



Summary of Consolidated Financial Results for the Second Quarter Ended September 30, 2018 (Japanese GAAP)

October 31, 2018

Name of Listed Company: Tokyo Electron Limited Stock Exchange Listing: Tokyo
 Security Code: 8035
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 Scheduled start date of dividends payment: November 26, 2018
 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, 2018 (April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results (Cumulative)

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

| | Six months ended | | | |
|---|---|-------|---|------|
| | September 30, 2017 | | September 30, 2018 | |
| | | % | | % |
| Net sales (Millions of yen) | 516,976 | 46.6 | 691,034 | 33.7 |
| Operating income (Millions of yen) | 123,318 | 105.5 | 175,418 | 42.2 |
| Ordinary income (Millions of yen) | 123,066 | 97.3 | 181,247 | 47.3 |
| Net income attributable to owners of parent (Millions of yen) | 90,668 | 116.1 | 135,294 | 49.2 |
| Net income per share of common stock (Yen): | | | | |
| Basic | 552.59 | | 824.70 | |
| Diluted | 550.74 | | 821.27 | |
| Comprehensive income: | Six months ended September 30, 2018: 136,416 million yen, 40.9% | | Six months ended September 30, 2017: 96,850 million yen, 196.1% | |

(2) Consolidated Financial Position

| | As of | |
|------------------------------------|--|--------------------|
| | March 31, 2018 | September 30, 2018 |
| Total assets (Millions of yen) | 1,202,796 | 1,238,513 |
| Total net assets (Millions of yen) | 771,509 | 849,595 |
| Equity ratio (%) | 63.8 | 68.0 |
| Equity: | 842,044 million yen (as of September 30, 2018) | |
| | 767,146 million yen (as of March 31, 2018) | |

2. Dividends

| | Year ended | Year ending |
|------------------------------------|----------------|-------------------|
| | March 31, 2018 | March 31, 2019 |
| 1Q-end dividends per share (Yen) | - | - |
| 2Q-end dividends per share (Yen) | 277.00 | 413.00 |
| 3Q-end dividends per share (Yen) | - | - |
| Year-end dividends per share (Yen) | 347.00 | 311.00 (Forecast) |
| Annual dividends per share (Yen) | 624.00 | 724.00 (Forecast) |

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

3. Financial Forecasts for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

Note: Percentages for year ending March 31, 2019 indicate changes from the previous fiscal year.

| | Year ending March 31, 2019 | |
|---|-------------------------------|------|
| | | % |
| Net sales (Millions of yen) | 1,280,000 | 13.2 |
| Operating income (Millions of yen) | 309,000 | 9.9 |
| Ordinary income (Millions of yen) | 315,000 | 12.2 |
| Net income attributable to owners of parent (Millions of yen) | 237,000 | 16.0 |
| Net income per share (Yen) | 1,445.20 | |

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): None
- (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, 2018 : | 165,210,911 shares |
| As of March 31, 2018 : | 165,210,911 shares |
 2. Number of shares of treasury stock

| | |
|---------------------------|------------------|
| As of September 30, 2018: | 1,281,938 shares |
| As of March 31, 2018: | 1,097,342 shares |
 3. Average number of shares outstanding (Cumulative quarterly period)

| | |
|--------------------------------------|--------------------|
| Six months ended September 30, 2018: | 164,054,351 shares |
| Six months ended September 30, 2017: | 164,078,737 shares |

(Note) The number of shares of treasury stock includes the Company's shares held by "Executive compensation Board Incentive Plan (BIP) trust" and "share-delivering Employee Stock Ownership Plan (ESOP) trust". (252,300 shares as of September 30, 2018)
In addition, these Company's shares are included in the treasury stock which is deducted in calculating the average number of shares.

*** Status of implementation of quarterly review procedures**

This Summary of Consolidated Financial Results is outside the scope of external auditor's 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, 2018.

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 overall global economy generally remained stable, with a continued robust economy in the U.S. and on-going gradual economic recovery in Asia and Europe.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, market conditions for semiconductors and electronic components were favorable as the demand for semiconductors used in data centers remained brisk, despite adjustments in semiconductor memory pricing.

Under these circumstances, the consolidated financial results (cumulative) for the first half of the current fiscal year were net sales of 691,034 million yen (year-on-year growth of 33.7%), operating income of 175,418 million yen (year-on-year growth of 42.2%), ordinary income of 181,247 million yen (year-on-year growth of 47.3%) and net income attributable to owners of parent of 135,294 million yen (year-on-year growth of 49.2%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

The semiconductor production equipment market performed well, driven by semiconductor manufacturers' continued capital investments in DRAM, 3D NAND flash memory and logic semiconductors, reflecting robust demand for data centers in addition to demand for mobile devices. Consequently, net sales to external customers in this segment for the first half of the current fiscal year were 638,457 million yen (year-on-year growth of 30.9%).

