Business Environment and Financial Estimates

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Business Environment

► SPE Capex

CY2016 WFE* capex expected to be similar level to CY2015
- Memory: DRAM investment past its peak, 3D-NAND investment expanding
- Foundry/logic: Expand investment in advanced nodes from second half of 2016

► FPD Capex

CY2016 demand for TFT Array Process** FPD manufacturing equipment forecast to increase 20% YoY, primarily for small/medium panels for mobile devices

(Outlook as of April 2016)

Despite an unstable macroeconomic environment, the equipment market is expected to be firm as it rides a wave of technological innovation

* 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
## FY2017 Financial Estimates

### Forecasting further YoY increases in sales and profits

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (Actual)</th>
<th>FY2017 Estimates</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1st half</td>
<td>2nd half</td>
<td>Full year</td>
<td>YoY change</td>
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<tr>
<td>Net sales</td>
<td>663.9</td>
<td>330.0</td>
<td>384.0</td>
<td>714.0</td>
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<tr>
<td>SPE</td>
<td>613.0</td>
<td>304.0</td>
<td>361.0</td>
<td>665.0</td>
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<tr>
<td>FPD</td>
<td>44.6</td>
<td>26.0</td>
<td>23.0</td>
<td>49.0</td>
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<tr>
<td>Operating income</td>
<td>116.7</td>
<td>49.0</td>
<td>75.0</td>
<td>124.0</td>
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<tr>
<td>Operating margin</td>
<td>17.6%</td>
<td>14.8%</td>
<td>19.5%</td>
<td>17.4%</td>
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<tr>
<td>Extraordinary income</td>
<td>-12.9</td>
<td>-10.0</td>
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<td>-10.0</td>
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<tr>
<td></td>
<td>income/loss</td>
<td></td>
<td></td>
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<tr>
<td>Income before</td>
<td>106.4</td>
<td>39.0</td>
<td>75.0</td>
<td>114.0</td>
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<tr>
<td>income taxes</td>
<td></td>
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<tr>
<td>Net income attributable to owners of parent</td>
<td>77.8</td>
<td>29.0</td>
<td>56.0</td>
<td>85.0</td>
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<tr>
<td>Net income per share (Yen)</td>
<td>461.10</td>
<td>176.79</td>
<td>341.39</td>
<td>518.18</td>
</tr>
</tbody>
</table>

SPE: Semiconductor Production Equipment, FPD: Flat Panel Display Production Equipment
Increase in sales to be driven by etching and cleaning systems
FY2017 Forecasts for Business Results

Influence of Kumamoto earthquakes

- No effect on booking of sales from delays in production and delivery
- We are forecasting an extraordinary loss of approximately 10 bn yen in FY2017 1st half for costs related to various expenses for disaster support and restoration of machinery, inventories, buildings, etc.

Investment to achieve medium-term plan targets

- R&D expenses 80.0 bn yen: +3.8 bn yen YoY
  - Increased investment in focus areas (etch, deposition, etc.)
- Capex 18.0 bn yen: +4.7 bn yen YoY
  - Investment in R&D-related equipment
R&D Expenses, Capex Plans

Increase R&D expenses and capex in growth areas
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
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