



Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2019 (Japanese GAAP)

January 30, 2020

Name of Listed Company: Tokyo Electron Limited Stock Exchange Listing: Tokyo
 Security Code: 8035
 URL: <https://www.tel.com>
 Representative: Toshiki Kawai, Representative Director, President & CEO
 Contact: Ken Sasagawa, Vice President of Accounting Dept.
 Telephone: +81-3-5561-7000
 Scheduled start date of dividends payment: -
 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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results (Cumulative)

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

	Nine months ended			
	December 31, 2018		December 31, 2019	
		%		%
Net sales (Millions of yen)	959,204	23.8	803,896	(16.2)
Operating income (Millions of yen)	234,154	29.1	167,164	(28.6)
Ordinary income (Millions of yen)	241,907	34.1	171,645	(29.0)
Net income attributable to owners of parent (Millions of yen)	184,126	40.1	128,052	(30.5)
Net income per share of common stock (Yen):				
Basic	1,122.61		804.74	
Diluted	1,117.90		800.25	
Comprehensive income:	Nine months ended December 31, 2019: 137,600 million yen, (22.1)% Nine months ended December 31, 2018: 176,536 million yen, 22.4%			

(2) Consolidated Financial Position

	As of	
	March 31, 2019	December 31, 2019
Total assets (Millions of yen)	1,257,627	1,177,019
Total net assets (Millions of yen)	888,117	780,196
Equity ratio (%)	70.0	65.4
Equity:	769,670 million yen (as of December 31, 2019) 880,748 million yen (as of March 31, 2019)	

2. Dividends

	Year ended	Year ending
	March 31, 2019	March 31, 2020
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	413.00	246.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	345.00	293.00 (Forecast)
Annual dividends per share (Yen)	758.00	539.00 (Forecast)

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

3. Financial Forecasts for the Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

Note: Percentages for year ending March 31, 2020 indicate changes from the previous fiscal year.

	Year ending March 31, 2020	
		%
Net sales (Millions of yen)	1,110,000	(13.2)
Operating income (Millions of yen)	225,000	(27.6)
Ordinary income (Millions of yen)	229,000	(28.8)
Net income attributable to owners of parent (Millions of yen)	170,000	(31.5)
Net income per share (Yen)	1,074.47	

Note: Revision to the financial forecasts most recently announced: None

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 11 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: Yes

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 December 31, 2019 : 165,210,911 shares

As of March 31, 2019 : 165,210,911 shares

2. Number of shares of treasury stock

As of December 31, 2019: 9,710,640 shares

As of March 31, 2019: 1,252,517 shares

3. Average number of shares outstanding (Cumulative quarterly period)

Nine months ended December 31, 2019: 159,122,554 shares

Nine months ended December 31, 2018: 164,015,985 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". (472,864 shares as of December 31, 2019, 249,701 shares as of March 31, 2019)

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 January 30, 2020.

Supplementary materials to be handed out at the conference will be posted on the Company's website.

1. Qualitative Information on Financial Results for the Current Quarter

(1) Description of Operating Results

The global economy continued its modest recovery during the first three quarters of the current fiscal year, however, uncertainty as to the impact of the slowing Chinese economy and the UK's withdrawal from the EU remains.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, the market has slowed down due to a reduction in capital investment for data centers and sluggish demand for smartphones. However, the market for semiconductor manufacturing equipment has turned to expansion against the backdrop of increased demand for new technologies such as the next-generation communication standard (5G) which is beginning widespread use, IoT, and artificial intelligence (AI).

Under these circumstances, the consolidated financial results (cumulative) for the first three quarters of the current fiscal year were net sales of 803,896 million yen (year-on-year decrease of 16.2%), operating income of 167,164 million yen (year-on-year decrease of 28.6%), ordinary income of 171,645 million yen (year-on-year decrease of 29.0%) and net income attributable to owners of parent of 128,052 million yen (year-on-year decrease of 30.5%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Capital investment for logic/foundry semiconductors was active and solid. Although NAND flash memory and DRAM are in a temporary adjustment phase, the balance between demand and supply has improved, and the market is expected to expand. Consequently, net sales to external customers in this segment for the first three quarters of the current fiscal year were 752,032 million yen (year-on-year decrease of 14.3%).

(ii) Flat Panel Display (FPD) Production Equipment

Although capital investment in small to medium-sized panels for mobile devices is in a temporary adjustment phase, it is expected to start to recover. In addition, capital investment in large-sized LED panels for televisions is expected to continue. Consequently, net sales to external customers in this segment for the first three quarters of the current fiscal year were 51,710 million yen (year-on-year decrease of 36.2%).

(iii) Other

Net sales to external customers in this segment for the first three quarters of the current fiscal year were 153 million yen (year-on-year decrease of 0.9%).

