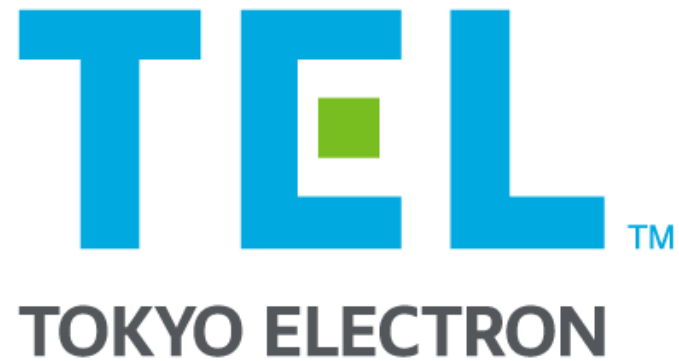


# The 53rd Annual General Meeting of Shareholders



**June 17, 2016**

# FY2016 Financial Report

(FY2016: April 1, 2015 – March 31, 2016)

# Consolidated Statement of Income

(Billion Yen)

		FY2015	(%)	FY2016	(%)	Variance
<b>Net sales</b>		<b>613.1</b>	<b>100.0</b>	<b>663.9</b>	<b>100.0</b>	<b>+50.8</b>
<b>Sales by division</b>	<b>SPE</b>	<b>576.2</b>	<b>94.0</b>	<b>613.0</b>	<b>92.3</b>	<b>+36.7</b>
	<b>FPD</b>	<b>32.7</b>	<b>5.3</b>	<b>44.6</b>	<b>6.7</b>	<b>+11.9</b>
	<b>Others</b>	<b>4.1</b>	<b>0.7</b>	<b>6.2</b>	<b>1.0</b>	<b>+2.0</b>

SPE: Semiconductor Production Equipment

FPD: Flat Panel Display Production Equipment

**Increased sales of both semiconductor and FPD production equipment YoY**

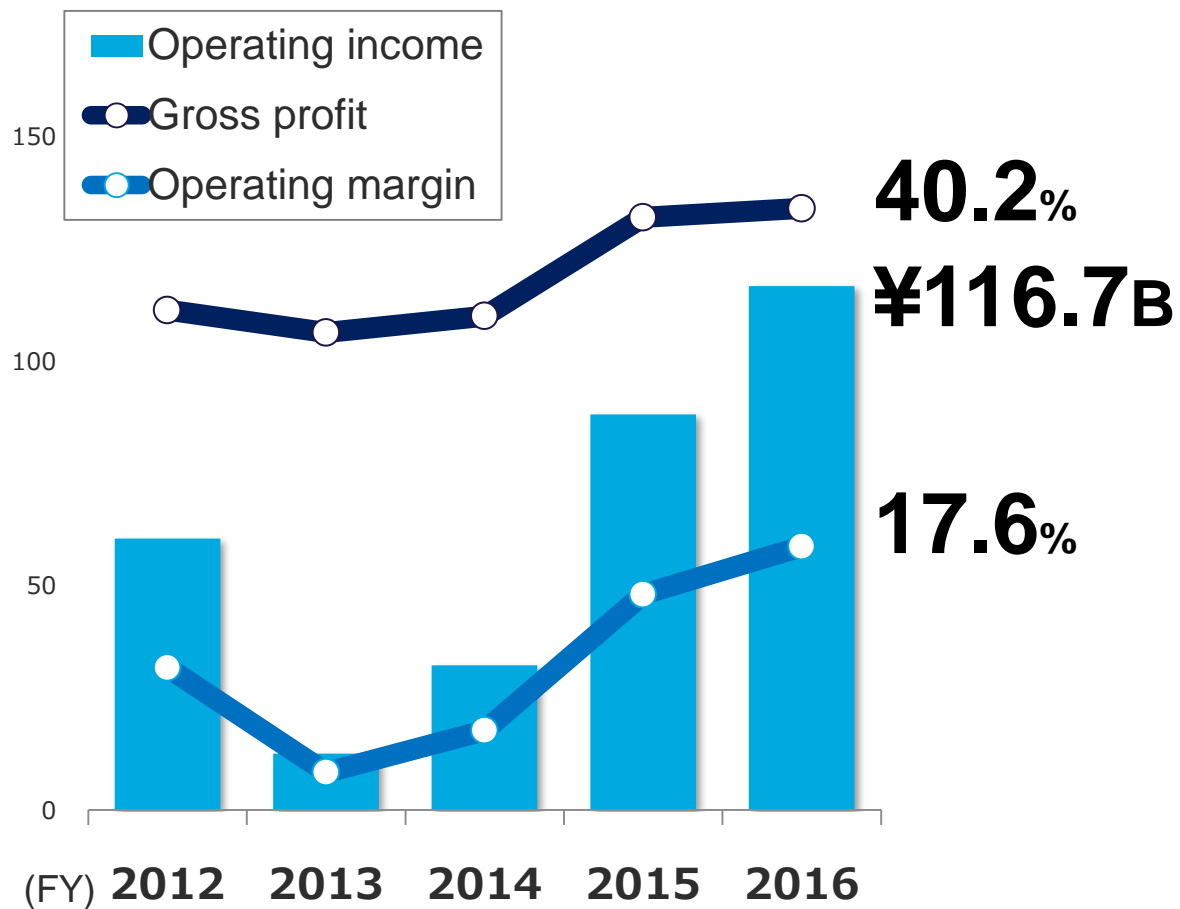
# Consolidated Statement of Income

(Billion Yen)

	FY2015	(%)	FY2016	(%)	Variance
Net sales	613.1	100.0	663.9	100.0	+50.8
Gross profit	242.7	39.6	267.2	40.2	+24.4
Operating income	88.1	14.4	116.7	17.6	+28.6
Ordinary income	92.9	15.2	119.3	18.0	+26.4
Unusual or infrequent profit	1.8		1.4		▲0.4
Unusual or infrequent loss	8.0		14.4		+6.3
Income before income taxes	86.8	14.2	106.4	16.0	+19.6
Net income attributable to owners of parent	71.8	11.7	77.8	11.7	+6.0

**since the 2008 global financial crisis Achieved  
over ¥100.0B operating income**

# Consolidated Profit and Loss Highlights

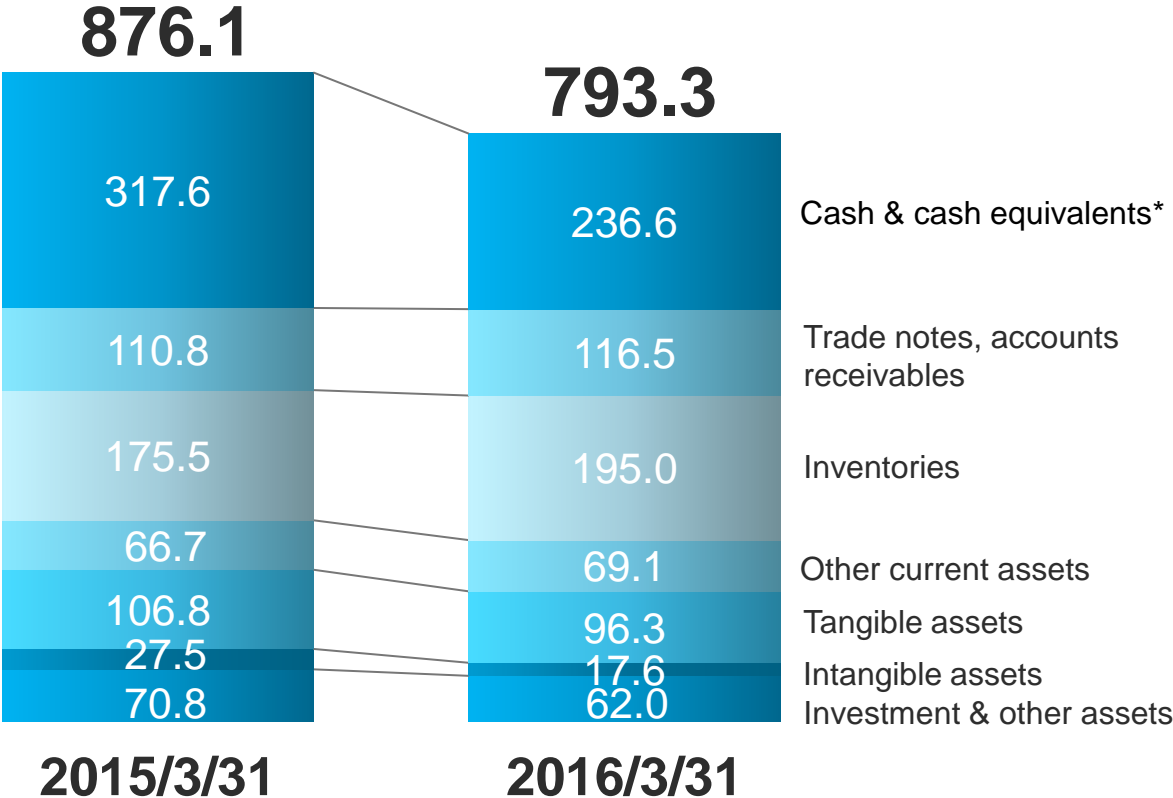


- **Highest-ever gross profit margin**
- **Operating margin improved 3.2pts YoY to 17.6%**

