

Q3 FY2019 (October – December 2018) Financial Announcement

January 31, 2019

Agenda:

- Q3 FY2019 Consolidated Financial Summary
Ken Sasagawa, Vice President, Accounting Dept.
- Business Environment and Financial Estimates
Toshiki Kawai, Representative Director, President & CEO



Forward Looking Statements

- 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 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

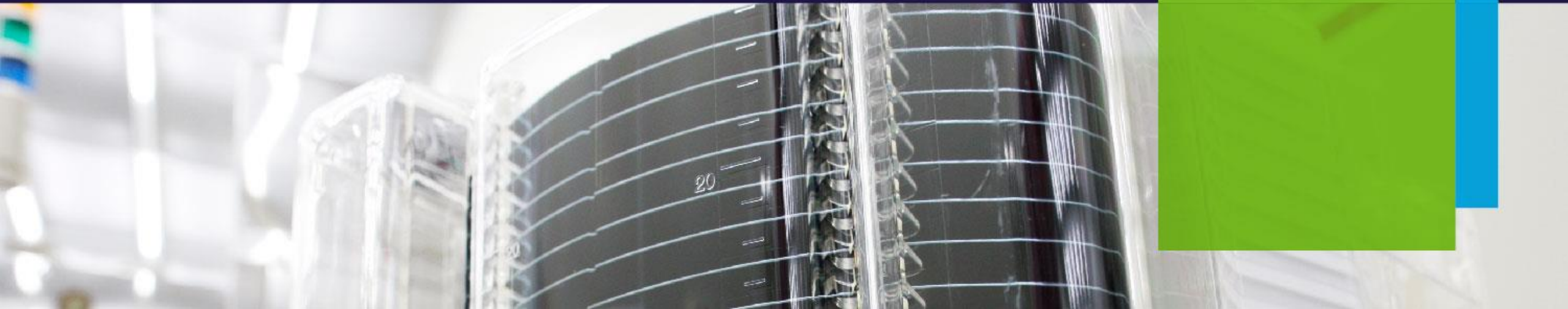


Q3 FY2019 Consolidated Financial Summary

January 31, 2019

Ken Sasagawa

Vice President, Accounting Dept.



Financial Summary

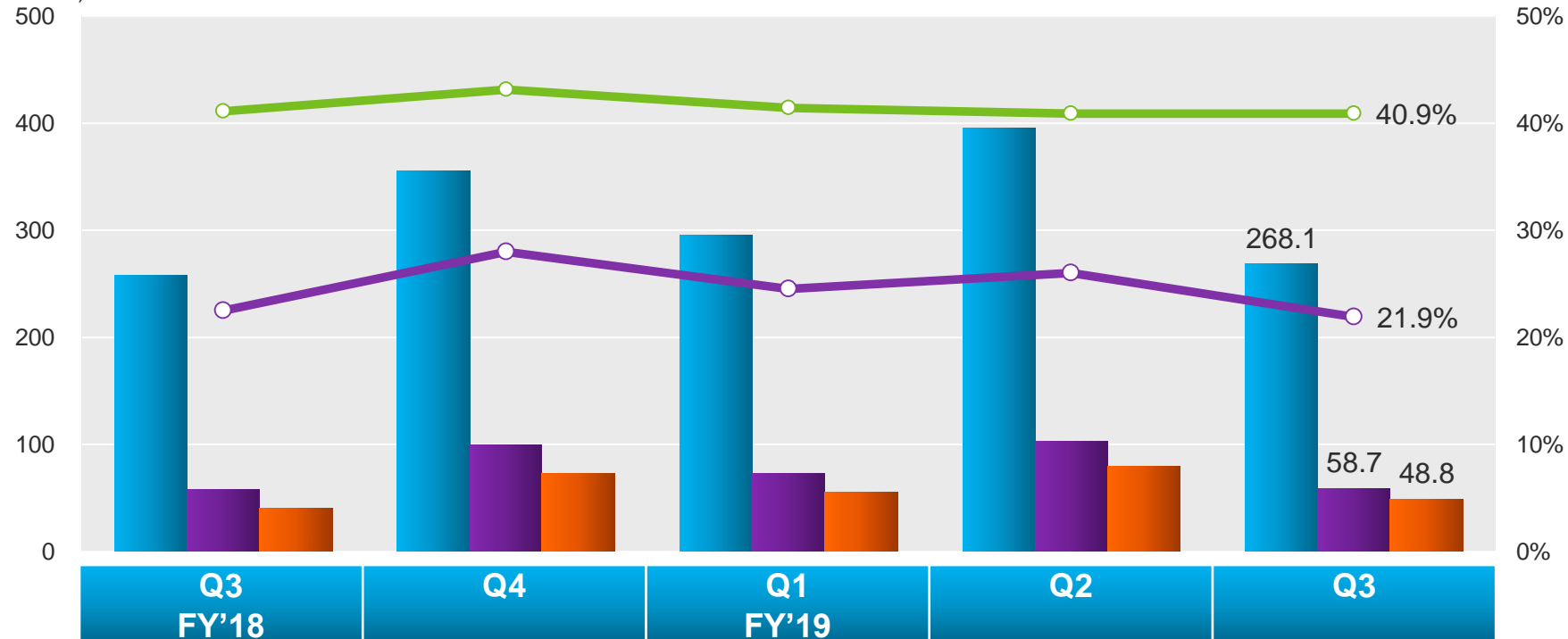
(Billion Yen)

	FY2018		FY2019			vs. Q2 FY2019
	Q3	Q4	Q1	Q2	Q3	
Net sales	257.7	355.9	295.5	395.4	268.1	-32.2%
SPE	241.4	326.0	280.4	358.0	239.5	-33.1%
FPD	16.2	29.7	15.1	37.3	28.5	-23.4%
Gross profit	106.0	153.5	122.4	161.6	109.7	-32.1%
Gross profit margin	41.1%	43.1%	41.4%	40.9%	40.9%	+0.0pts
SG&A expenses	47.9	53.7	50.0	58.6	51.0	-12.9%
Operating income	58.0	99.7	72.4	103.0	58.7	-43.0%
Operating margin	22.5%	28.0%	24.5%	26.0%	21.9%	-4.1pts
Income before income taxes	57.3	95.6	75.2	105.8	60.5	-42.8%
Net income attributable to owners of parent	40.7	72.9	55.7	79.5	48.8	-38.6%
R&D expenses	23.9	27.0	26.1	31.2	26.5	-14.9%
Capital expenditures	13.7	12.0	9.6	13.2	11.8	-10.7%
Depreciation and amortization	5.5	6.0	5.0	5.6	6.2	+11.1%

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.