(For reference)

Consolidated Operating Results

(Millions of yen)

	FY2020			
	1Q	2Q	3Q	Total
Net Sales	216,421	292,021	295,453	803,896
Semiconductor Production Equipment	198,137	271,866	282,027	752,032
Japan	32,534	41,024	35,944	109,503
North America	28,550	58,893	61,033	148,477
Europe	20,270	14,439	10,863	45,573
South Korea	36,903	36,418	31,066	104,388
Taiwan	48,333	48,713	76,228	173,274
China	27,090	56,834	59,112	143,038
Southeast Asia	4,454	15,542	7,778	27,776
FPD Production Equipment	18,229	20,101	13,380	51,710
Other	54	53	45	153
Operating Income	42,552	59,901	64,710	167,164
Ordinary Income	44,591	62,100	64,953	171,645
Net Income Attributable to Owners of Parent	31,894	46,828	49,329	128,052

Note: Intersegment sales or transfers are eliminated.

(2) Description of Financial Conditions**(i) Financial Conditions**

Current assets at the end of the third quarter of the current fiscal year were 865,805 million yen, a decrease of 117,091 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 113,500 million yen in short-term investments included in securities, a decrease of 21,289 million yen in trade notes and accounts receivable, and an increase of 31,541 million yen in inventories.

Tangible fixed assets increased by 23,209 million yen from the end of the previous fiscal year, to 173,278 million yen.

Intangible fixed assets increased by 447 million yen from the end of the previous fiscal year, to 9,501 million yen.

Investments and other assets increased by 12,825 million yen from the end of the previous fiscal year, to 128,432 million yen.

As a result, total assets decreased by 80,608 million yen from the end of the previous fiscal year, to 1,177,019 million yen.

Current liabilities increased by 24,485 million yen from the end of the previous fiscal year, to 329,367 million yen. This was largely due to an increase of 56,732 million yen in customer advances, an increase of 11,897 million yen in trade notes and accounts payable, a decrease of 26,127 million yen in income taxes payable, and a decrease of 17,913 million yen in accrued employees' bonuses.

Long-term liabilities increased by 2,827 million yen from the end of the previous fiscal year, to 67,455 million yen.

Net assets decreased by 107,921 million yen from the end of the previous fiscal year, to 780,196 million yen. This was largely due to a decrease of 154,092 million yen resulting from the purchase of treasury stock, a decrease resulting from the payment of 95,513 million yen in year-end dividends for the previous fiscal year and interim dividends for the current fiscal year, and an increase of 128,052 million yen in net income attributable to owners of parent. As a result, the equity ratio was 65.4%.

(ii) Cash Flows

Cash and cash equivalents at the end of the third quarter of the current fiscal year decreased by 20,357 million yen compared to the end of the previous fiscal year, to 212,277 million yen. The combined balance including 80,000 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 292,277 million yen, a decrease of 100,357 million yen from the end of the previous fiscal year. The overall situation regarding cash flows during the first three quarters of the current fiscal year was as described below.

Cash flows from operating activities were positive 193,348 million yen, an increase of 68,838 million yen compared to the same period of the previous fiscal year. The major positive factors were 171,255 million yen in income before income taxes, a 56,852 million yen increase in customer advances, 20,498 million yen in depreciation and amortization, and a 20,265 million yen decrease in trade notes and accounts receivable. The major negative factors were 40,809 million yen in payment of income taxes, a 35,363 million yen increase in inventories, and a 17,832 million yen decrease in accrued employees' bonuses.

Cash flows from investing activities were positive 37,868 million yen compared to negative 82,045 million yen in the same period of the previous fiscal year. This was largely due to an inflow of 80,000 million yen from a decrease in time deposits and short-term investments and the payment of 39,619 million yen for the purchase of fixed assets.

Cash flows from financing activities were negative 249,922 million yen compared to negative 129,760 million yen in the same period of the previous fiscal year. This was largely due to the payment of 154,092 million yen for purchase of treasury stock and the payment of 95,513 million yen in dividends.

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities	124,509	193,348
Income before income taxes	241,700	171,255
Depreciation and amortization	16,983	20,498
Decrease (increase) in trade notes and accounts receivable	13,586	20,265
Decrease (increase) in inventories	(28,083)	(35,363)
Increase (decrease) in trade notes and accounts payable	(17,860)	12,816
Other, net	(101,816)	3,876
Cash flows from investing activities	(82,045)	37,868
Decrease (increase) in time deposits and short-term investments	(56,500)	80,000
Other (Purchase of fixed assets)	(25,545)	(42,131)
Cash flows from financing activities	(129,760)	(249,922)
Purchase of treasury stock	(5,003)	(154,092)
Other (Dividends paid)	(124,756)	(95,829)
Effect of exchange rate changes on cash and cash equivalents	(1,897)	(1,652)
Net increase (decrease) in cash and cash equivalents	(89,193)	(20,357)
Cash and cash equivalents at beginning of period	257,877	232,634
Cash and cash equivalents at end of period	168,684	212,277
Cash and cash equivalents, time deposits and short-term investments with maturities of more than three months	341,184	292,277

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

There are no changes in the consolidated financial forecast for the fiscal year ending March 31, 2020 from the forecasts released at the time of the previous announcement on October 31, 2019.