# Consolidated Balance Sheet

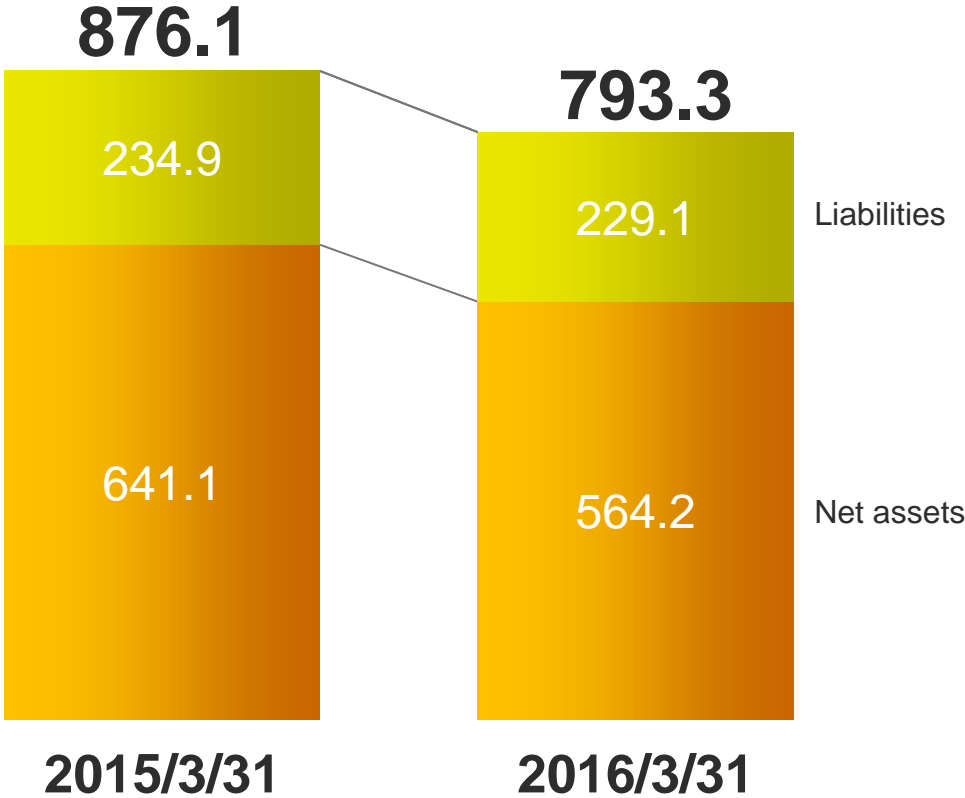
## Assets

(Billion Yen)



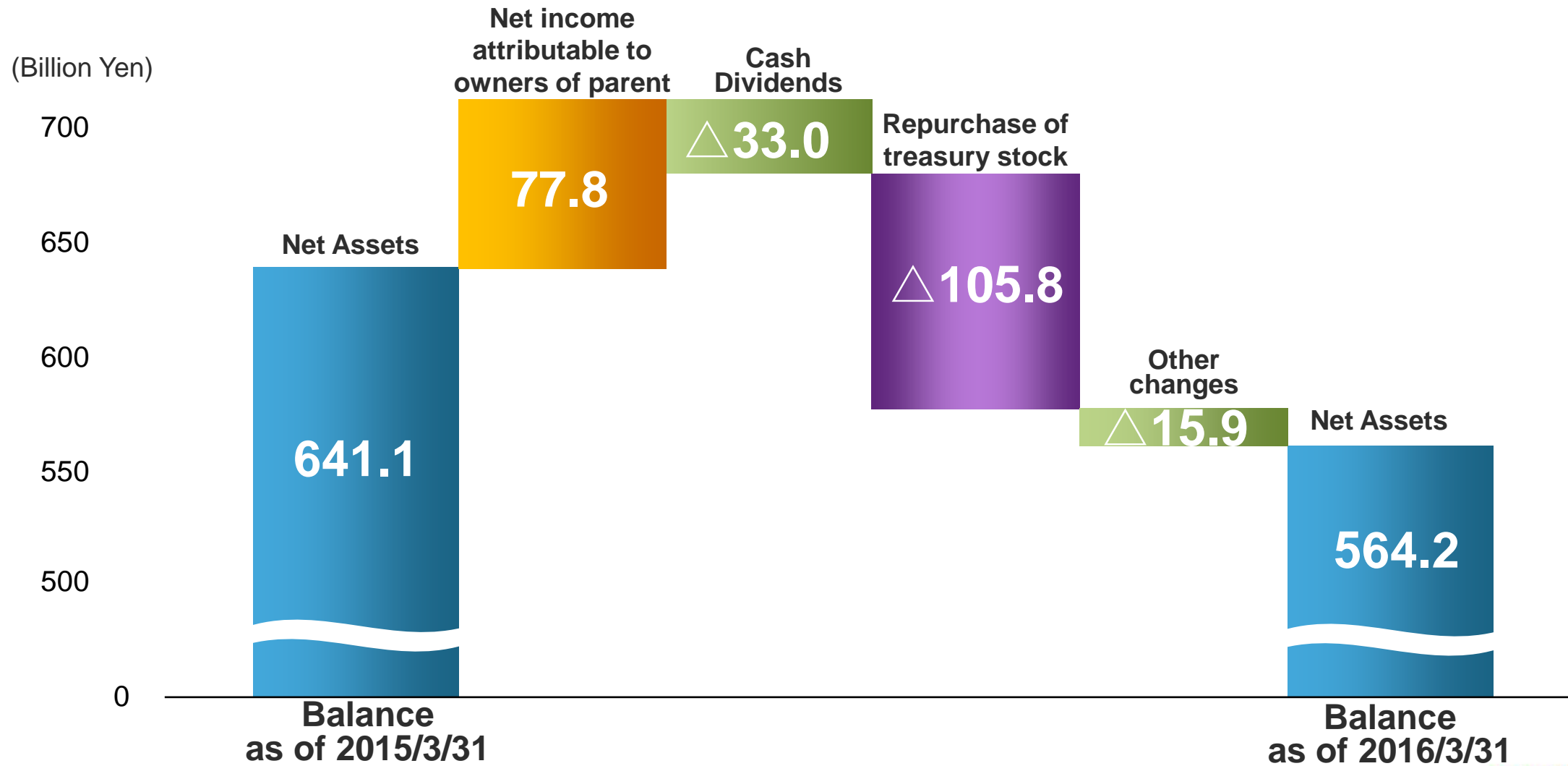
## Liabilities & Net Assets

(Billion Yen)



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

# Consolidated Statements of Changes in Net Assets



# Non-consolidated Financial Statement

(Billion Yen)

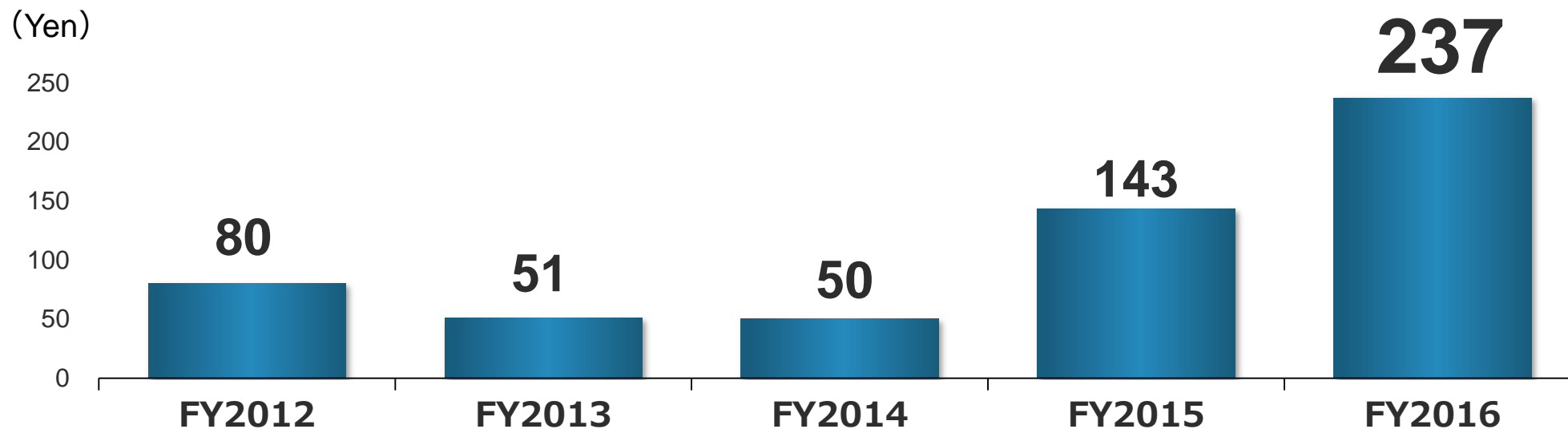
Statement of Income	FY2015	(%)	FY2016	(%)	Variance
Net sales	555.0	100.0	582.6	100.0	+27.5
Operating income	47.0	8.5	42.0	7.2	▲5.0
Ordinary income	86.5	15.6	74.8	12.8	▲11.6
Income before income taxes	61.9	11.2	78.5	13.5	+16.6
Net income	63.2	11.4	63.5	10.9	+0.2

