

FY2017 (Apr. 1, 2016 – Mar. 31, 2017) Financial Announcement

April 28, 2017

Agenda:

- FY2017 Consolidated Financial Summary
Tetsuro Hori, Representative Director, Executive Vice President & General Manager
- Business Highlights and Financial Estimates
Toshiki Kawai, Representative Director, President & CEO





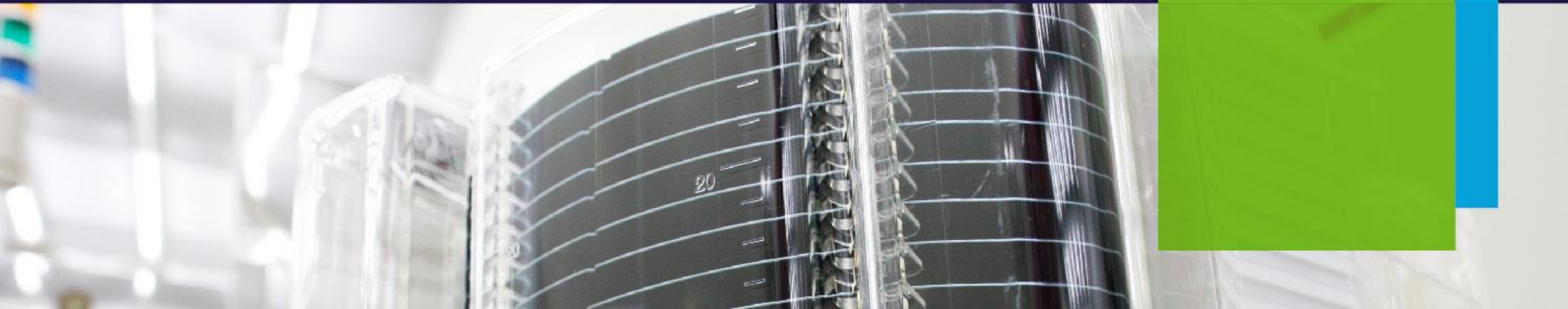
FY2017 Consolidated Financial Summary

[FY2017: April 1, 2016 - March 31, 2017]