(ii) Flat Panel Display (FPD) Production Equipment

The FPD production equipment market was robust, with increased capital investment in response to strong demand for large-sized LCD panels for television in China in addition to continued capital investment for small to medium-sized OLED panels for smartphones. Consequently, net sales to external customers in this segment for the first half of the current fiscal year were 52,468 million yen (year-on-year growth of 80.8%).

(iii) Other

Net sales to external customers in this segment for the first half of the current fiscal year were 108 million yen (year-on-year decrease of 48.0%).

(For reference)

Consolidated Operating Results

(Millions of yen)

| | FY2018 1H | FY2018 2H | FY2019 | | |
|---|--------------|--------------|---------|---------|---------|
| | | | 1H | 1Q | 2Q |
| Net Sales | 516,976 | 613,751 | 691,034 | 295,569 | 395,465 |
| Semiconductor Production Equipment | 487,743 | 567,490 | 638,457 | 280,400 | 358,057 |
| Japan | 65,244 | 80,263 | 109,195 | 51,146 | 58,048 |
| North America | 56,174 | 63,068 | 74,406 | 28,496 | 45,910 |
| Europe | 52,314 | 44,626 | 49,101 | 17,755 | 31,345 |
| South Korea | 170,165 | 201,780 | 175,545 | 88,986 | 86,558 |
| Taiwan | 82,543 | 86,519 | 74,372 | 26,315 | 48,057 |
| China | 49,830 | 54,491 | 126,270 | 54,964 | 71,306 |
| Southeast Asia | 11,469 | 36,740 | 29,564 | 12,734 | 16,830 |
| FPD Production Equipment | 29,024 | 46,044 | 52,468 | 15,113 | 37,354 |
| Other | 208 | 216 | 108 | 55 | 53 |
| Operating Income | 123,318 | 157,854 | 175,418 | 72,418 | 103,000 |
| Ordinary Income | 123,066 | 157,671 | 181,247 | 75,212 | 106,034 |
| Net Income Attributable to Owners of Parent | 90,668 | 113,702 | 135,294 | 55,741 | 79,553 |

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 965,990 million yen, an increase of 19,393 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 46,500 million yen in short-term investments included in securities, an increase of 3,408 million yen in cash and deposits, a decrease of 28,836 million yen in prepaid consumption tax, and a decrease of 4,186 million yen in trade notes and accounts receivable.

Tangible fixed assets increased by 13,948 million yen from the end of the previous fiscal year, to 139,901 million yen. Intangible fixed assets increased by 1,250 million yen from the end of the previous fiscal year, to 17,132 million yen. Investments and other assets increased by 1,124 million yen from the end of the previous fiscal year, to 115,489 million yen.

As a result, total assets increased by 35,716 million yen from the end of the previous fiscal year, to 1,238,513 million yen.

Current liabilities decreased by 43,389 million yen from the end of the previous fiscal year, to 325,063 million yen. This was largely due to a decrease of 25,721 million yen in trade notes and accounts payable, a decrease of 19,697 million yen in income taxes payable.

Long-term liabilities increased by 1,020 million yen from the end of the previous fiscal year, to 63,855 million yen.

Net assets increased by 78,085 million yen from the end of the previous fiscal year, to 849,595 million yen. This was largely due to an increase of 135,294 million yen in net income attributable to owners of parent and a decrease resulting from the payment of 56,947 million yen in year-end dividends for the previous fiscal year. As a result, the equity ratio was 68.0%.

The above comparisons to the previous fiscal year are made on the condition that "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the first quarter of this fiscal year, and such amendments was also retrospectively applied to the balances as of the end of previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased by 21,408 million yen compared to the end of the previous fiscal year, to 279,286 million yen. The combined balance including 144,500 million yen in time deposits and short-term investments with maturities of more than three months that are not included in cash and cash equivalents was 423,786 million yen, an increase of 49,908 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 135,521 million yen, an increase of 67,573 million yen compared to the same period of the previous fiscal year. The major positive factors were 181,103 million yen in income before income taxes, a 28,861 million yen decrease in prepaid consumption tax, and 10,718 million yen in depreciation and amortization. The major negative factors were 63,580 million yen in payment of income taxes, and a 26,535 million yen decrease in trade notes and accounts payable.

Cash flows from investing activities were negative 52,908 million yen compared to positive 31,272 million yen in the same period of the previous fiscal year. This was largely due to the payment of 28,500 million yen for purchase of short-term investments and the payment of 22,330 million yen for the purchase of fixed assets.

Cash flows from financing activities were negative 61,950 million yen compared to negative 36,802 million yen in the same period of the previous fiscal year. This was largely due to the payment of 56,947 million yen in dividends and the payment of 5,001 million yen for the purchase of treasury stock.