Balance Sheet	FY2015	(%)	FY2016	(%)	Variance
Total assets	671.7	100.0	625.9	100.0	▲45.7
Total liabilities	266.2	39.6	296.6	47.4	+30.3
Total net assets	405.4	60.4	329.3	52.6	▲76.1
Total liabilities & net assets	671.7	100.0	625.9	100.0	▲45.7



# FY2016 Dividends

## ▶ Annual dividend per share



	Interim	Year-end	Annual dividends
FY2016	125yen	112yen	237yen

Total dividends	Payout ratio
39.1 Billion yen	51.4%

# FY2017 Financial Estimates

(FY2017: April 1, 2016 – March 31, 2017)

# 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

**Demand for FPD manufacturing equipment forecast to increase 20% YoY, primarily for small/medium panels for mobile devices**

# FY2017 Consolidated Financial Estimates

(Billion Yen)

		1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full year	YoY changes
Net Sales		330.0	384.0	714.0	+7.5%
Sales by division	SPE	304.0	361.0	665.0	+8.5%
	FPD	26.0	23.0	49.0	+9.7%
Operating Income		49.0 14.8%	75.0 19.5%	124.0 17.4%	+6.2% ▲0.2pts
Ordinary Income		49.0	75.0	124.0	+3.9%
Income before income taxes		39.0	75.0	114.0	+7.1%
Net income attributable to owners of parent		29.0	56.0	85.0	+9.1%

SPE: Semiconductor Production Equipment

FPD: Flat Panel Display Production Equipment

## Forecasting further YoY increases in sales and profits

# Utilizing opportunities at the market transition point for further growth

1. Business environment
2. New TEL business policies
3. Corporate governance/ Shareholder return

# 1. Business environment

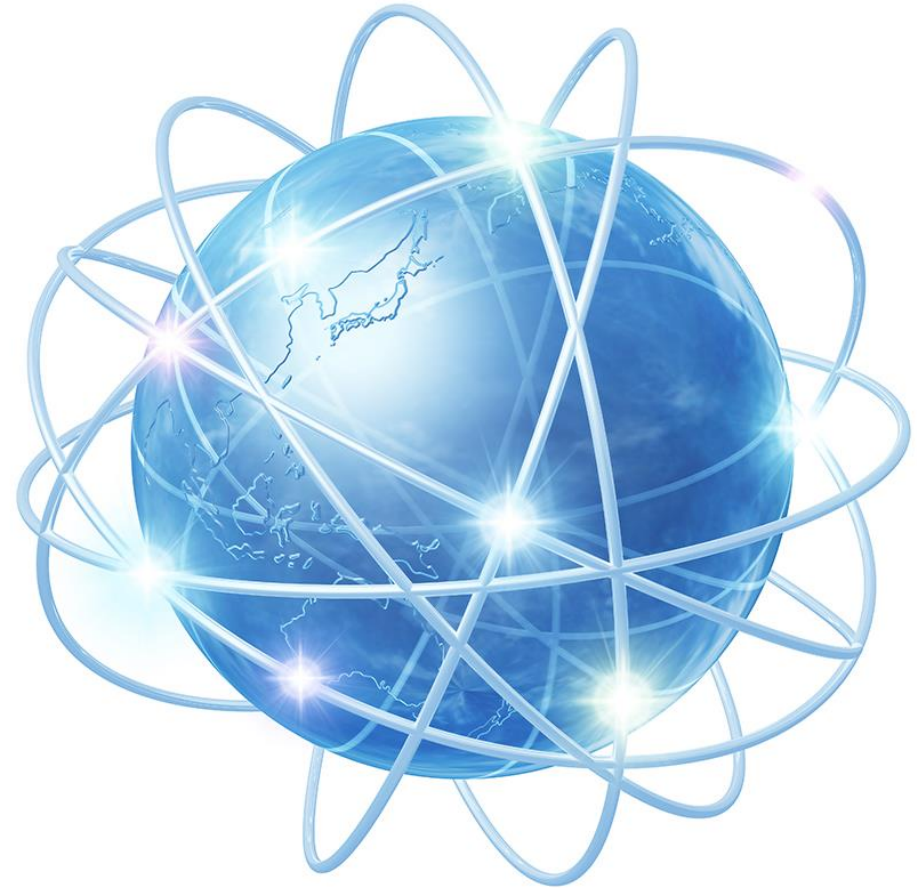
# Coming of the IoT era

Number of things  
connected to the internet in 2020

**50 billion**

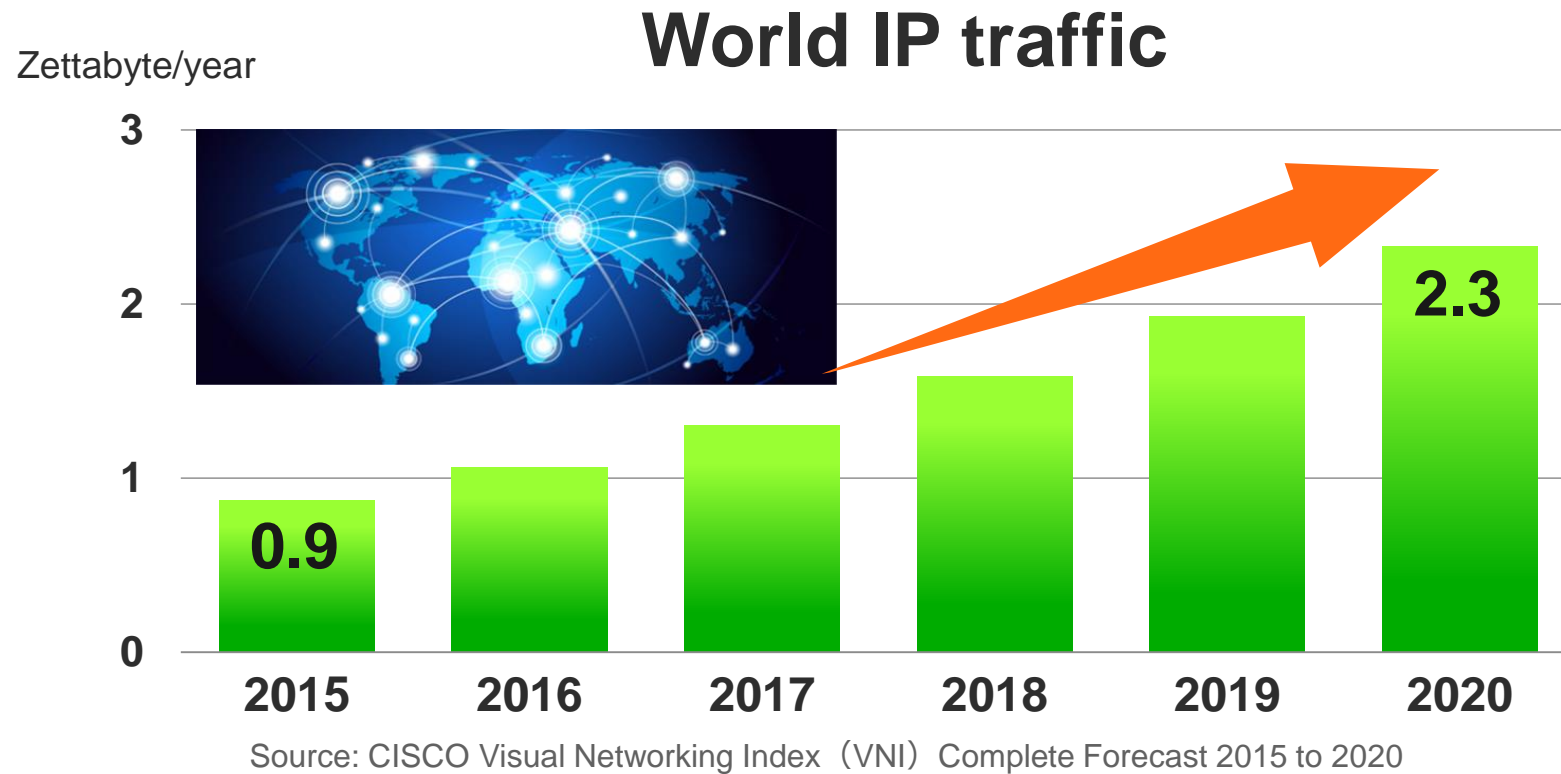
(2014: 14.2 billion)

