



Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2018 (Japanese GAAP)

January 31, 2019

Name of Listed Company: Tokyo Electron Limited Stock Exchange Listing: Tokyo
 Security Code: 8035
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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, 2018 (April 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results (Cumulative)

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

| | Nine months ended | | | |
|---|---|------|--|------|
| | December 31, 2017 | | December 31, 2018 | |
| | | % | | % |
| Net sales (Millions of yen) | 774,750 | 43.7 | 959,204 | 23.8 |
| Operating income (Millions of yen) | 181,411 | 92.7 | 234,154 | 29.1 |
| Ordinary income (Millions of yen) | 180,426 | 88.5 | 241,907 | 34.1 |
| Net income attributable to owners of parent (Millions of yen) | 131,384 | 93.4 | 184,126 | 40.1 |
| Net income per share of common stock (Yen): | | | | |
| Basic | 800.71 | | 1,122.61 | |
| Diluted | 797.98 | | 1,117.90 | |
| Comprehensive income: | Nine months ended December 31, 2018: 176,536 million yen, 22.4% | | Nine months ended December 31, 2017: 144,220 million yen, 110.3% | |

(2) Consolidated Financial Position

| | As of | |
|------------------------------------|---|-------------------|
| | March 31, 2018 | December 31, 2018 |
| Total assets (Millions of yen) | 1,202,796 | 1,171,447 |
| Total net assets (Millions of yen) | 771,509 | 821,906 |
| Equity ratio (%) | 63.8 | 69.5 |
| Equity: | 814,478 million yen (as of December 31, 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: None

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) | 1,445.13 | |

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: 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 December 31, 2018 : 165,210,911 shares

As of March 31, 2018 : 165,210,911 shares

2. Number of shares of treasury stock

As of December 31, 2018: 1,264,296 shares

As of March 31, 2018: 1,097,342 shares

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

Nine months ended December 31, 2018: 164,015,985 shares

Nine months ended December 31, 2017: 164,083,989 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 December 31, 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 January 31, 2019.

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

While there has been a slowdown in economic growth in China, the global economy including the U.S. has been robust during the first three quarters of the current fiscal year.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, the rate at which semiconductor shipments has been increasing is decelerating due to adjustments in data center investments and demand for smartphones. However, TEL believes developments in new technologies such as artificial intelligence (AI) and the next-generation telecommunication standards are expected to lead to a medium to long-term upward trend in demand for semiconductors. Under these circumstances, the consolidated financial results (cumulative) for the first three quarters of the current fiscal year were net sales of 959,204 million yen (year-on-year growth of 23.8%), operating income of 234,154 million yen (year-on-year growth of 29.1%), ordinary income of 241,907 million yen (year-on-year growth of 34.1%) and net income attributable to owners of parent of 184,126 million yen (year-on-year growth of 40.1%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Against the backdrop of the slowdown in demand for data centers and smartphones, some of the memory manufacturers are reviewing their capital investment plans, and the semiconductor manufacturing equipment industry has now entered a period of adjustment. However, net sales to external customers in this segment for the first three quarters of the current fiscal year were 877,982 million yen (year-on-year growth of 20.4%).

(ii) Flat Panel Display (FPD) Production Equipment

The FPD production equipment market was robust, with continued capital investment for small to medium-sized OLED panels for smartphones in addition to capital investment for large-sized LCD panels for televisions in China. Consequently, net sales to external customers in this segment for the first three quarters of the current fiscal year were 81,066 million yen (year-on-year growth of 79.0%).

(iii) Other

Net sales to external customers in this segment for the first three quarters of the current fiscal year were 154 million yen (year-on-year decrease of 49.4%).