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 stated in this Summary of Consolidated Financial Results.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
ASSETS		
Current assets		
Cash and deposits	177,634	190,777
Trade notes and accounts receivable	146,971	125,682
Securities	215,000	101,500
Merchandise and finished goods	234,102	255,194
Work in process	62,785	76,922
Raw materials and supplies	57,331	53,644
Others	89,156	62,173
Allowance for doubtful accounts	(84)	(88)
Total current assets	982,897	865,805
Long-term assets		
Tangible fixed assets	150,069	173,278
Intangible fixed assets		
Others	9,054	9,501
Total intangible fixed assets	9,054	9,501
Investments and other assets		
Others	117,033	129,852
Allowance for doubtful accounts	(1,426)	(1,420)
Total investments and other assets	115,607	128,432
Total long-term assets	274,730	311,213
Total assets	1,257,627	1,177,019

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	75,448	87,346
Income taxes payable	57,671	31,543
Customer advances	77,247	133,980
Accrued employees' bonuses	33,139	15,226
Accrued warranty expenses	14,097	14,053
Other allowances	5,111	1,656
Others	42,166	45,561
Total current liabilities	304,882	329,367
Long-term liabilities		
Other allowances	932	110
Net defined benefit liabilities	60,600	61,823
Others	3,094	5,521
Total long-term liabilities	64,628	67,455
Total liabilities	369,510	396,823
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	748,827	780,032
Treasury stock, at cost	(11,821)	(163,654)
Total shareholders' equity	869,977	749,350
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	13,024	24,546
Net deferred gains (losses) on hedging instruments	(34)	(87)
Foreign currency translation adjustments	4,366	532
Accumulated remeasurements of defined benefit plans	(6,585)	(4,672)
Total accumulated other comprehensive income (loss)	10,770	20,319
Share subscription rights	7,368	10,526
Total net assets	888,117	780,196
Total liabilities and net assets	1,257,627	1,177,019

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	959,204	803,896
Cost of sales	565,312	481,819
Gross profit	393,891	322,076
Selling, general & administrative expenses		
Research and development expenses	83,889	86,784
Others	75,848	68,128
Total selling, general and administrative expenses	159,737	154,912
Operating income	234,154	167,164
Non-operating income		
Foreign exchange gain	2,490	1,510
Others	5,441	3,486
Total non-operating income	7,931	4,996
Non-operating expenses		
Commission for purchase of treasury stock	-	174
Additional payment of custom tax	-	173
Maintenance and operation costs of closed facilities	55	-
Others	122	168
Total non-operating expenses	178	515
Ordinary income	241,907	171,645
Unusual or infrequent profit		
Gain on sales of fixed assets	52	31
Total unusual or infrequent profit	52	31
Unusual or infrequent loss		
Loss on disposal and sales of fixed assets	257	380
Others	1	41
Total unusual or infrequent loss	259	421
Income before income taxes	241,700	171,255
Income taxes	57,574	43,203
Net income	184,126	128,052
Net income attributable to owners of parent	184,126	128,052

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	184,126	128,052
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(8,362)	11,515
Net deferred gains (losses) on hedging instruments	(262)	(38)
Foreign currency translation adjustments	(539)	(3,821)
Remeasurements of defined benefit plans	1,518	1,886
Share of other comprehensive income of associates accounted for using the equity method	57	6
Total other comprehensive income (loss)	(7,589)	9,548
Comprehensive income	176,536	137,600
(Breakdown)		
Comprehensive income attributable to owners of parent	176,536	137,600

Notes

Going concern: None

Significant changes in Shareholders' Equity: Yes

The Company executed the purchase of treasury stock based on the resolution of its Board of Directors dated May 27, 2019. Mainly due to this purchase, the amount of treasury stock increased by 151,832 million yen for the nine months ended December 31, 2019, and resulted in 163,654 million yen as of December 31, 2019.

Changes in significant subsidiaries during the period: None

Adoption of special accounting methods for preparation of quarterly financial statements: Yes

The company and 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: Yes

Changes in accounting policies

Part of consolidated overseas subsidiaries adopted IFRS 16 "Leases" from the beginning of this fiscal year, and recognize all leases as a lessee in principle as assets and liabilities on the balance sheets.

TEL Group elected to use the method to recognize the cumulative effect of initially applying this standard at the date of initial application in accordance with the transitional treatment. Right-of-use assets were recognized at the same value as lease liabilities, and therefore there was no impact on retained earnings at the beginning of the current fiscal year.

The effect of this change on the consolidated financial statements is immaterial.

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

Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(Millions of yen)

	Reportable Segments		Others *1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	752,032	51,710	14,177	817,920
Segment profit (loss)	187,675	7,820	653	196,148

	Adjustments *2	Consolidated *3
Net sales	(14,024)	803,896
Segment profit (loss)	(24,893)	171,255

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 profit (loss) totaling (24,893) million yen mainly consists of research and development costs of (14,743) 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

Significant subsequent events

Cancellation of treasury stock

At the Board of Directors meeting held on January 30, 2020, the Company resolved to cancel treasury stock under the provisions of Article 178 of the Companies Act, as follows.

1. Type of shares to be cancelled: Shares of common stock
2. Total number of shares to be cancelled: 8,000,000 shares
(4.84% of issued shares before the cancellation)
3. Scheduled date of cancellation: February 28, 2020