Source: CISCO



**Things connected to the internet  
dramatically increasing**

# World IP traffic



CAGR **22%**  
(2015~2020)

**Data traffic explosion will occur in the future  
= Big Data**



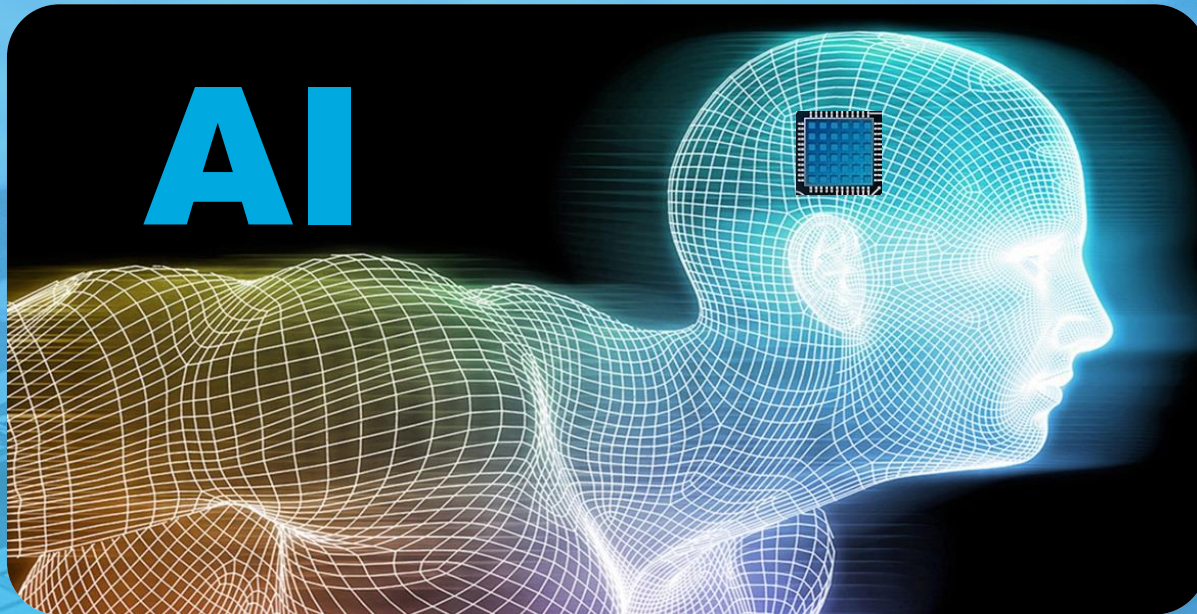
# Cloud computing



**High-performance processors/  
memories** etc. installed for  
high-speed, low-power  
consumption processing of  
big data

**Data center servers require higher  
capabilities due to big data processing**

# Artificial Intelligence (AI)

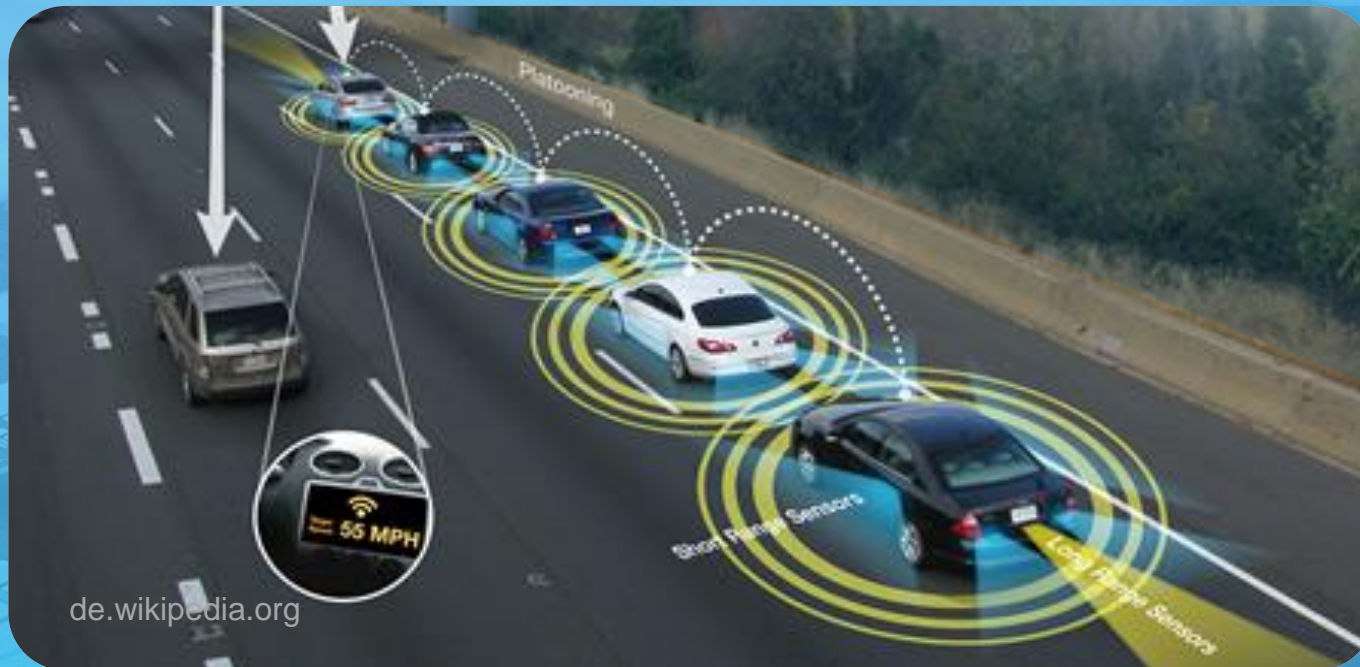


Abilities of learning/ judgement/ prediction

**High-performance processors/ memories**  
etc. installed for enormous computing

## A.I. with big data analysis feature

# Car-autonomous driving



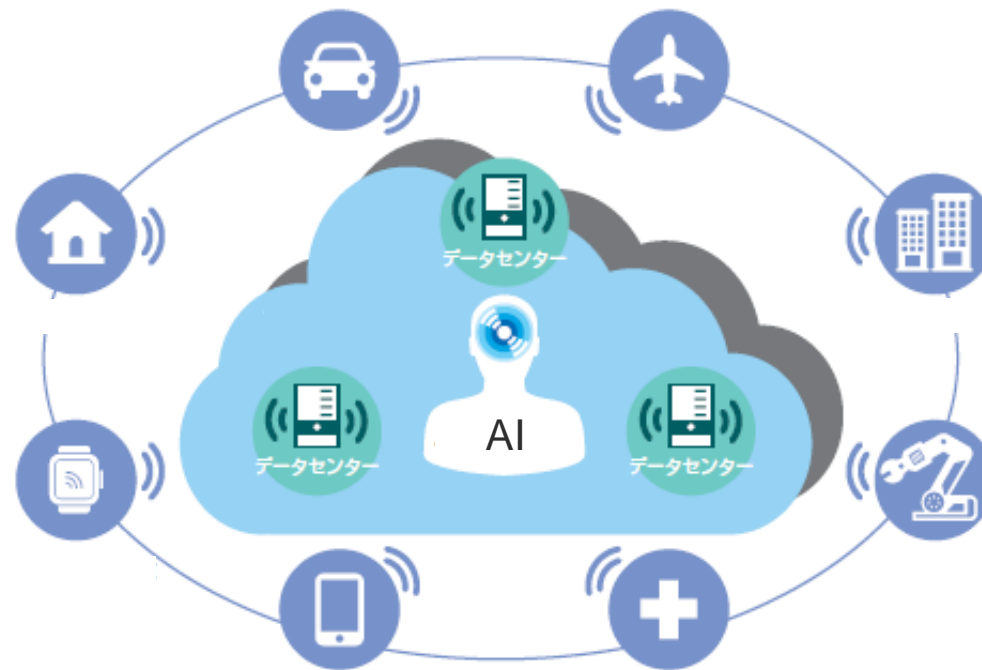
A number of **sensors/ high-performance processors** etc. installed for precise information processing on a real-time basis

## Automobiles as computers on wheels

# The IoT future

Connected things in 2020

**50bn**  
(2014: 14.2bn)



IP Traffic  
**CAGR 22%**  
(2015~2020)

