
January 31, 2017

Agenda:

- 3Q FY2017 Consolidated Financial Summary
  Tetsuro Hori, Representative Director, Executive Vice President & General Manager
- Business Environment and Financial Estimates
  Toshiki Kawai, Representative Director, President & CEO
3Q FY2017 Consolidated Financial Summary

3Q FY2017: October 1, 2016 - December 31, 2016
FY2017: April 1, 2016 - March 31, 2017

January 31, 2017
Tetsuro Hori
Representative Director, Executive Vice President & General Manager
FY2017 3Q Highlights

- **Highest ever SPE** quarterly orders
  - Large growth in orders as NAND increased 2.5 times and DRAM doubled QoQ on burgeoning demand for memory for servers and Chinese smartphones.

- **CY2016 NAND orders doubled YoY**
  - Business opportunities grew for TEL with migration to 3D NAND; won orders that far surpassed the NAND equipment market’s growth rate.

- **FPD** quarterly orders surpassed ¥30.0B for the first time since 2Q/FY2009
  - Driven by investment in ultra-large G10.5 panels and large G8 panels, one of TEL’s strengths.

*SPE: Semiconductor Production Equipment, **FPD: Flat Panel Display Production Equipment*
# Financial Summary

(Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>1Q-3Q</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
</tr>
<tr>
<td>Net sales</td>
<td>147.9</td>
<td>204.7</td>
<td>186.3</td>
</tr>
<tr>
<td>Gross profit</td>
<td>57.3</td>
<td>81.3</td>
<td>72.9</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>38.7%</td>
<td>39.7%</td>
<td>39.1%</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>35.2</td>
<td>43.4</td>
<td>38.7</td>
</tr>
<tr>
<td>Operating income</td>
<td>22.0</td>
<td>37.9</td>
<td>34.1</td>
</tr>
<tr>
<td>Operating margin</td>
<td>14.9%</td>
<td>18.5%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>16.1</td>
<td>38.2</td>
<td>33.2</td>
</tr>
<tr>
<td>Net income attributable to owners of parent</td>
<td>12.6</td>
<td>29.2</td>
<td>25.9</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>17.7</td>
<td>22.0</td>
<td>19.1</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>3.8</td>
<td>5.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3.9</td>
<td>4.2</td>
<td>4.5</td>
</tr>
</tbody>
</table>

1. In principle, export sales of Tokyo Electron’s mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated using full amounts, before rounding.
Financial Performance

Maintained 18% operating margin despite lower sales QoQ
1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research are not included in above reportable segments.
3. Composition of net sales figures is based on the sales to customers.
## Balance Sheet

### Assets

<table>
<thead>
<tr>
<th>(Billion Yen)</th>
<th>3Q FY16</th>
<th>4Q</th>
<th>1Q FY17</th>
<th>2Q</th>
<th>3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents*</td>
<td>233.8</td>
<td>236.6</td>
<td>230.9</td>
<td>255.6</td>
<td>277.2</td>
</tr>
<tr>
<td>Trade notes, accounts receivables</td>
<td>102.8</td>
<td>116.5</td>
<td>102.7</td>
<td>149.2</td>
<td>126.1</td>
</tr>
<tr>
<td>Inventories</td>
<td>183.9</td>
<td>195.0</td>
<td>203.4</td>
<td>204.9</td>
<td>230.3</td>
</tr>
<tr>
<td>Other current assets</td>
<td>59.2</td>
<td>69.1</td>
<td>49.2</td>
<td>60.3</td>
<td>76.5</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>100.3</td>
<td>96.3</td>
<td>94.7</td>
<td>96.1</td>
<td>98.4</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>20.7</td>
<td>17.6</td>
<td>15.7</td>
<td>18.0</td>
<td>16.7</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>67.7</td>
<td>62.0</td>
<td>57.8</td>
<td>58.6</td>
<td>60.2</td>
</tr>
</tbody>
</table>

*Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

### Liabilities & Net Assets

<table>
<thead>
<tr>
<th>(Billion Yen)</th>
<th>3Q FY16</th>
<th>4Q</th>
<th>1Q FY17</th>
<th>2Q</th>
<th>3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>210.9</td>
<td>229.1</td>
<td>204.9</td>
<td>260.3</td>
<td>291.2</td>
</tr>
<tr>
<td>Net assets</td>
<td>557.7</td>
<td>564.2</td>
<td>549.7</td>
<td>579.7</td>
<td>594.5</td>
</tr>
</tbody>
</table>

**CORP IR / January 31, 2017**
Inventory Turnover and Accounts Receivable Turnover

Turnover days = inventory or accounts receivable at the end of each quarter / last 12 months sales x 365
### Cash Flow

(Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>3Q FY15</th>
<th>4Q</th>
<th>1Q FY16</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>1Q FY17</th>
<th>2Q</th>
<th>3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>-3.2</td>
<td>31.7</td>
<td>17.3</td>
<td>30.1</td>
<td>13.8</td>
<td>7.9</td>
<td>22.1</td>
<td>29.8</td>
<td>41.3</td>
</tr>
<tr>
<td>Cash flow from investing activities*</td>
<td>-2.6</td>
<td>-0.9</td>
<td>-2.0</td>
<td>-1.2</td>
<td>-2.7</td>
<td>-2.9</td>
<td>-4.9</td>
<td>-4.9</td>
<td>-4.1</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-5.4</td>
<td>-6.2</td>
<td>-36.3</td>
<td>-64.6</td>
<td>-37.5</td>
<td>0.0</td>
<td>-18.3</td>
<td>0.0</td>
<td>-21.0</td>
</tr>
<tr>
<td>Free cash flow**</td>
<td>-5.9</td>
<td>30.7</td>
<td>15.3</td>
<td>28.8</td>
<td>11.1</td>
<td>5.0</td>
<td>17.2</td>
<td>24.8</td>
<td>37.1</td>
</tr>
<tr>
<td>Cash on hand***</td>
<td>285.3</td>
<td>317.6</td>
<td>298.9</td>
<td>260.7</td>
<td>233.8</td>
<td>236.6</td>
<td>230.9</td>
<td>255.6</td>
<td>277.2</td>
</tr>
</tbody>
</table>

* Cash flow from investing activities excludes changes in deposits with periods to maturity of over 3 months.
** Free cash flow = cash flow from operating activities + cash flow from investing activities excluding changes in deposits with periods to maturity of over 3 months.
*** Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.
Business Environment and Financial Estimates

January 31, 2017

Toshiki Kawai
Representative Director, President & CEO
Business Environment (Outlook as of Jan. 2017)

► SPE Capex
CY2017 WFE* capex forecast to increase by more than 10% YoY driven by investment in next generation 3D NAND and advanced logic

► FPD Capex
CY2017 demand for TFT Array Process** FPD equipment forecast to increase 30% YoY on continued capex for small/medium panels for mobile devices and G10.5 ramp-up

Accelerating growth in the equipment market on active investment in IoT and next generation technologies

* WFE (Wafer Fab Equipment): The semiconductor production process can be divided into two sequential sub-processes: front-end (wafer fabrication) and back-end (assembly and test) production. WFE is used in the front-end production process.

** TFT Array Process: Process for manufacturing substrate that realizes display images
CY2017 Market Growth and Business Opportunities by Application

- **NAND**: Market growth of approx. 20% YoY forecast
  - Driving force: Demand for SSD for data centers
  - Capex: 6X/7X generations to comprise 80%, expect 700k/month capacity by end 2017
  - Opportunity: Market growth and share expansion, focus on increasing our position across 9X to 12X

- **DRAM**: Increase of 5-10%
  - Driving force: YoY 1GB increase in average mobile device capacity, 30% increase in server capacity
  - Capex: Capex for 1Xnm generation to comprise over 70%
  - Opportunity: Differentiation through combined patterning and our strength in interconnect formation

- **Logic/Foundry**: Increase of 5-10%
  - Driving force: Demand for higher performance, lower power consumption
  - Capex: Leading-edge 10/7nm generation to comprise 80%
  - Opportunity: Business expansion in more complex patterning processes
Field Solutions business
- Earnings opportunities continue to grow on rising installed base and growth of IoT
  - Used equipment, modification, parts, services
- Develop business utilizing our competitive advantage as a SPE manufacturer
  - Remanufactured equipment, high value-added services using remote connectivity
- Initiatives for sustained growth
  - Increased efficiency in services business and inventory optimization

FPD business
- Capex driven by large panels (large panels to comprise 50%)
- Following on small/medium panels, introduce new products for large panels too (PICP™* etching system)
- Substantially grow share with G10.5 products

*PICP: Plasma source for producing extremely uniform high density plasma on substrate
Quarterly Orders, Order Backlog

October – December 2016

<table>
<thead>
<tr>
<th></th>
<th>SPE</th>
<th>FPD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPE</td>
<td>267.1B</td>
<td>30.4B</td>
<td>297.6B</td>
</tr>
<tr>
<td>FPD</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Billion Yen)

SPE Orders
14/10-12: 164.3
15/1-3: 179.2
4-6: 153.4
7-9: 122.8
10-12: 157.9
16/1-3: 188.6
4-6: 197.4
7-9: 195.6
10-12: 267.1

FPD Orders
14/10-12: 3.4
15/1-3: 12.6
4-6: 11.8
7-9: 12.5
10-12: 13.9
16/1-3: 12.2
4-6: 15.9
7-9: 15.0
10-12: 30.4

SPE Order backlog
14/10-12: 245.7
15/1-3: 253.3
4-6: 266.4
7-9: 212.6
10-12: 224.1
16/1-3: 263.2
4-6: 329.9
7-9: 329.4
10-12: 417.2

FPD Order backlog
14/10-12: 28.8
15/1-3: 31.6
4-6: 33.3
7-9: 37.6
10-12: 39.9
16/1-3: 37.4
4-6: 36.3
7-9: 42.9
10-12: 66.5