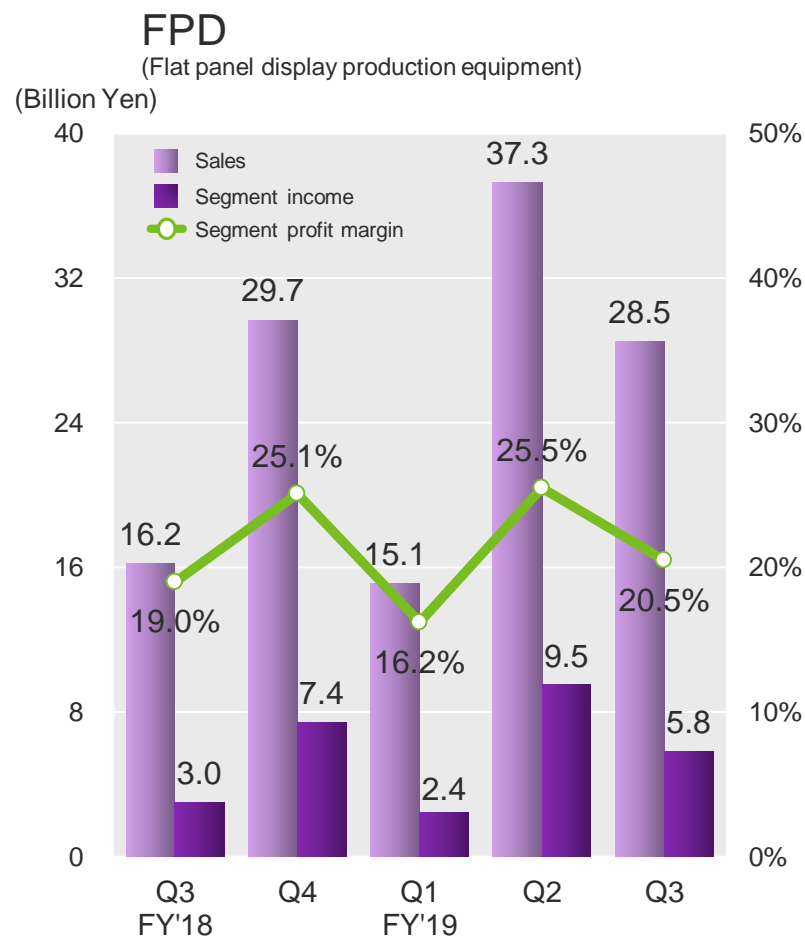
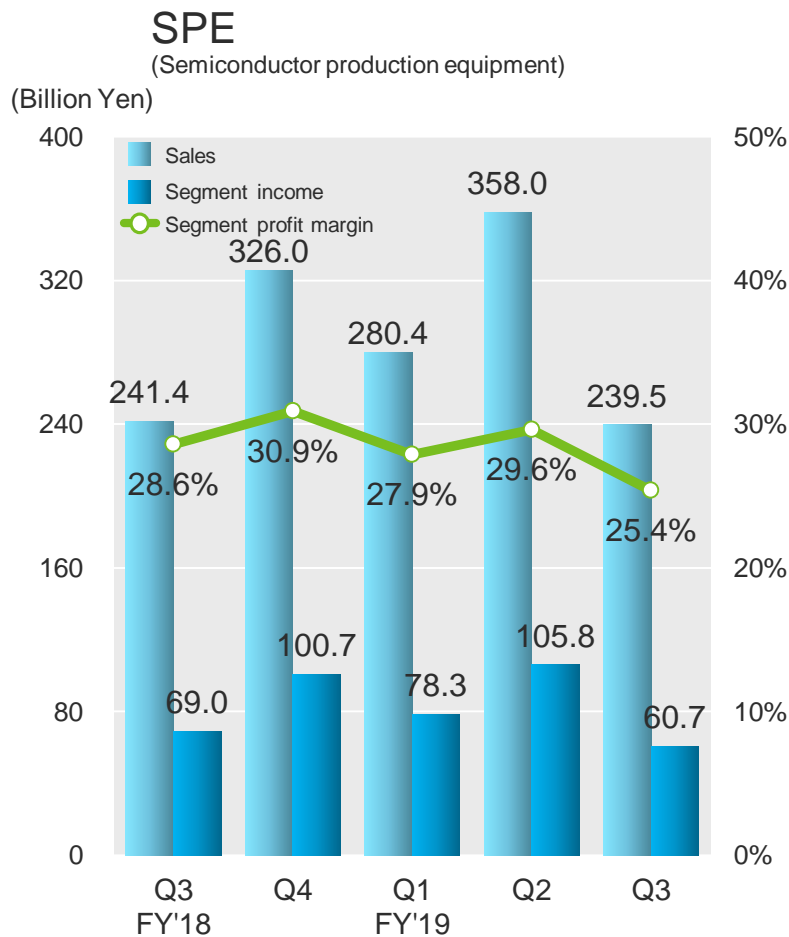
Financial Performance

(Billion Yen)