Potential economic impact of IoT in 2025

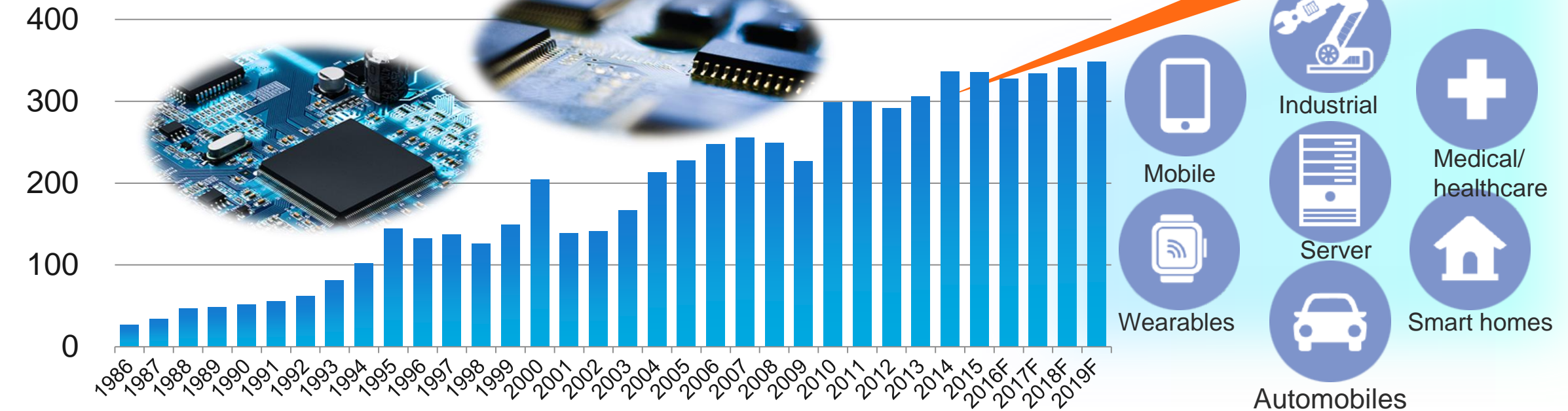
**Up to \$11.1tn**  
(2015: \$900bn)

Source: CISCO, McKinsey & Company

# Semiconductor market continuously expanding

## Semiconductor Market

(Billion \$)



Source : WSTS

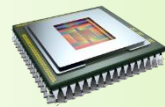
# IoT will expand semiconductor applications and markets

# The market TEL participates in

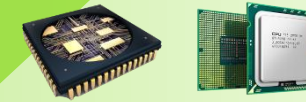
## CY2015 world Electronics-related industry



**Electronic equipment**  
US\$1,704.7B



**Semiconductor**  
US\$334.8B



**Wafer Fab Equipment**  
US\$31.5B



Source: Gartner  
“Forecast: Semiconductor Wafer-Level  
Manufacturing Equipment, Worldwide, 1Q16  
Update” April 2016  
Charts/graphics created by Tokyo Electron  
based on Gartner research.

# WFE market assuming a critical role in the value chain

# Evolution of semiconductor scaling



Intel's 14nm node microprocessor

**1970**

**1990**

**2000**

**2015**

**20XX**

**10 $\mu$ m**

**1 $\mu$ m**

**100nm**

**10nm**

**1nm**

Red blood cell



**6 $\mu$ m**

Smoke particle



**100nm**

Minimum virus



**14nm**

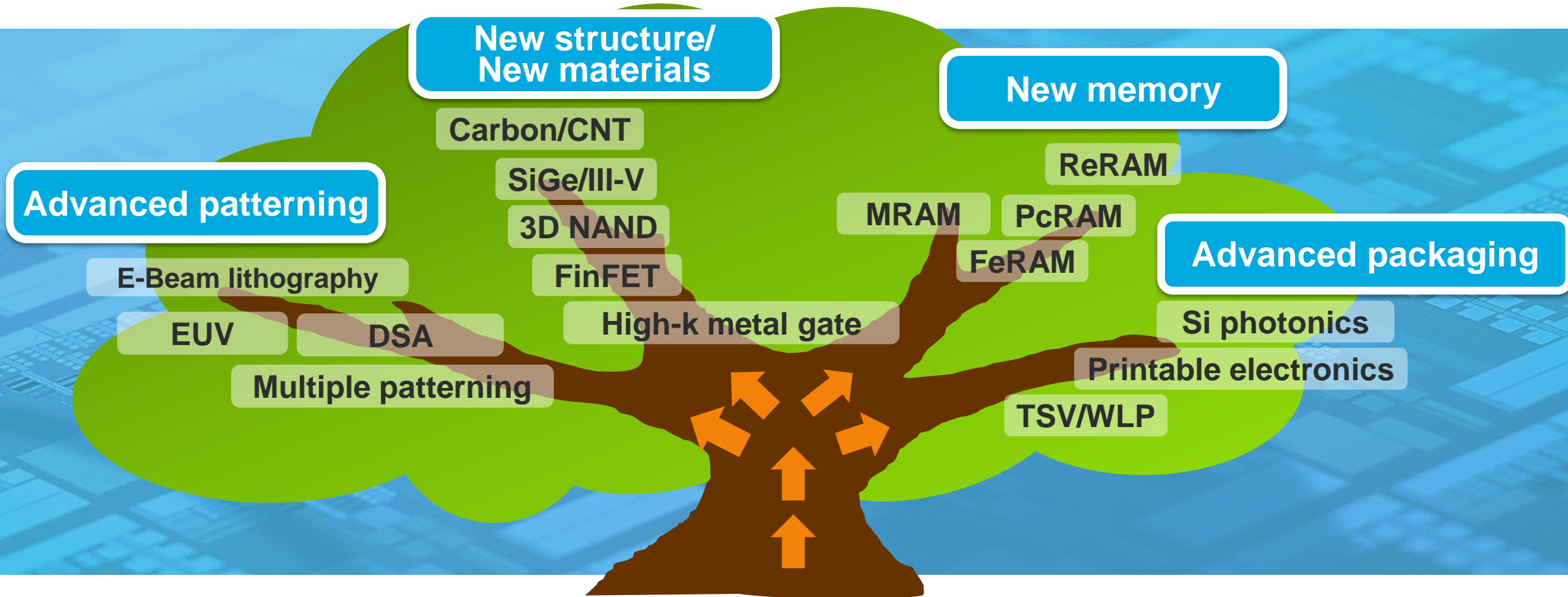
Width of DNA helix



**2nm**

**Semiconductor technology is bound for ultimate nanoelectronics**

# Go Adventure! “Semiconductor evolution will never stop”



**Evolution of semiconductors involves new, extensive technologies**



**As technology advances,  
new opportunities arise**

**For SPE manufacturers,  
comprehensive strengths will be  
increasingly vital**

## 2. New TEL business policies

## TEL vision

A truly global company  
generating high added value and profits  
in the semiconductor and flat panel display industries  
through innovative technologies  
and groundbreaking proactive solutions  
that integrate diverse technologies



# Our resolutions

- ❖ **Reward shareholders who trust and invest in the Company**
- ❖ **Support fulfilling lives for employees and their families**
- ❖ **Contribute to the industry and society**