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

There are no changes to the medium-term management plan published on May 29, 2018, as the semiconductor market is expected to continue to grow for the medium to long term backed by the demand for semiconductors in response to new technologies such as artificial intelligence (AI) and next-generation telecommunication standards. However, the consolidated financial forecast for the fiscal year ending March 31, 2019 (announced on April 25, 2018) has been revised as below in light of the fact that semiconductor manufacturers are adjusting their plans for capital investment.

Consolidated Forecast

(Billions of yen, Y/Y change)

| | FY2019(E) | |
|---|-----------|-------|
| Net Sales | 1,280.0 | 13.2% |
| Semiconductor Production Equipment | 1,169.8 | 10.9% |
| FPD Production Equipment | 110.0 | 46.5% |
| Operating Income | 309.0 | 9.9% |
| Ordinary Income | 315.0 | 12.2% |
| Net Income Attributable to Owners of Parent | 237.0 | 16.0% |

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 March 31, 2018 | As of September 30, 2018 |
|-------------------------------------|-------------------------|-----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 87,377 | 90,786 |
| Trade notes and accounts receivable | 159,570 | 155,384 |
| Securities | 286,500 | 333,000 |
| Merchandise and finished goods | 220,497 | 226,711 |
| Work in process | 75,504 | 62,373 |
| Raw materials and supplies | 48,069 | 55,010 |
| Others | 69,137 | 42,813 |
| Allowance for doubtful accounts | (59) | (87) |
| Total current assets | 946,597 | 965,990 |
| Long-term assets | | |
| Tangible fixed assets | 125,952 | 139,901 |
| Intangible fixed assets | | |
| Others | 15,882 | 17,132 |
| Total intangible fixed assets | 15,882 | 17,132 |
| Investments and other assets | | |
| Others | 115,786 | 116,936 |
| Allowance for doubtful accounts | (1,422) | (1,447) |
| Total investments and other assets | 114,364 | 115,489 |
| Total long-term assets | 256,199 | 272,522 |
| Total assets | 1,202,796 | 1,238,513 |

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2018 | As of September 30, 2018 |
|--|-------------------------|-----------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Trade notes and accounts payable | 108,607 | 82,885 |
| Income taxes payable | 66,046 | 46,348 |
| Customer advances | 100,208 | 98,134 |
| Accrued employees' bonuses | 34,467 | 34,312 |
| Accrued warranty expenses | 11,284 | 14,357 |
| Other allowances | 4,618 | 2,619 |
| Others | 43,218 | 46,404 |
| Total current liabilities | 368,452 | 325,063 |
| Long-term liabilities | | |
| Other allowances | 374 | 981 |
| Net defined benefit liabilities | 59,309 | 59,821 |
| Others | 3,150 | 3,052 |
| Total long-term liabilities | 62,834 | 63,855 |
| Total liabilities | 431,287 | 388,918 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 54,961 | 54,961 |
| Capital surplus | 78,011 | 78,011 |
| Retained earnings | 625,390 | 703,704 |
| Treasury stock, at cost | (7,518) | (12,055) |
| Total shareholders' equity | 750,843 | 824,620 |
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on investment securities | 17,134 | 13,481 |
| Net deferred gains (losses) on hedging instruments | 278 | (182) |
| Foreign currency translation adjustments | 5,507 | 9,744 |
| Accumulated remeasurements of defined benefit plans | (6,618) | (5,619) |
| Total accumulated other comprehensive income (loss) | 16,302 | 17,423 |
| Share subscription rights | 4,363 | 7,550 |
| Total net assets | 771,509 | 849,595 |
| Total liabilities and net assets | 1,202,796 | 1,238,513 |

Consolidated Statements of Income

(Millions of yen)