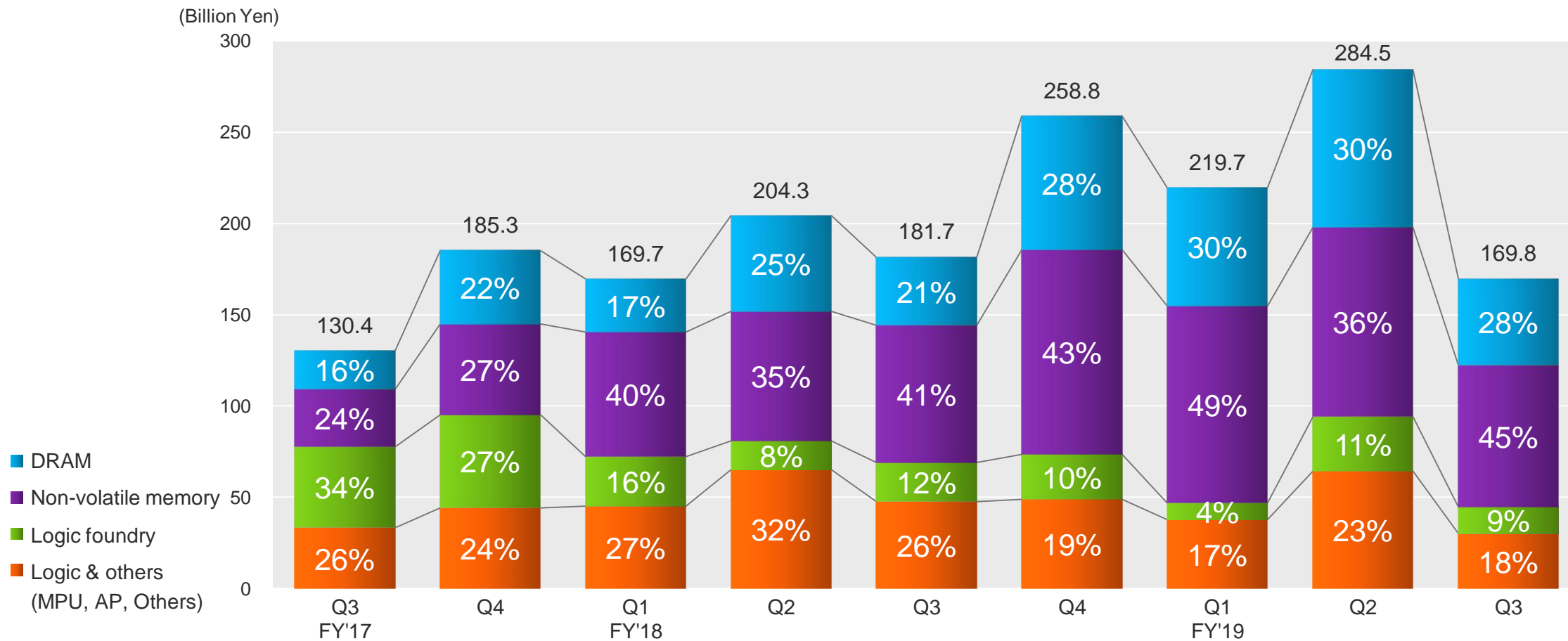
Net sales	257.7	355.9	295.5	395.4	268.1
Operating income	58.0	99.7	72.4	103.0	58.7
Net income attributable to owners of parent	40.7	72.9	55.7	79.5	48.8
Gross profit margin	41.1%	43.1%	41.4%	40.9%	40.9%
Operating margin	22.5%	28.0%	24.5%	26.0%	21.9%

Segment Information



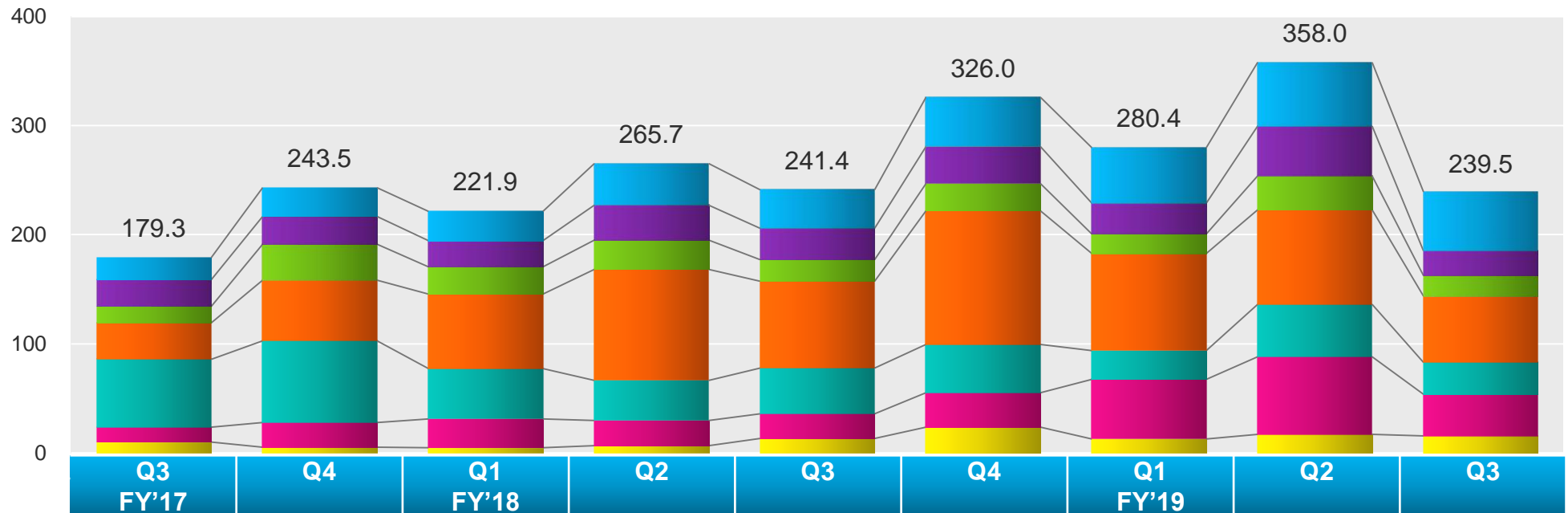
1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research, etc. and other general and administrative expenses are not included in the above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