(For reference)

Consolidated Operating Results

(Millions of yen)

| | FY2019 | | | |
|---|---------|---------|---------|---------|
| | 1Q | 2Q | 3Q | Total |
| Net Sales | 295,569 | 395,465 | 268,169 | 959,204 |
| Semiconductor Production Equipment | 280,400 | 358,057 | 239,525 | 877,982 |
| Japan | 51,146 | 58,048 | 54,095 | 163,291 |
| North America | 28,496 | 45,910 | 22,767 | 97,174 |
| Europe | 17,755 | 31,345 | 18,613 | 67,714 |
| South Korea | 88,986 | 86,558 | 60,960 | 236,505 |
| Taiwan | 26,315 | 48,057 | 29,384 | 103,757 |
| China | 54,964 | 71,306 | 38,099 | 164,370 |
| Southeast Asia | 12,734 | 16,830 | 15,604 | 45,169 |
| FPD Production Equipment | 15,113 | 37,354 | 28,598 | 81,066 |
| Other | 55 | 53 | 46 | 154 |
| Operating Income | 72,418 | 103,000 | 58,735 | 234,154 |
| Ordinary Income | 75,212 | 106,034 | 60,660 | 241,907 |
| Net Income Attributable to Owners of Parent | 55,741 | 79,553 | 48,831 | 184,126 |

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 909,708 million yen, a decrease of 36,888 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 69,500 million yen in short-term investments included in securities, a decrease of 19,208 million yen in prepaid consumption tax, a decrease of 14,811 million yen in trade notes and accounts receivable, an increase of 36,806 million yen in cash and deposits, and an increase of 24,222 million yen in inventories.

Tangible fixed assets increased by 16,289 million yen from the end of the previous fiscal year, to 142,242 million yen. Intangible fixed assets decreased by 5,933 million yen from the end of the previous fiscal year, to 9,948 million yen. Investments and other assets decreased by 4,817 million yen from the end of the previous fiscal year, to 109,547 million yen.

As a result, total assets decreased by 31,349 million yen from the end of the previous fiscal year, to 1,171,447 million yen.

Current liabilities decreased by 83,142 million yen from the end of the previous fiscal year, to 285,310 million yen. This was largely due to a decrease of 48,546 million yen in income taxes payable, a decrease of 18,963 million yen in trade notes and accounts payable, and a decrease of 15,188 million yen in accrued employees' bonuses.

Long-term liabilities increased by 1,396 million yen from the end of the previous fiscal year, to 64,230 million yen.

Net assets increased by 50,396 million yen from the end of the previous fiscal year, to 821,906 million yen. This was largely due to an increase stemming from 184,126 million yen in net income attributable to owners of parent and a decrease resulting from the payment of 124,754 million yen in year-end dividends for the previous fiscal year and interim dividends for the current fiscal year. As a result, the equity ratio was 69.5%.

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 third quarter of the current fiscal year decreased by 89,193 million yen compared to the end of the previous fiscal year, to 168,684 million yen. The combined balance including 172,500 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 341,184 million yen, a decrease of 32,693 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 124,509 million yen, an increase of 26,100 million yen compared to the same period of the previous fiscal year. The major positive factors were 241,700 million yen in income before income taxes, a 19,190 million yen decrease in prepaid consumption tax, 16,983 million yen in depreciation and amortization, and a 13,586 million yen decrease in trade notes and accounts receivable. The major negative factors were 102,915 million yen in payment of income taxes, a 28,083 million yen increase in inventories, a 17,860 million yen decrease in trade notes and accounts payable, and 15,020 million yen decrease in accrued employees' bonuses. Cash flows from investing activities were negative 82,045 million yen compared to positive 40,986 million yen in the same period of the previous fiscal year. This was largely due to the payment of 56,500 million yen for an increase in time deposits and short-term investments and the payment of 32,914 million yen for the purchase of fixed assets.

Cash flows from financing activities were a negative 129,760 million yen compared to a negative 82,544 million yen in the same period of the previous fiscal year. This was largely due to the payment of 124,754 million yen in dividends.

