	4,237	240,530
Segment profit (loss)	66,170	459	(67)	66,563

	Eliminations and Corporate *2	Consolidated *3
Net sales	(4,133)	236,396
Segment profit (loss)	(11,415)	55,147

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 11,415 million yen includes corporate expenses not allocated to any reportable segments. The corporate expenses consist of research and development costs of 4,988 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