**Pursue profits**



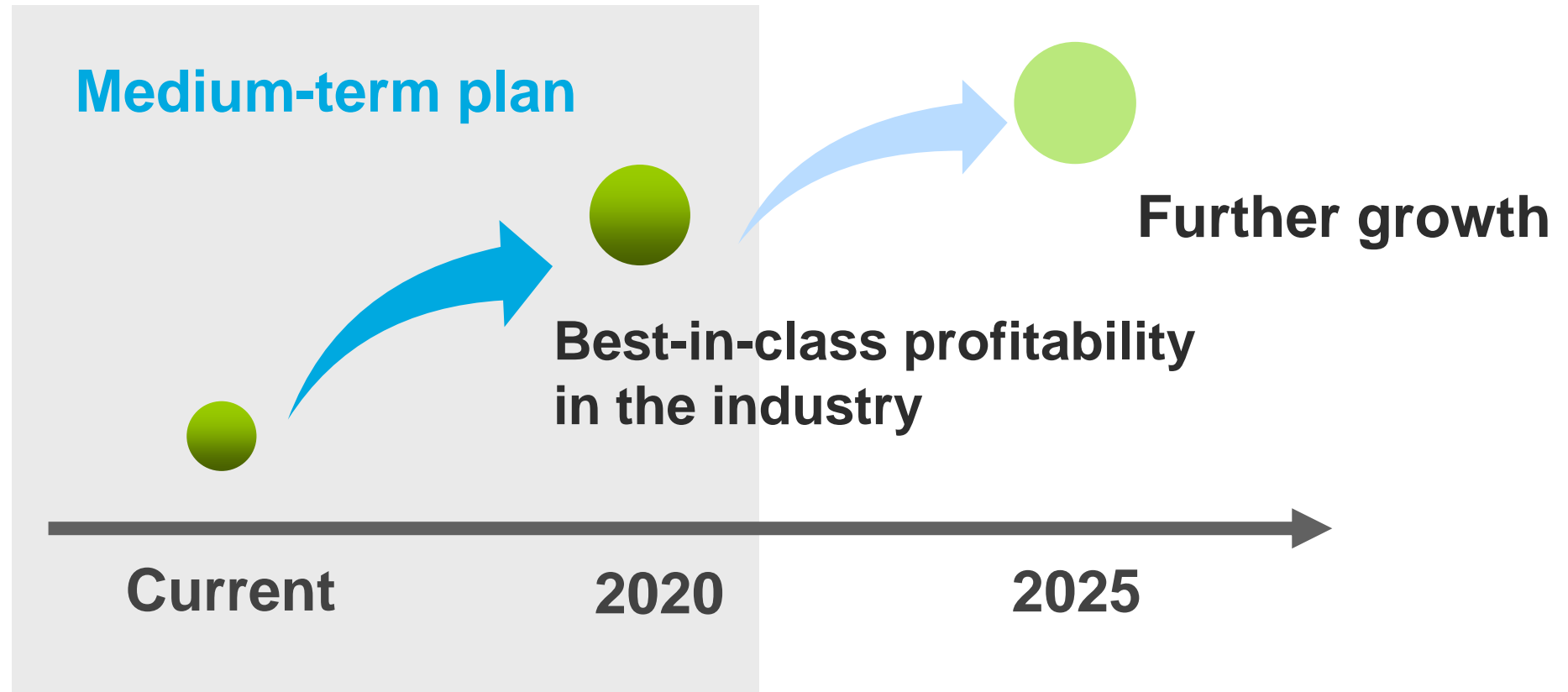
**Enhance corporate value**

through Innovative technologies and groundbreaking solutions

**The medium-term management plan  
toward 2020 was prepared and  
announced last summer**

**Our first step to new growth**

# TEL medium-term business policy



**Realize best-in-class profitability by 2020**

## Medium-term financial target

<b>WFE market size</b>	<b>\$30B</b>	<b>\$37B</b>
<b>Sales</b>	<b>¥720B</b>	<b>¥900B</b>
<b>Operating margin</b>	<b>20%</b>	<b>25%</b>
<b>ROE</b>	<b>15%</b>	<b>20%</b>

**Aiming to achieve global-level profitability**



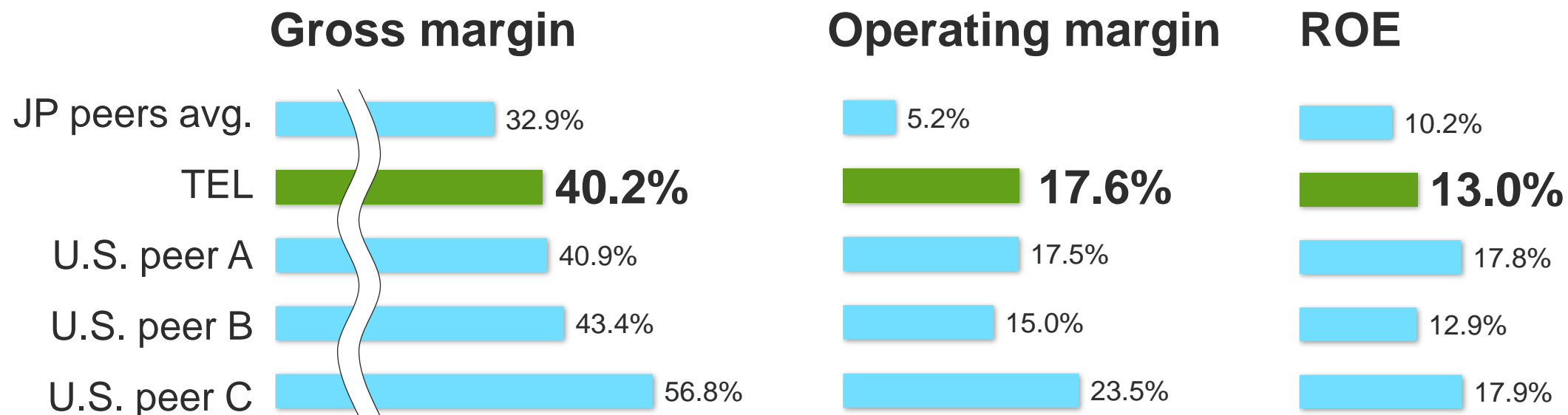


# Current progress for the medium-term financial target

	FY2015	FY2016	Medium-term financial target	
WFE market size	\$31.9B	\$31.5B	\$30B	\$37B
Sales	¥613.1B	¥663.9B	¥720B	¥900B
Operating margin	14.4%	17.6%	20%	25%
ROE	11.8%	13.0%	15%	20%

**We have made steady progress for the 1<sup>st</sup> year**

# Financial indicator comparison



Averages of JP peers (semiconductor/ FPD production equipment companies from Nikkei NEEDS), FYE March 2016;  
Data on U.S. peers, FYE Oct. 2015 and FYE Jun. 2015

## Approaching the U.S. level – and going to push even harder

# Three focus items for new growth opportunities



# Organization reforms to achieve strength

1

**Unification of development teams**

Completed (Jan. 2016)

2

**Implementation of new account structure**

Completed (Jan. 2016)

3

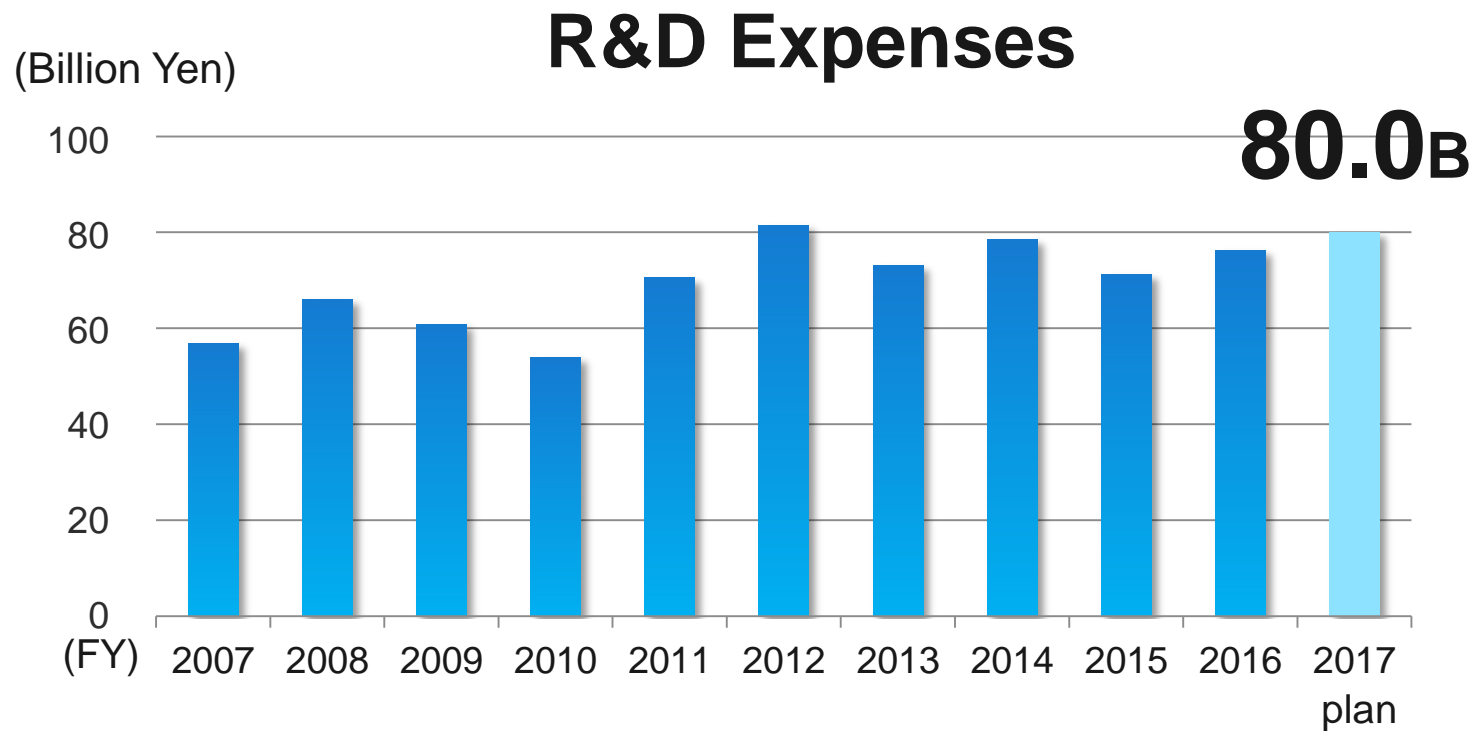
**Reorganization of business units**

To be implemented in Jul. 2016

## Optimized organization for further growth

# Quest for leading-edge technologies

# Creating strong next-generation products



## Strengthening development in growing areas

# EXIM™ won award for excellence at “Semiconductor of the year 2015”

**Selected out of 38  
nominees in the  
SPE category**



Sputtering system for the  
next-generation devices  
**EXIM™**

Semiconductor of the year : An annual award program sponsored by the Electronic Device Industry News. Reporters from the Electronic Device Industry News vote on candidate products and technologies to select winners for each category, based on such criteria as innovativeness of development concept readiness of mass production infrastructures, impact on society and future potential.