SPE Division: New Equipment Sales by Application



SPE Division: Sales by Region

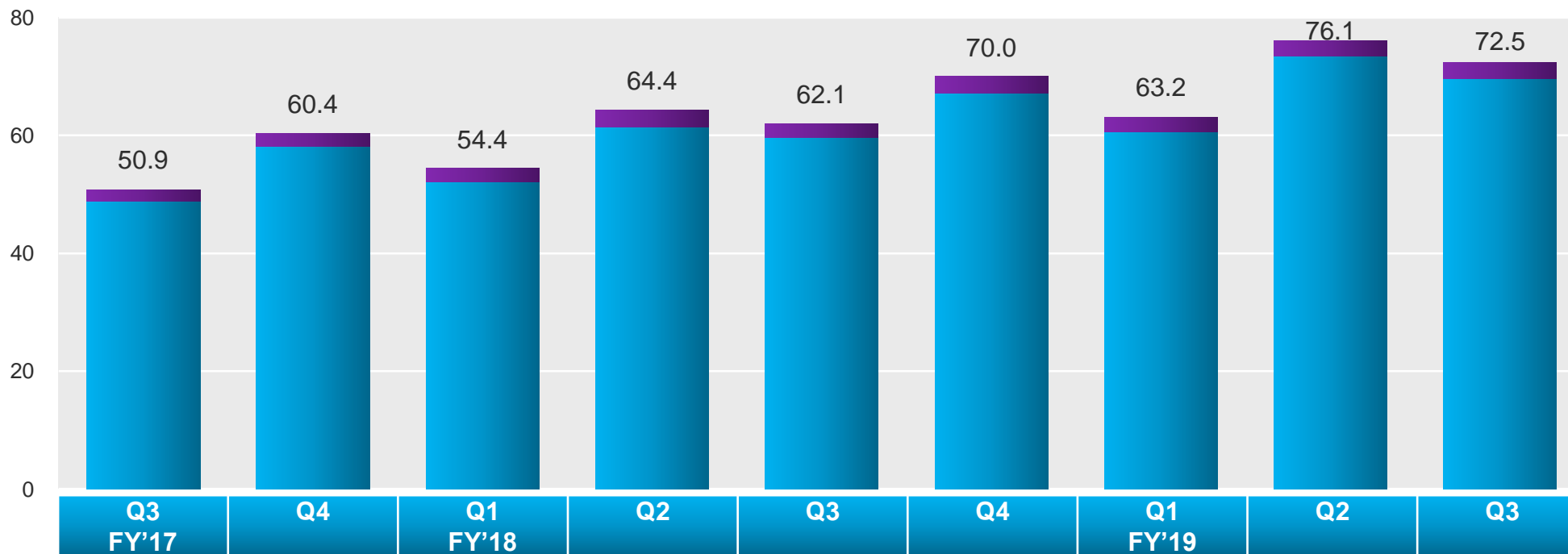
(Billion Yen)



Region	Q3 FY'17	Q4	Q1 FY'18	Q2	Q3	Q4	Q1 FY'19	Q2	Q3
Japan	20.3	26.6	26.7	38.4	35.1	45.1	51.1	58.0	54.0
North America	24.6	25.4	24.0	32.0	29.1	33.9	28.4	45.9	22.7
Europe	15.0	32.9	25.3	26.9	19.6	25.0	17.7	31.3	18.6
South Korea	33.3	55.5	68.3	101.7	79.4	122.3	88.9	86.5	60.9
Taiwan	62.3	74.7	45.8	36.6	42.1	44.3	26.3	48.0	29.3
China	13.7	22.7	26.7	23.0	22.6	31.8	54.9	71.3	38.0
S. E. Asia, Others	9.8	5.3	4.6	6.7	13.2	23.4	12.7	16.8	15.6

Field Solutions Sales

(Billion Yen)

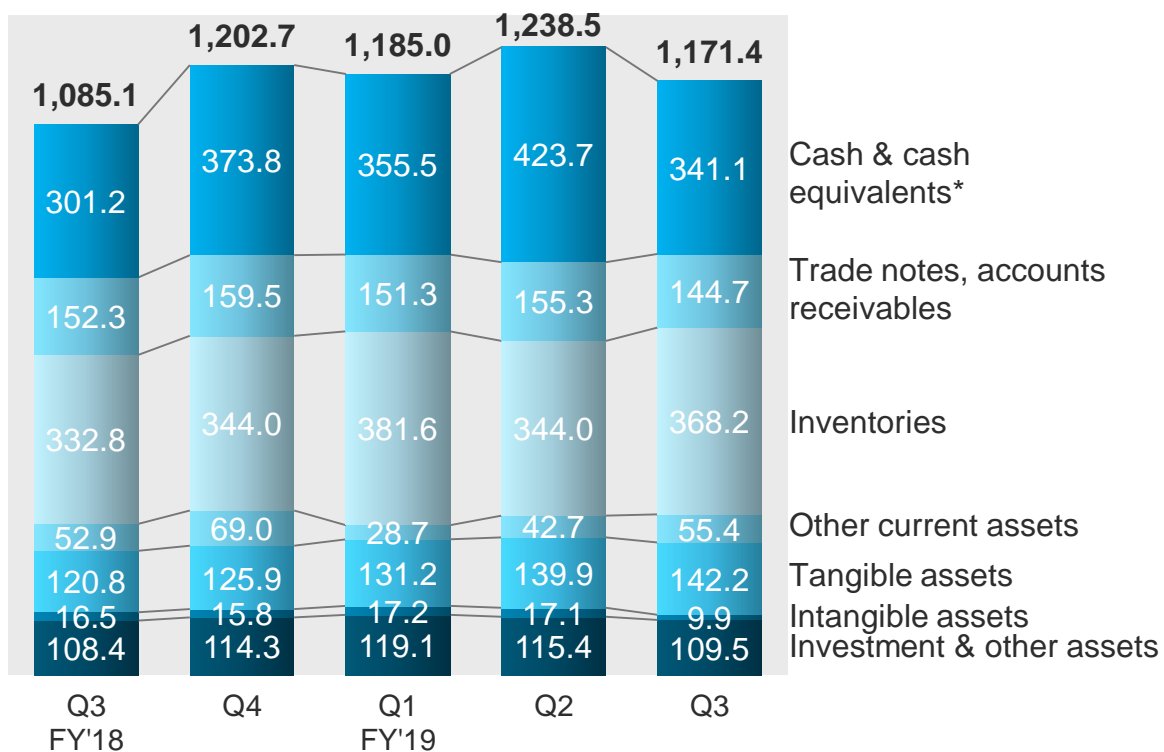


■ SPE Sales	48.8	58.1	52.2	61.4	59.7	67.2	60.6	73.4	69.6
■ FPD Sales	2.0	2.2	2.2	2.9	2.4	2.8	2.5	2.7	2.8