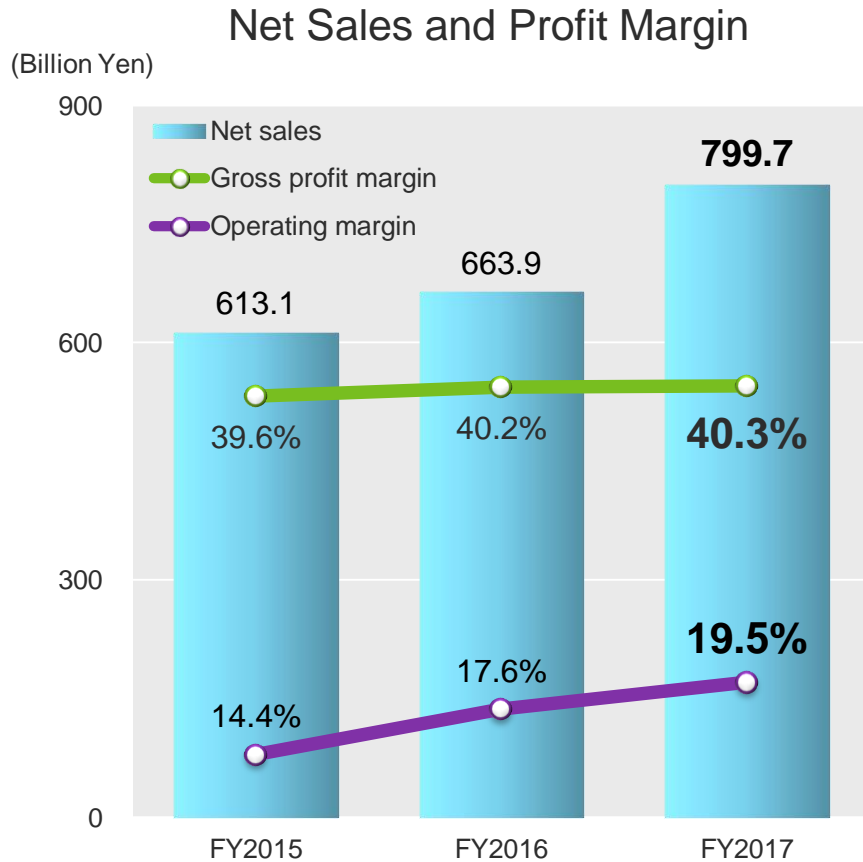
April 28, 2017

Tetsuro Hori

Representative Director, Executive Vice President & General Manager

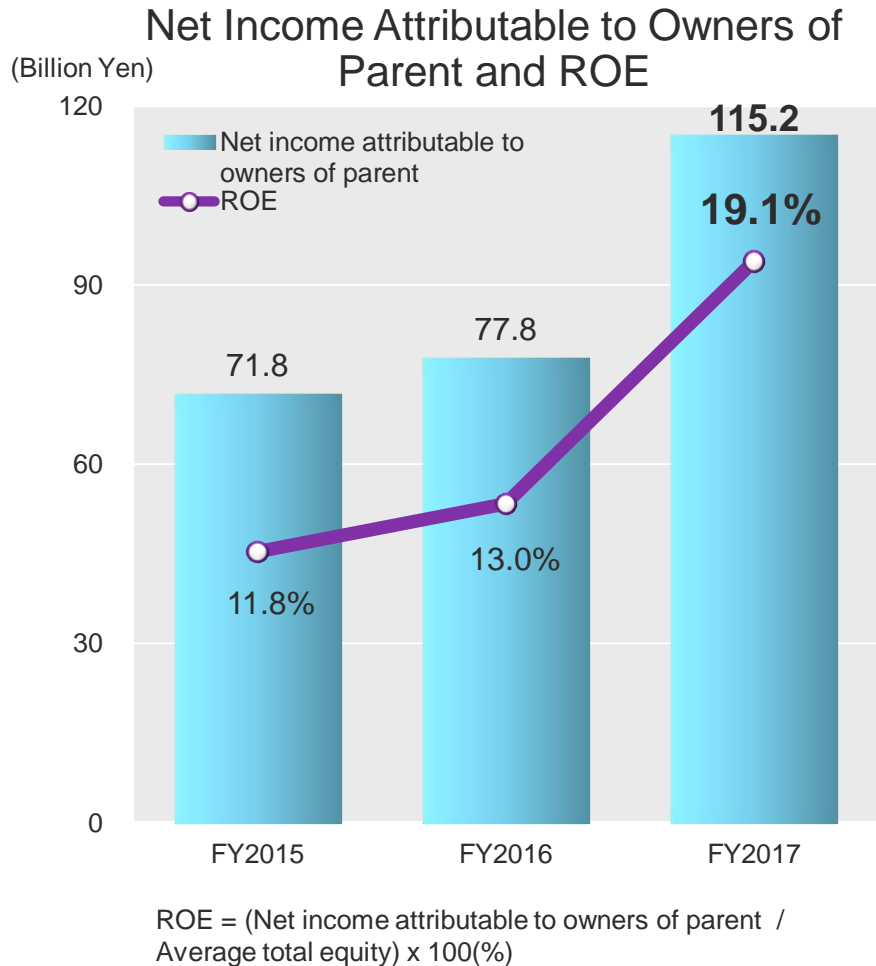


FY2017 Highlights



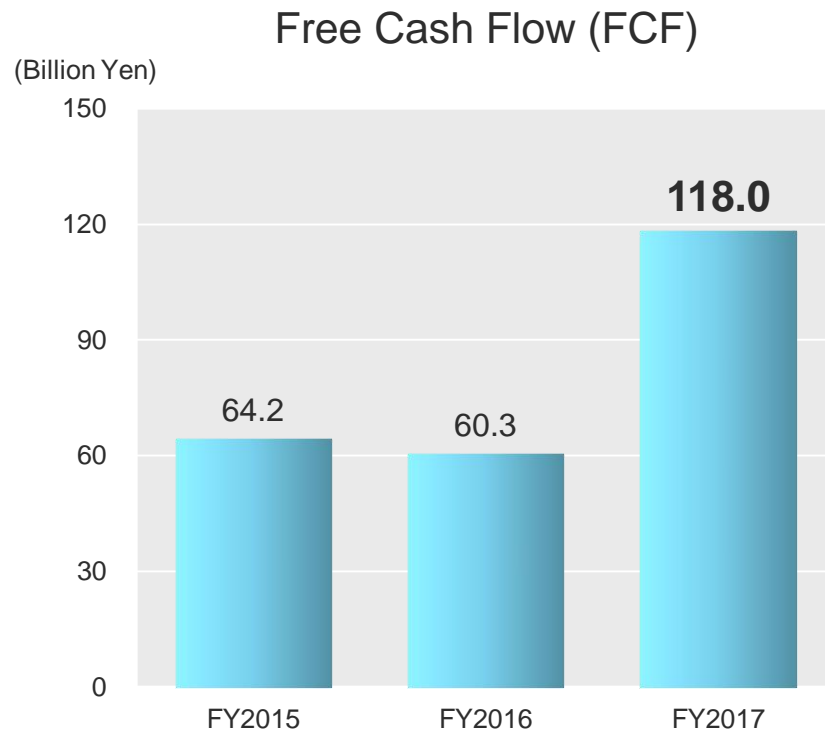
- **Consolidated sales up 20% YoY, highest ever SPE sales**
- **Set new record highs for both gross profit margin and operating margin**

FY2017 Highlights