# SPE product line-up



**Coater/developer**  
CLEAN TRACK™  
LITHIUS Pro™ Z



**Single wafer  
cleaning system**  
CELLESTA™-j



**Plasma  
etch system**  
Tactras™ Vigus™



**Thermal  
processing  
system**  
TELINDY PLUS™



**ALD system**  
NT333™



**Single wafer  
CVD system**  
Triase+™ EX-II™ TiN



**Multi-cell  
test system**  
Cellcia™

**TOKYO ELECTRON**

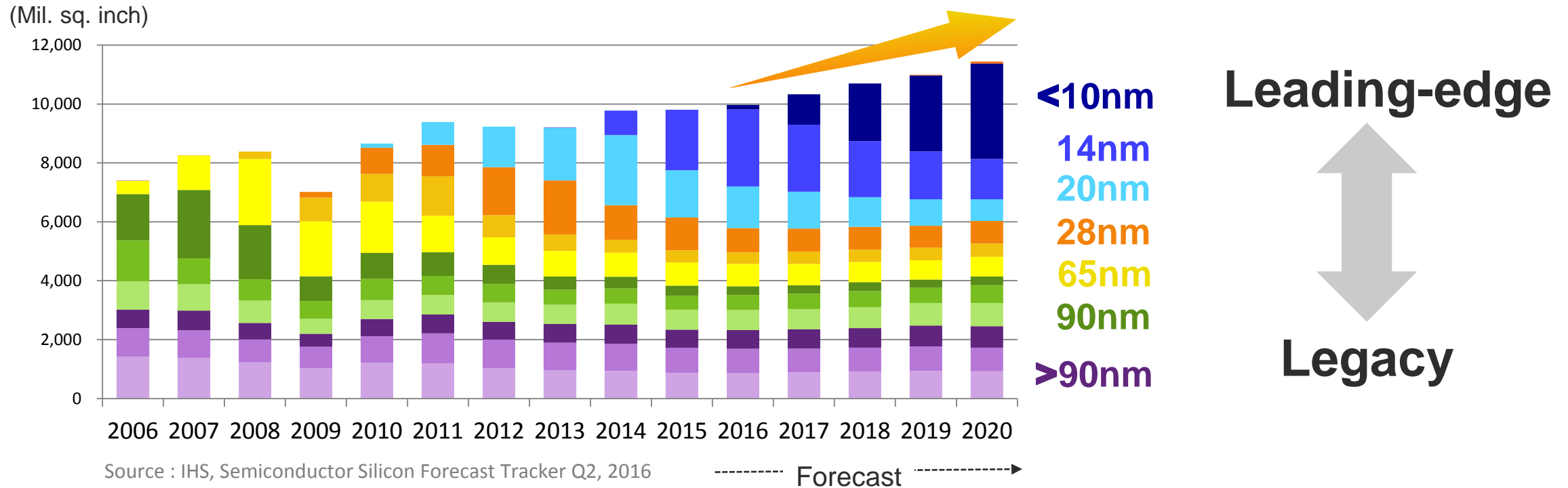
**Wide range of products that solve customers' tough technological issues**



# **Make the most of increasing business opportunities brought by IoT**

# Semiconductor manufacturing process node for IoT

## Wafer Consumption by Node



**Manufacturing process node going multi-generational**

# New direction of our strategic moves



**Develop leading-edge equipment**



**Improve performance of  
legacy equipment**



**Maximize business in both areas**

# Revenue source of our field solution business

TEL's world-wide installed base:

**Industry's largest 59,000 units**

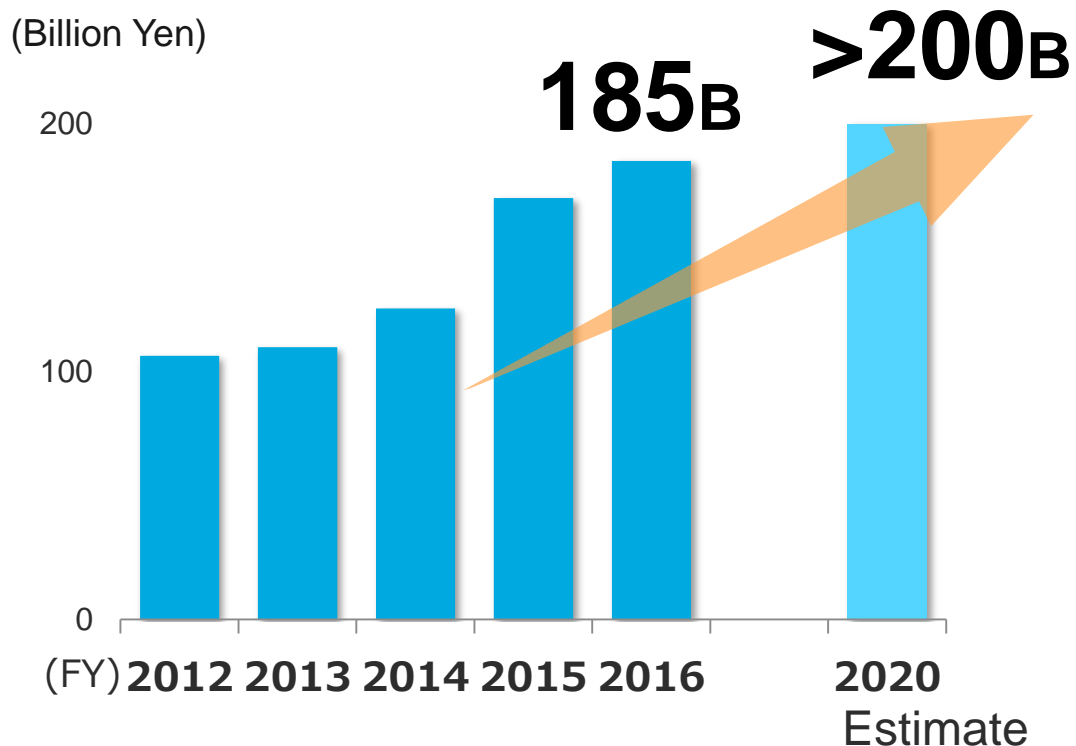


Spares, paid-services, repair, modifications, used equipment, etc.

**Sold equipment now serves as our new  
source of profits**

# Field solutions business expanding

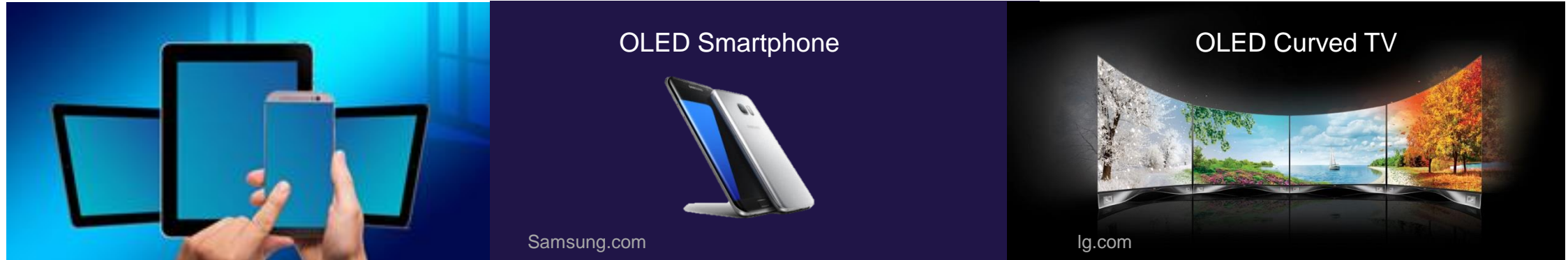
Spares, paid-service, repair, modifications, used equipment, etc.



- IoT will bring growth in demand for modifications and used equipment
- About to reach the targeted 200 billion yen

Sales from field solutions business included in the sales of SPE and FPD.

# FPD new generation technology



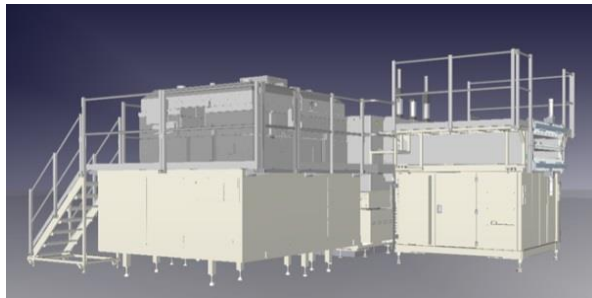
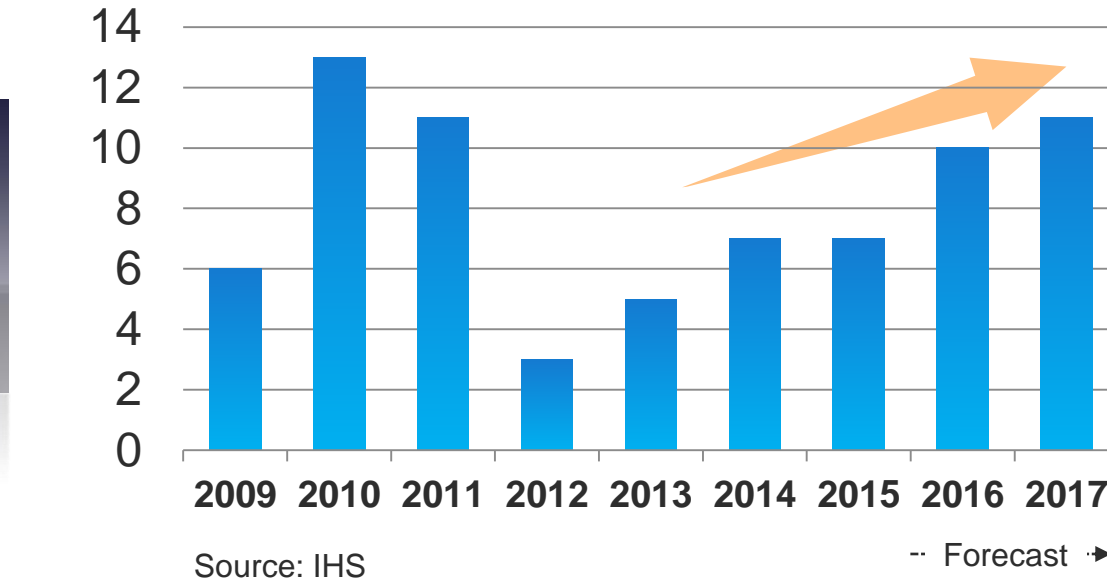
**New display requires**