Balance Sheet

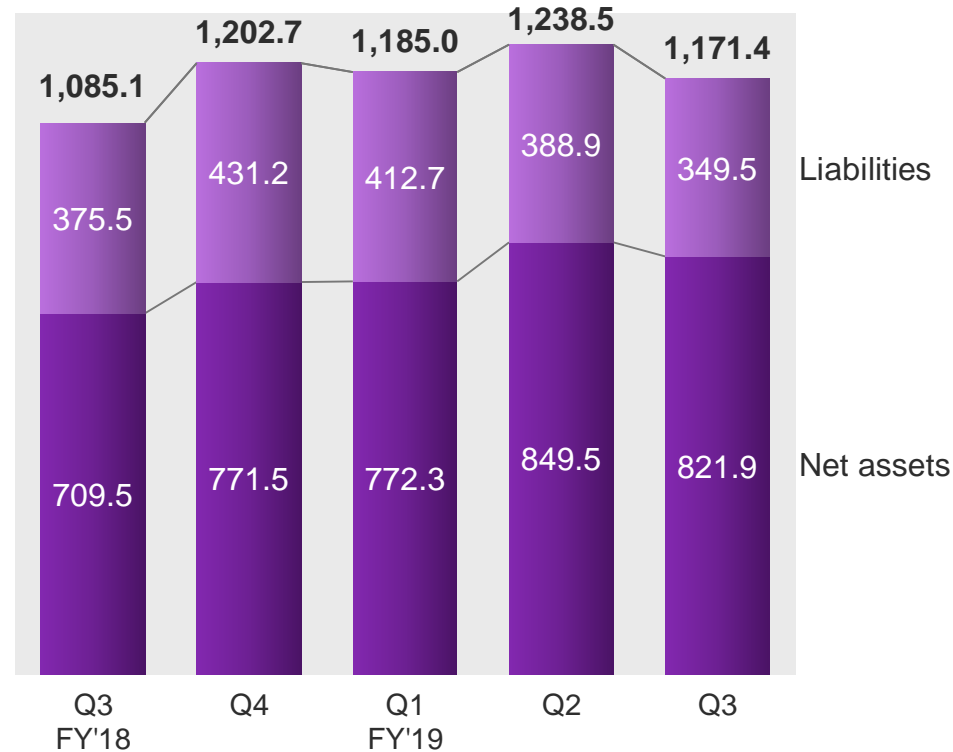
Assets

(Billion Yen)



Liabilities & Net Assets

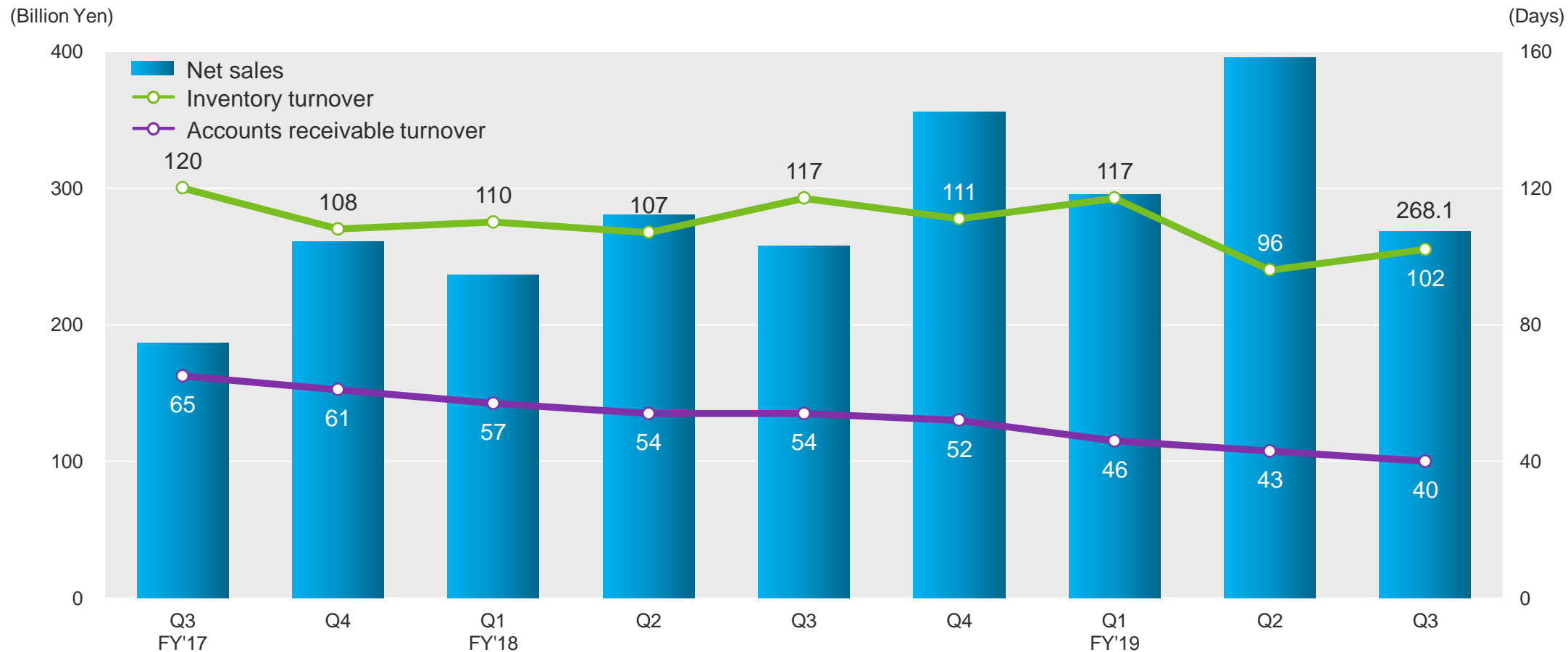
(Billion Yen)



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

From the beginning of the FY2019 Q1 accounting period the Accounting Standards Board of Japan's "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (ASBJ Statement No. 28, revision on February 16, 2018) has been applied. FY2018 results have been restated in the graphs in accordance with the revised accounting standards.

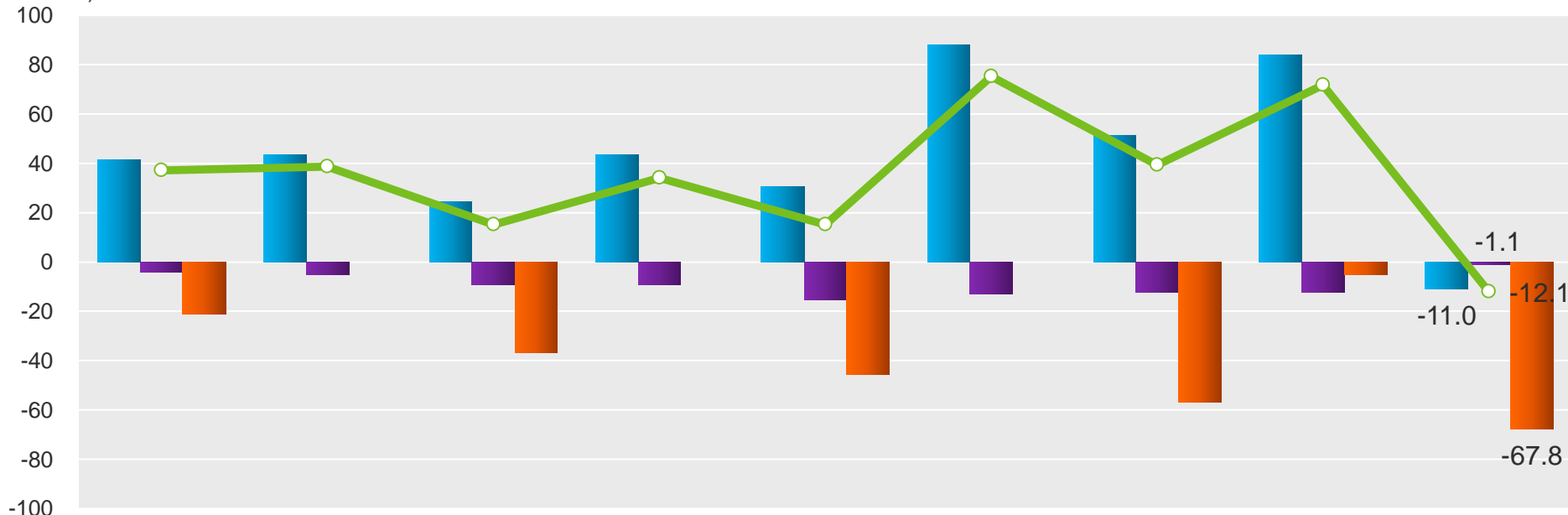
Inventory Turnover and Accounts Receivable Turnover