| | Six months ended September 30, 2017 | Six months ended September 30, 2018 |
|--|--|--|
| Net sales | 516,976 | 691,034 |
| Cost of sales | 301,561 | 406,925 |
| Gross profit | 215,415 | 284,109 |
| Selling, general & administrative expenses | | |
| Research and development expenses | 46,062 | 57,338 |
| Others | 46,034 | 51,352 |
| Total selling, general and administrative expenses | 92,097 | 108,691 |
| Operating income | 123,318 | 175,418 |
| Non-operating income | | |
| Dividend income | 282 | 1,744 |
| Foreign exchange gain | - | 1,885 |
| Others | 1,380 | 2,308 |
| Total non-operating income | 1,663 | 5,938 |
| Non-operating expenses | | |
| Maintenance and operation costs of closed facilities | 38 | 33 |
| Foreign exchange loss | 1,769 | - |
| Others | 107 | 75 |
| Total non-operating expenses | 1,915 | 109 |
| Ordinary income | 123,066 | 181,247 |
| Unusual or infrequent profit | | |
| Gain on sales of fixed assets | 73 | 2 |
| Total unusual or infrequent profit | 73 | 2 |
| Unusual or infrequent loss | | |
| Loss on disposal and sales of fixed assets | 292 | 146 |
| Loss on valuation of investment securities | 536 | - |
| Total unusual or infrequent loss | 829 | 146 |
| Income before income taxes | 122,311 | 181,103 |
| Income taxes | 31,615 | 45,808 |
| Net income | 90,695 | 135,294 |
| Net income attributable to non-controlling interests | 27 | - |
| Net income attributable to owners of parent | 90,668 | 135,294 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Six months ended September 30, 2017 | Six months ended September 30, 2018 |
|--|--|--|
| Net income | 90,695 | 135,294 |
| Other comprehensive income (loss) | | |
| Net unrealized gains (losses) on investment securities | 3,550 | (3,648) |
| Net deferred gains (losses) on hedging instruments | (181) | (422) |
| Foreign currency translation adjustments | 3,229 | 4,188 |
| Remeasurements of defined benefit plans | (404) | 970 |
| Share of other comprehensive income of associates accounted for using the equity method | (38) | 34 |
| Total other comprehensive income (loss) | 6,155 | 1,121 |
| Comprehensive income | 96,850 | 136,416 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 96,822 | 136,416 |
| Comprehensive income attributable to non-controlling interests | 28 | - |

Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended September 30, 2017 | Six months ended September 30, 2018 |
|---|--|--|
| Cash flows from operating activities | | |
| Income before income taxes | 122,311 | 181,103 |
| Depreciation and amortization | 9,025 | 10,718 |
| Amortization of goodwill | 325 | 266 |
| Increase (decrease) in accrued warranty expenses | 1,554 | 3,037 |
| Interest and dividend revenue | (604) | (2,014) |
| Decrease (increase) in trade notes and accounts receivable | (8,209) | 5,592 |
| Decrease (increase) in inventories | (44,824) | 1,426 |
| Increase (decrease) in trade notes and accounts payable | 2,645 | (26,535) |
| Decrease (increase) in prepaid consumption tax | 16,474 | 28,861 |
| Increase (decrease) in accrued consumption tax | (1,230) | (1,204) |
| Increase (decrease) in customer advances | (4,742) | (2,310) |
| Others | 4,746 | (1,935) |
| Subtotal | 97,470 | 197,006 |
| Receipts from interest and dividends | 715 | 2,094 |
| Income taxes paid or refund (paid) | (30,238) | (63,580) |
| Net cash provided by operating activities | 67,947 | 135,521 |
| Cash flows from investing activities | | |
| Decrease (increase) in short-term investments | 50,000 | (28,500) |
| Payment for purchase of fixed assets | (16,677) | (22,330) |
| Payment for acquisition of intangible assets | (2,163) | (862) |
| Others | 113 | (1,215) |
| Net cash provided by (used in) investing activities | 31,272 | (52,908) |
| Cash flows from financing activities | | |
| Payment for purchase of treasury stock | (3) | (5,001) |
| Dividends paid | (36,752) | (56,947) |
| Others | (45) | (1) |
| Net cash used in financing activities | (36,802) | (61,950) |
| Effect of exchange rate changes on cash and cash equivalents | 2,145 | 746 |
| Net increase (decrease) in cash and cash equivalents | 64,563 | 21,408 |
| Cash and cash equivalents at beginning of period | 164,366 | 257,877 |
| Cash and cash equivalents at end of period | 228,930 | 279,286 |

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

Additional information

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) was adopted from the beginning of the first quarter of this fiscal year. As a result, deferred tax assets are classified as "Investments and other assets" and deferred tax liabilities are classified as "Long term liabilities" respectively.

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, 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, 2018 (April 1, 2018 to September 30, 2018)

(Millions of yen)

| | Reportable Segments | | Others *1 | Total |
|-----------------------|------------------------------------|--------------------------|-----------|---------|
| | Semiconductor Production Equipment | FPD Production Equipment | | |
| Net sales | 638,457 | 52,468 | 9,659 | 700,586 |
| Segment profit (loss) | 184,225 | 11,967 | (64) | 196,127 |

| | Adjustments *2 | Consolidated *3 |
|-----------------------|----------------|-----------------|
| Net sales | (9,551) | 691,034 |
| Segment profit (loss) | (15,024) | 181,103 |

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. "Adjustments" for segment loss totaling 15,024 million yen mainly consists of research and development costs of 8,070 million yen pertaining to the fundamental research and element research of TEL and other general and administrative costs that do not belong to reportable segments.

*3. Segment profit (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