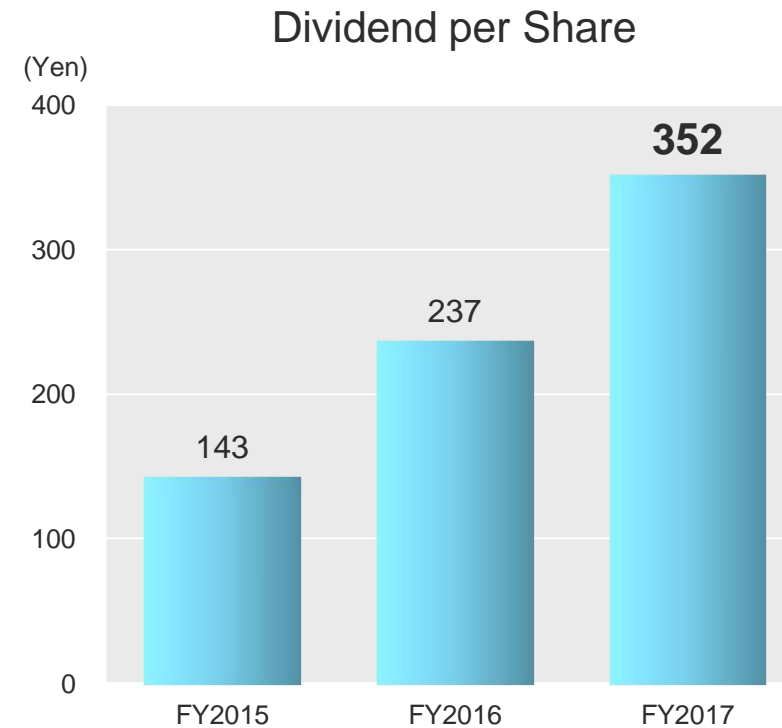


- **Record high net income**
- **ROE of 19.1% (+6.1pts YoY)**
Further increase in capital efficiency

FY2017 Highlights



Free cash flow = (Cash flow from operating activities) + (Cash flow from investing activities excluding term deposits over 3 months)



Generated FCF of ¥118.0B, approx. doubled YoY
Paid record high DPS for third consecutive year