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

Cash Flow

(Billion Yen)



	Q3 FY'17	Q4	Q1 FY'18	Q2	Q3	Q4	Q1 FY'19	Q2	Q3
■ Cash flow from operating activities	41.3	43.6	24.4	43.4	30.4	88.1	51.4	84.0	-11.0
■ Cash flow from investing activities*1	-4.1	-4.9	-9.3	-9.4	-15.2	-12.8	-12.1	-12.2	-1.1
■ Cash flow from financing activities	-21.0	-0.0	-36.8	-0.0	-45.7	-0.0	-56.9	-5.0	-67.8
○ Free cash flow*2	37.1	38.7	15.1	34.0	15.1	75.3	39.3	71.7	-12.1
○ Cash on hand*3	277.2	315.3	294.6	329.9	301.2	373.8	355.5	423.7	341.1

*1 Cash flow from investing activities excludes changes in deposits with periods to maturity of over 3 months.

*2 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.

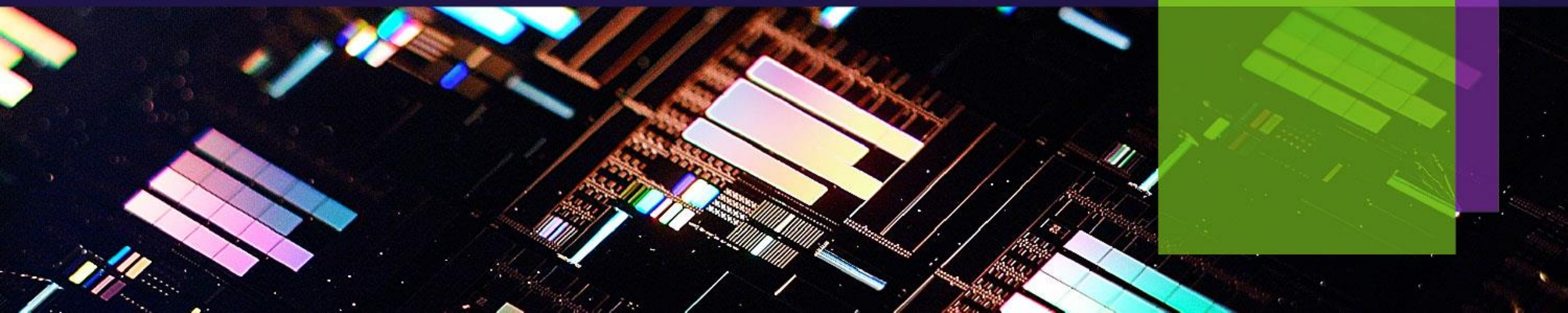
*3 Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.



Business Environment and Financial Estimates

January 31, 2019

Toshiki Kawai
Representative Director, President & CEO



Business Environment (Outlook as of January 2019)

▶ WFE*¹ capex

We expect CY2019 investment to decrease 15-20% YoY on weakening of semiconductor memory demand and the influence of US-China trade friction, despite a recovery in logic/foundry. Investment is expected to recover from H2

▶ FPD production equipment capex for TFT array process*²

We expect CY2019 demand for investment in production equipment to decrease 30% YoY. Capex for OLED panels in mobile applications is soft, and investment in large panels is undergoing adjustment too. A recovery is expected from H2

*1 WFE (Wafer fab equipment): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. Wafer fab equipment refers to the production equipment used in front-end production and in wafer-level packaging production.

*2 TFT array process: The processes of manufacturing the substrates with the electric circuit functions that drive displays

CY'19 WFE Market Growth and Business Opportunities by Application

- Logic/Foundry: Forecasting market growth of approx. 25% YoY
 - Market environment: Increased capex on generation change. 10nm and beyond generation to comprise 50%
 - Opportunities: Business expansion in more complex patterning processes
- DRAM: Approx. 30% decrease YoY
 - Market environment: 1Y/1Znm generations to comprise over 60% of capex
 - Opportunities: Differentiation in latest generation through our strengths in combined patterning and interconnects
- Non-volatile memory: Approx. 50% decrease YoY
 - Market environment: Adjustment in investment for increasing production capacity accompanying improved yield. 9X/12X generations to comprise over 80% of capex
 - Opportunities: Differentiation through high value-added etch and clean

Preparing for recovery in capex expected from H2

FY2019 SPE Business Progress (Q1-Q3)

- Growing sales of strategic products, making good progress towards CY2018 share targets. Advancing capture of next generation POR* in key fields (etch, deposition, cleaning systems)
- Process integration proposals contributed to POR increase
 - Improved device performance and yield in critical modules via etch, cleaning, and deposition process co-optimization
- FS business doing well too due to expansion of IoT applications and increase in installed equipment base
- Miyagi Plant (etch system) expansion
 - Completed new development building in October
 - Began operation of new production line in November