Record high orders, surpassing prior high of 1Q/CY2007
Composition of SPE Orders by Application: Equipment Only

Increased investment in non-volatile memory and DRAM
SPE Orders by Region

(Billion Yen)

14/10-12 15/1-3 4-6 7-9 10-12 16/1-3 4-6 7-9 10-12

Japan 24.0 40.8 29.0 29.0 20.4 25.1 18.7 21.9 28.6
U.S. 36.6 30.3 20.7 22.9 24.8 32.9 13.1 26.9 28.0
Europe 10.8 12.7 8.9 9.4 7.9 29.1 11.2 32.2 15.9
Korea 40.8 35.1 14.8 9.3 35.5 19.4 35.7 36.9 99.0
Taiwan 34.5 41.3 48.3 37.8 34.6 35.1 85.8 63.2 61.8
China 14.2 14.2 25.7 10.4 26.9 28.2 21.1 10.4 29.8
S.E. Asia, Others 3.2 4.5 5.6 3.7 7.5 18.5 11.6 3.7 3.8

Large increase in memory investment in Korea
FY2017 Business Progress and Financial Estimates
FY2017 Second Half Business Progress

- **Etching system**
  - YoY sales growth of over 14%, surpassing market growth
  - Grew CY2016 memory share
    - DRAM 1.8x: Combined patterning steps, interconnect formation
    - NAND 1.1x: 3D NAND isolation (slit) process
  - Expect to raise CY2016 overall etching share by 4-5 pts
    - Large increase in DRAM share contributed despite effects of investment mix

**DRAM progressing toward Medium-term Plan goals**
Continue to focus on raising NAND share through 2018 and beyond
FY2017 Second Half Business Progress

- Deposition system
  - Expect to double YoY unit sales of semi batch ALD system NT333™

- Cleaning system
  - Advance adoption of our single wafer equipment in memory

- Field Solutions business
  - Nine-month cumulative sales of ¥147.0B, up 7% YoY

- FPD production equipment
  - Higher income from new PICP™ etching system for small/medium displays

Steady progress towards Medium-term Plan goals in all focus areas
### FY2017 Financial Estimates

*FY2017 Financial Estimates (no change from Oct. 28, 2016 announcement)*

(Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (Actual)</th>
<th>FY2017 (Estimates)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1&lt;sup&gt;st&lt;/sup&gt; half</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>Estimates</td>
</tr>
<tr>
<td>Net sales</td>
<td>663.9</td>
<td>352.7</td>
</tr>
<tr>
<td>SPE</td>
<td>613.0</td>
<td>327.0</td>
</tr>
<tr>
<td>FPD</td>
<td>44.6</td>
<td>25.4</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>150.4</td>
<td>78.6</td>
</tr>
<tr>
<td>Operating income</td>
<td>116.7</td>
<td>60.0</td>
</tr>
<tr>
<td>Operating margin</td>
<td>17.6%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Extraordinary income/loss</td>
<td>-12.9</td>
<td>-7.9</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>106.4</td>
<td>54.4</td>
</tr>
<tr>
<td>Net income attributable to owners of parent</td>
<td>77.8</td>
<td>41.9</td>
</tr>
<tr>
<td>Net income per share (Yen)</td>
<td>461.10</td>
<td>255.83</td>
</tr>
</tbody>
</table>

**Surpassing market growth, forecasting 29% increase in net income**

CORP IR / January 31, 2017

SPE: Semiconductor Production Equipment, FPD: Flat Panel Display Production Equipment
R&D Expenses, Capex Plan (no change from Oct. 28, 2016 announcement)

Increase R&D expenses and capex in growth areas
FY2017 Dividend Forecast (no change from Oct. 28, 2016 announcement)

Dividend per share expected to be at record high for the third consecutive year

TEL shareholder return policy

- **Dividend payout ratio:** 50%
- **Annual DPS of not less than 150 yen**

We will review our dividend policy if the company does not generate net income for two consecutive fiscal years.

We will flexibly consider share buybacks.

**FY2015**
- Dividend per share: 143 yen

**FY2016**
- Dividend per share: 237 yen

**FY2017(E)**
- Dividend per share: 305 yen
- Year-end: 177 yen
- Interim: 128 yen
Disclaimer regarding forward-looking statement
Forecast of TEL’s performance and future prospects and other sort of information published are made based on information available at the time of publication. Actual performance and results may differ significantly from the forecast described here due to changes in various external and internal factors, including the economic situation, semiconductor/FPD market conditions, intensification of sales competition, safety and product quality management, and intellectual property-related risks.

Processing of numbers
For the amount listed, because fractions are rounded down, there may be the cases where the total for certain account titles does not correspond to the sum of the respective figures for account titles. Percentages are calculated using full amounts, before rounding.

Exchange Risk
In principle, export sales of Tokyo Electron’s mainstay semiconductor and FPD panel production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD: Flat panel display