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

| | Nine months ended December 31, 2017 | Nine months ended December 31, 2018 |
|---|--|--|
| Cash flows from operating activities | 98,409 | 124,509 |
| Income before income taxes | 179,627 | 241,700 |
| Depreciation and amortization | 14,531 | 16,983 |
| Decrease (increase) in trade notes and accounts receivable | (16,642) | 13,586 |
| Decrease (increase) in inventories | (94,407) | (28,083) |
| Increase (decrease) in trade notes and accounts payable | 13,505 | (17,860) |
| Other, net | 1,794 | (101,816) |
| Cash flows from investing activities | 40,986 | (82,045) |
| Decrease (increase) in time deposits and short-term investments | 75,000 | (56,500) |
| Other, net | (34,013) | (25,545) |
| Cash flows from financing activities | (82,544) | (129,760) |
| Effect of exchange rate changes on cash and cash equivalents | 4,023 | (1,897) |
| Net increase (decrease) in cash and cash equivalents | 60,875 | (89,193) |
| Cash and cash equivalents at beginning of period | 164,366 | 257,877 |
| Cash and cash equivalents at end of period | 225,241 | 168,684 |
| Cash and cash equivalents, time deposits and short-term investments with maturities of more than three months | 301,241 | 341,184 |

(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, 2019 from the forecasts released at the time of the previous announcement on October 31, 2018.

Note: The financial forecasts and estimates stated in this announcement 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 announcement.

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2018 | As of December 31, 2018 |
|-------------------------------------|-------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 87,377 | 124,184 |
| Trade notes and accounts receivable | 159,570 | 144,759 |
| Securities | 286,500 | 217,000 |
| Merchandise and finished goods | 220,497 | 238,354 |
| Work in process | 75,504 | 74,652 |
| Raw materials and supplies | 48,069 | 55,285 |
| Others | 69,137 | 55,563 |
| Allowance for doubtful accounts | (59) | (91) |
| Total current assets | 946,597 | 909,708 |
| Long-term assets | | |
| Tangible fixed assets | 125,952 | 142,242 |
| Intangible fixed assets | | |
| Others | 15,882 | 9,948 |
| Total intangible fixed assets | 15,882 | 9,948 |
| Investments and other assets | | |
| Others | 115,786 | 110,972 |
| Allowance for doubtful accounts | (1,422) | (1,424) |
| Total investments and other assets | 114,364 | 109,547 |
| Total long-term assets | 256,199 | 261,738 |
| Total assets | 1,202,796 | 1,171,447 |

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2018 | As of December 31, 2018 |
|--|-------------------------|----------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Trade notes and accounts payable | 108,607 | 89,643 |
| Income taxes payable | 66,046 | 17,500 |
| Customer advances | 100,208 | 96,228 |
| Accrued employees' bonuses | 34,467 | 19,279 |
| Accrued warranty expenses | 11,284 | 13,605 |
| Other allowances | 4,618 | 3,850 |
| Others | 43,218 | 45,202 |
| Total current liabilities | 368,452 | 285,310 |
| Long-term liabilities | | |
| Other allowances | 374 | 1,259 |
| Net defined benefit liabilities | 59,309 | 59,846 |
| Others | 3,150 | 3,124 |
| Total long-term liabilities | 62,834 | 64,230 |
| Total liabilities | 431,287 | 349,541 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 54,961 | 54,961 |
| Capital surplus | 78,011 | 78,011 |
| Retained earnings | 625,390 | 684,729 |
| Treasury stock, at cost | (7,518) | (11,936) |
| Total shareholders' equity | 750,843 | 805,765 |
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on investment securities | 17,134 | 8,760 |
| Net deferred gains (losses) on hedging instruments | 278 | 10 |
| Foreign currency translation adjustments | 5,507 | 4,999 |
| Accumulated remeasurements of defined benefit plans | (6,618) | (5,058) |
| Total accumulated other comprehensive income (loss) | 16,302 | 8,712 |
| Share subscription rights | 4,363 | 7,427 |
| Total net assets | 771,509 | 821,906 |
| Total liabilities and net assets | 1,202,796 | 1,171,447 |