- **Ultra-high resolution**
- **Ultra-low power consumption**
- **Large size**
- **Flexibility (curved, foldable, rollable)**

**“Post-LCD” - the era of OLED on the way**

# FPD production equipment market approaching 1 trillion yen again

(Billion \$) **FPD Production Equipment Market**



FPD etch/ash system  
Impressio™ 1800 PICP™



Inkjet printing system for OLED  
panel manufacturing  
Elius™ 2500

## Capture opportunities in the rapidly growing OLED market with new products

# 3. Corporate governance / Shareholder return



# TEL Corporate Governance Guidelines (effective December 2015)

- ❖ Active and open-minded debate is emphasized in the board of directors meeting
- ❖ Nomination Committee and Compensation Committee are in place to ensure fair, effective, and transparent management
- ❖ The Corporate Senior Staff formulates and advances company strategy

**Proactive governance to achieve further growth**

## **New policy for shareholder returns** (announced in July 2015)

**Dividend payout ratio : 50%**

**Annual DPS of not less than 150 yen**

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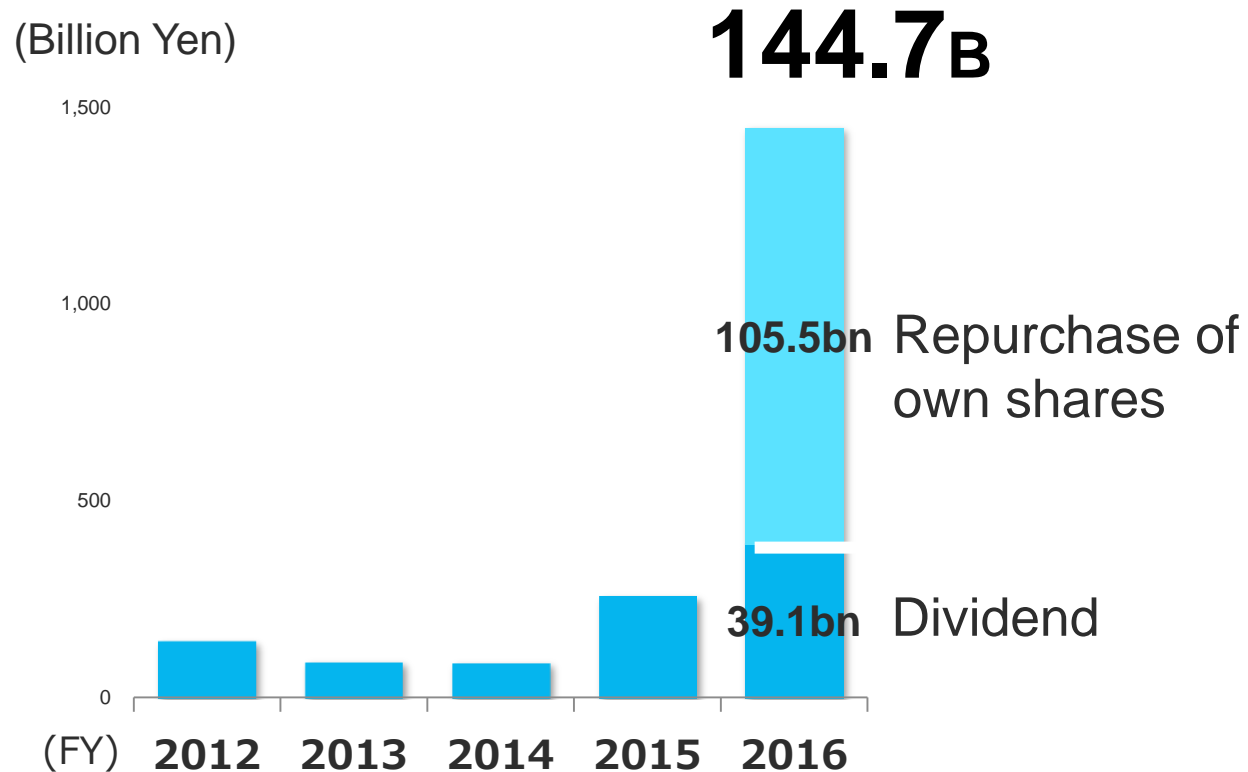
**We will review our dividend policy if the company does not generate net income for two consecutive fiscal years**

## Repurchase and cancellation of own shares

**Cancellation of 15.4m shares completed  
(January 20, 2016)**

**Representing 8.53% of pre-cancellation  
outstanding shares**

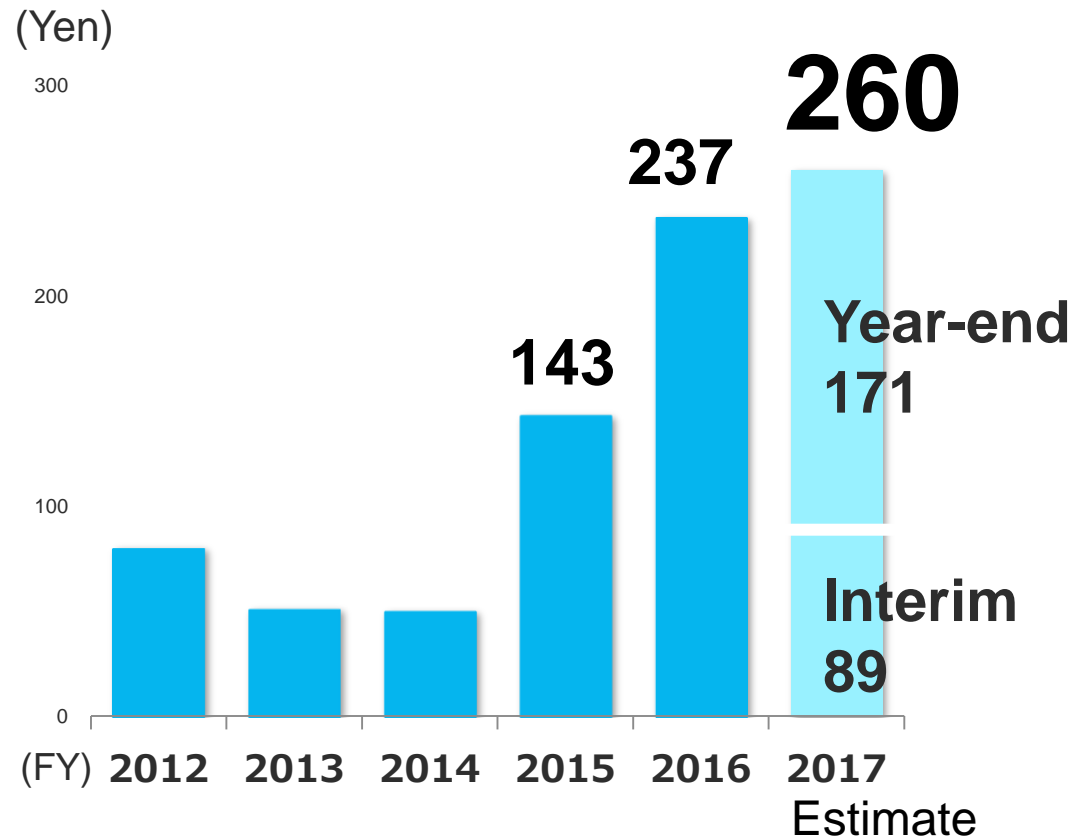
# Shareholder return



**Deliver high shareholder returns, utilizing the source including 105.5 billion yen from the repurchase of own shares**

# Dividend forecast

## Dividend per share



- **Dividend for FY2017(E): 260 yen**
- **Dividend per share expected to be at record high for the third consecutive year**

**TEL**™

**TOKYO ELECTRON**