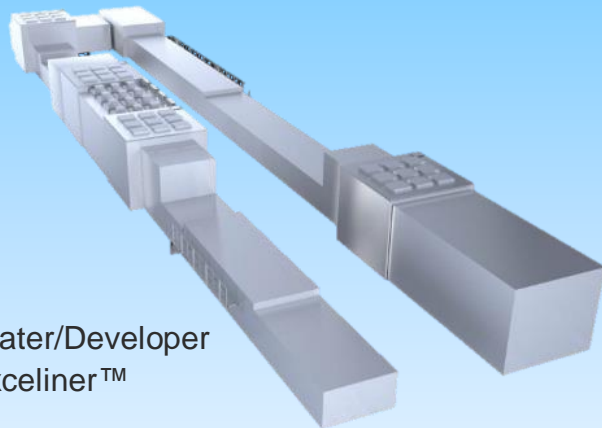


Tokyo Electron Miyagi

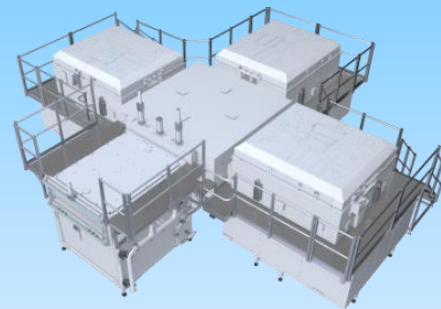
**Progress for business strategy continues as planned,
grew profit on technology for next generation**

FY2019 FPD Business Progress (Q1-Q3)

- Growing sales of equipment for G10.5. Contributed to higher sales and profit margin
- Launched new products, orders booked
 - Impressio™ 3300 PICP*™ G10.5 plasma etch system for high definition FPD
 - Elius™ 1000 G4.5 inkjet printing system for manufacturing OLED panels



FPD Coater/Developer
Exceliner™



FPD Plasma Etch/Ash System
Impressio™



Inkjet Printing System for
Manufacturing OLED Panels
Elius™

Expect record-high sales and profit margin growth in-line with plan

FY2019 Financial Estimates

FY2019 Financial Estimates (no change from Oct. 31, 2018 announcement)

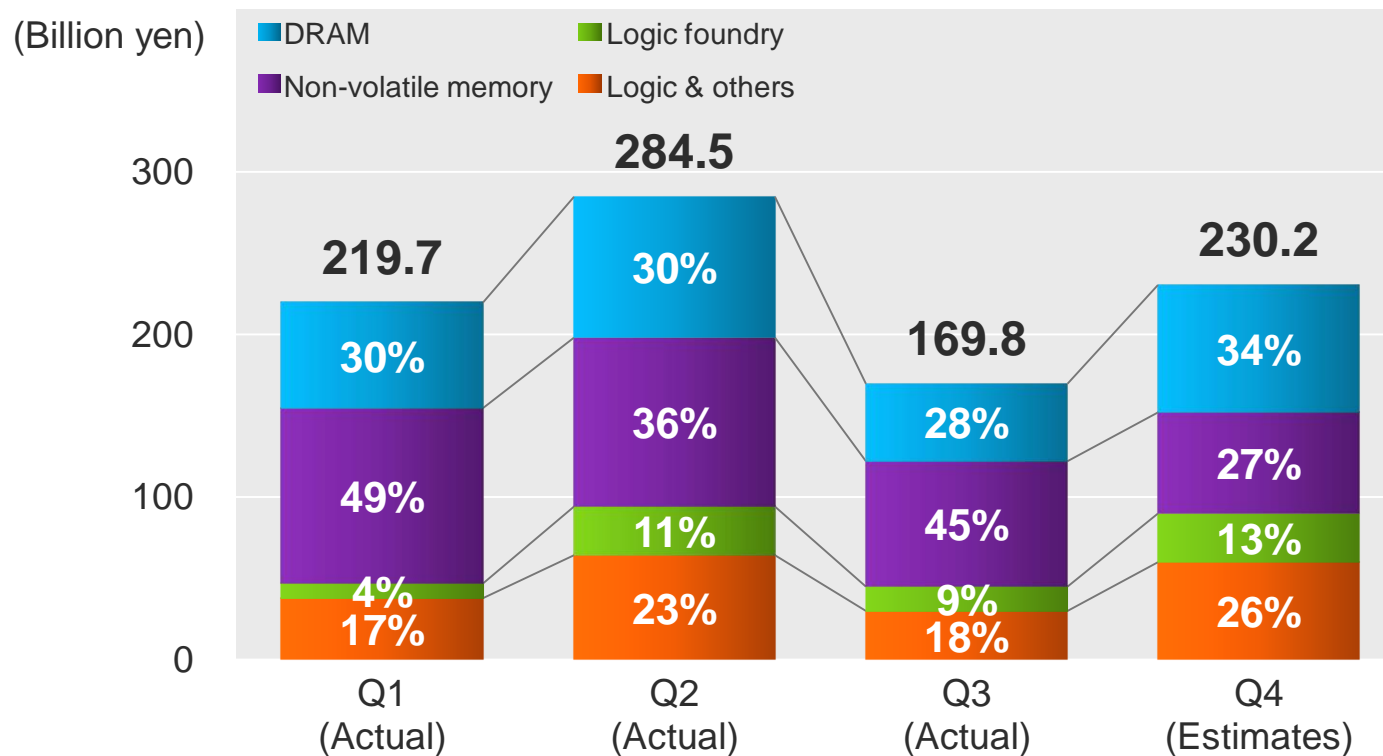
(Billion yen)

	FY2018 (Actual)	FY2019 (Estimates)				Full year YoY change
		1 st half	2 nd half	Full year		
		Actual	Estimates	Estimates		
Net sales	1,130.7	691.0	588.9	1,280.0	+13.2%	
SPE	1,055.2	638.4	531.3	1,169.8	+10.9%	
FPD	75.0	52.4	57.5	110.0	+46.5%	
Gross profit	475.0	284.1	243.8	528.0	+52.9	
Gross profit margin	42.0%	41.1%	41.4%	41.3%	-0.7pts	
SG&A expenses	193.8	108.6	110.3	219.0	+25.1	
Operating income	281.1	175.4	133.5	309.0	+27.8	
Operating margin	24.9%	25.4%	22.7%	24.1%	-0.8pts	
Income before income taxes	275.2	181.1	133.8	315.0	+39.7	
Net income attributable to owners of parent	204.3	135.2	101.7	237.0	+32.6	
Net income per share (Yen)	1,245.48	824.70	-	1,445.13	+199.65	

Expect record profit* for third consecutive year on market growth and higher market share

FY2019 SPE Division New Equipment Sales Forecast

FY2019 sales by application



Good progress in-line with H2 forecast

Percentages on the graph show the composition ratio of new equipment sales. Field solutions sales are not included. The Q4 forecast of 230.2 billion yen was derived by subtracting the Q3 results from the forecast for the second half announced on October 31, 2018.