Consolidated Statements of Income

(Millions of yen)

| | Nine months ended December 31, 2017 | Nine months ended December 31, 2018 |
|--|--|--|
| Net sales | 774,750 | 959,204 |
| Cost of sales | 453,261 | 565,312 |
| Gross profit | 321,488 | 393,891 |
| Selling, general & administrative expenses | | |
| Research and development expenses | 70,018 | 83,889 |
| Others | 70,058 | 75,848 |
| Total selling, general and administrative expenses | 140,077 | 159,737 |
| Operating income | 181,411 | 234,154 |
| Non-operating income | | |
| Dividend income | 325 | 1,790 |
| Foreign exchange gain | - | 2,490 |
| Others | 1,912 | 3,651 |
| Total non-operating income | 2,237 | 7,931 |
| Non-operating expenses | | |
| Maintenance and operation costs of closed facilities | 56 | 55 |
| Foreign exchange loss | 2,986 | - |
| Others | 178 | 122 |
| Total non-operating expenses | 3,222 | 178 |
| Ordinary income | 180,426 | 241,907 |
| Unusual or infrequent profit | | |
| Gain on sales of fixed assets | 72 | 52 |
| Total unusual or infrequent profit | 72 | 52 |
| Unusual or infrequent loss | | |
| Loss on disposal and sales of fixed assets | 335 | 257 |
| Loss on valuation of investment securities | 536 | - |
| Others | - | 1 |
| Total unusual or infrequent loss | 871 | 259 |
| Income before income taxes | 179,627 | 241,700 |
| Income taxes | 48,214 | 57,574 |
| Net income | 131,412 | 184,126 |
| Net income attributable to non-controlling interests | 28 | - |
| Net income attributable to owners of parent | 131,384 | 184,126 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Nine months ended December 31, 2017 | Nine months ended December 31, 2018 |
|--|--|--|
| Net income | 131,412 | 184,126 |
| Other comprehensive income (loss) | | |
| Net unrealized gains (losses) on investment securities | 6,960 | (8,362) |
| Net deferred gains (losses) on hedging instruments | (177) | (262) |
| Foreign currency translation adjustments | 6,717 | (539) |
| Remeasurements of defined benefit plans | (693) | 1,518 |
| Share of other comprehensive income of associates accounted for using the equity method | 0 | 57 |
| Total other comprehensive income (loss) | 12,807 | (7,589) |
| Comprehensive income | 144,220 | 176,536 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 144,191 | 176,536 |
| Comprehensive income attributable to non-controlling interests | 29 | - |

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.

Note on Consolidated Statements of Income

Income taxes

Current income tax expense for the nine months ended December 31, 2018 includes net of 647 million yen of estimated tax benefit from the expected resolution of the Mutual Agreement Procedure being finalized by the Japanese and Korean income tax authorities for transfer pricing adjustments assessed during prior historical periods. The 647 million yen is the difference between the current projected tax refunds and the estimated amount recorded in prior fiscal year.

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, 2018 (April 1, 2018 to December 31, 2018)

(Millions of yen)

| | Reportable Segments | | Others *1 | Total |
|-----------------------|------------------------------------|--------------------------|-----------|---------|
| | Semiconductor Production Equipment | FPD Production Equipment | | |
| Net sales | 877,982 | 81,066 | 14,338 | 973,388 |
| Segment profit (loss) | 244,990 | 17,837 | 88 | 262,916 |

| | Adjustments *2 | Consolidated *3 |
|-----------------------|----------------|-----------------|
| Net sales | (14,183) | 959,204 |
| Segment profit (loss) | (21,216) | 241,700 |

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 21,216 million yen mainly consists of research and development costs of 11,951 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