FY2019 R&D Expenses, Capex Plan (no change from Oct. 31, 2018 announcement)

- R&D Expenses ¥116.0B
 - Continue investing based on focus areas and sustainable growth
- Capex ¥51.0B
 - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation ¥26.0B

New production buildings

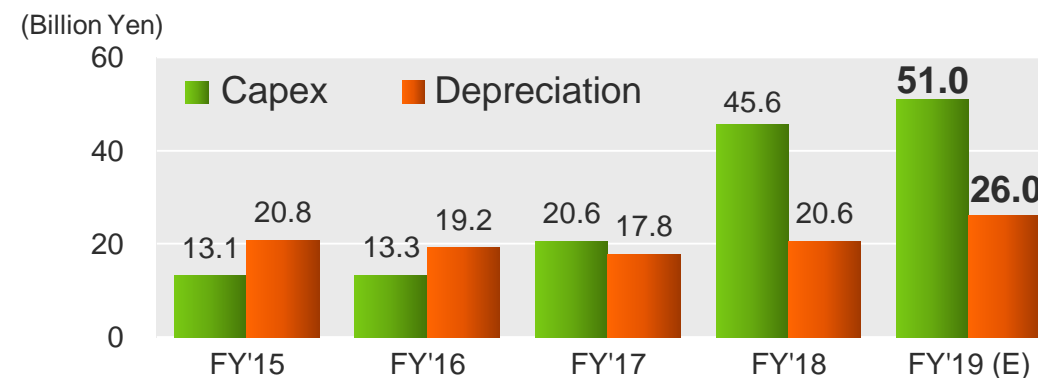
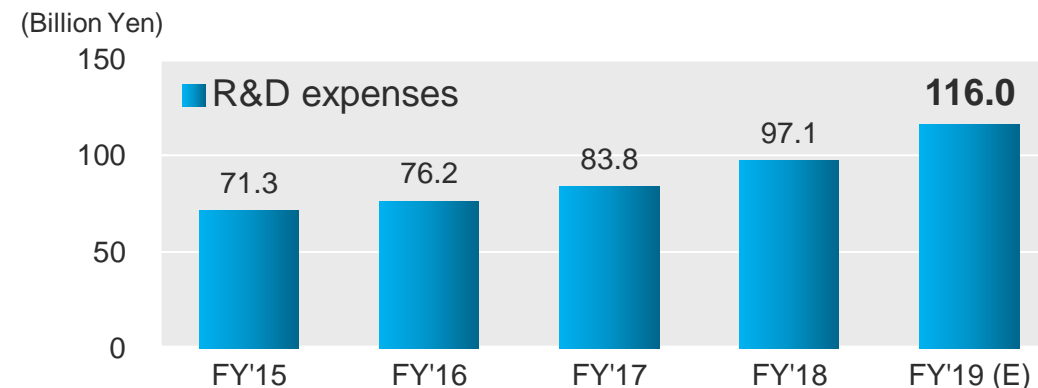
(deposition systems, gas chemical etch systems, test systems)



Nirasaki City, Yamanashi Prefecture:
approx. ¥13.0B construction cost
(Begin construction in February 2019,
completion scheduled for April 2020)

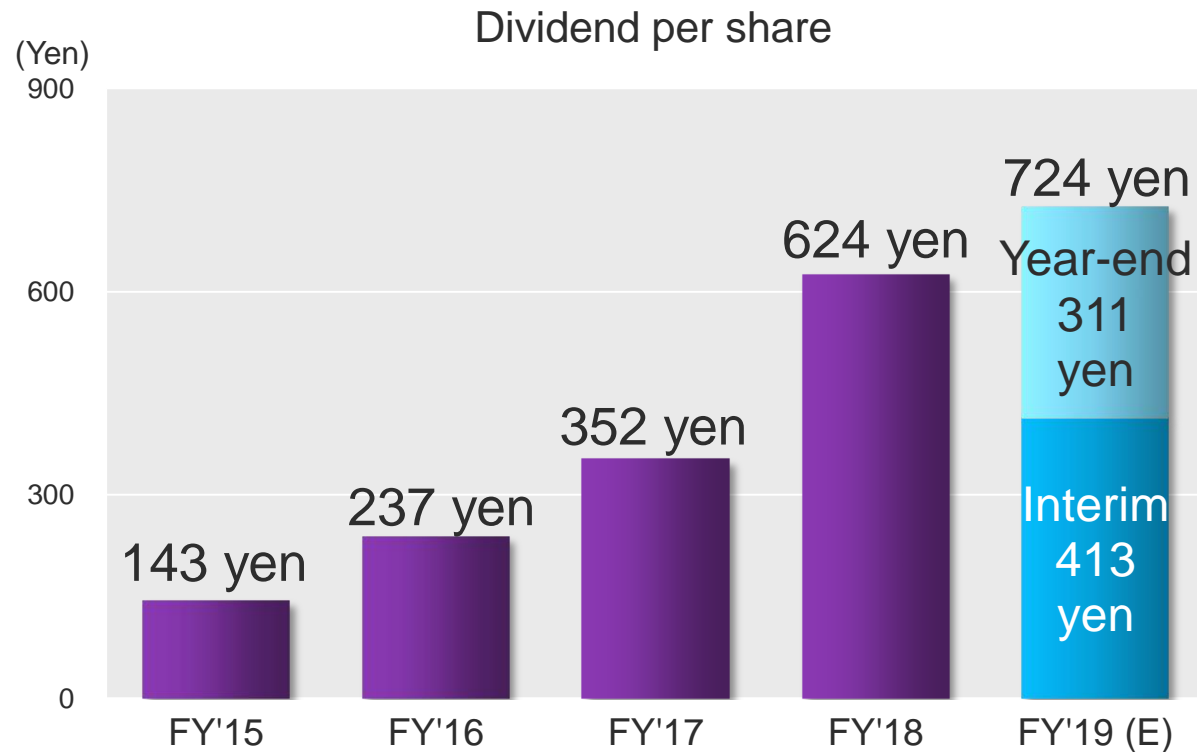


Oshu City, Iwate Prefecture:
approx. ¥13.0B construction cost
(Began construction in October 2018,
completion scheduled for September 2019)



Continue upfront investment with achievement of medium-term plan
and further growth in view

FY2019 Dividend Forecast (no change from Oct. 31, 2018 announcement)



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

Expect to raise DPS 16% YoY to 724 yen

TELTM

TOKYO ELECTRON