Financial Summary

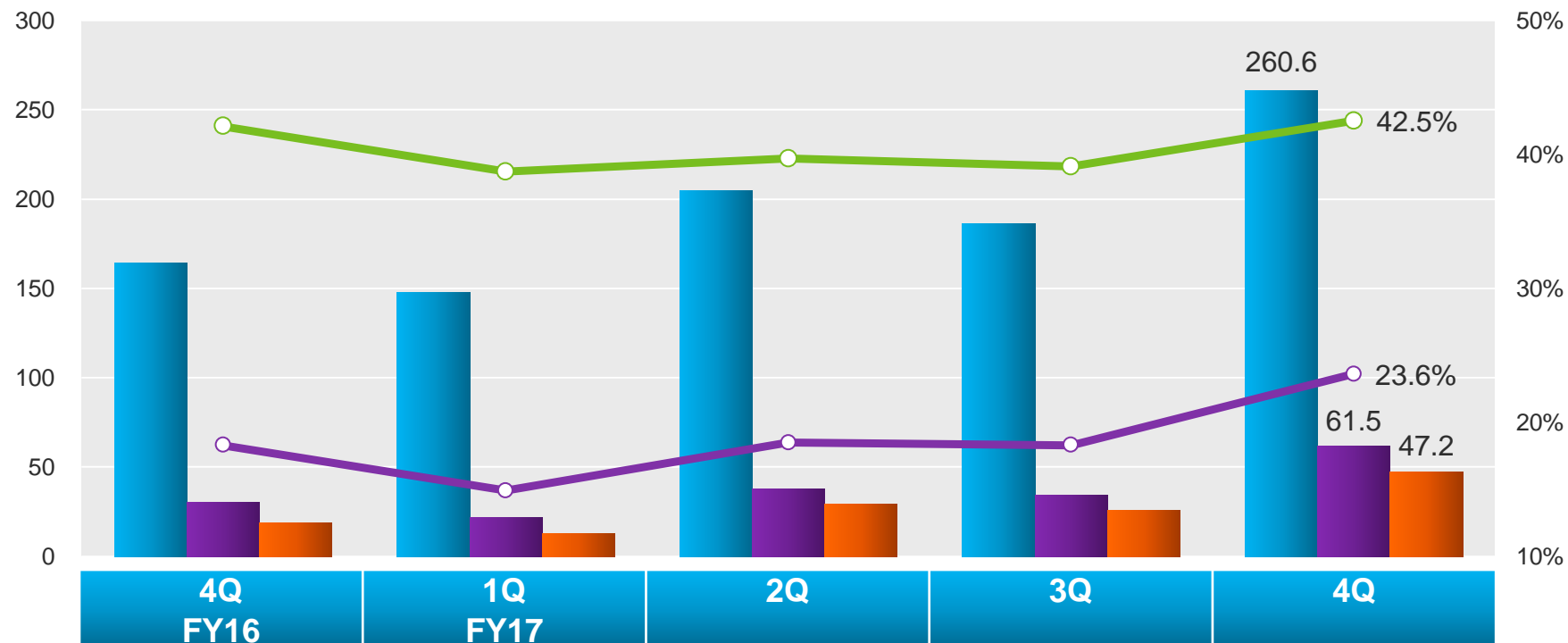
(Billion Yen)

	FY2016	FY2017	YoY Change	(Reference) FY2017 estimates announced on October 28
Net sales	663.9	799.7	+20.4%	762.0
Gross profit	267.2	322.2	+20.6%	
Gross profit margin	40.2%	40.3%	+0.1pts	
SG&A expenses	150.4	166.5	+10.8%	164.0
Operating income	116.7	155.6	+33.3%	140.0
Operating margin	17.6%	19.5%	+1.9pts	18.4%
Income before income taxes	106.4	149.1	+40.1%	134.0
Net income attributable to owners of parent	77.8	115.2	+47.9%	100.0
EPS(Yen)	461.10	702.26	+52.3%	609.56
R&D expenses	76.2	83.8	+9.8%	84.0
Capital expenditures	13.3	20.6	+55.1%	25.0
Depreciation and amortization	19.2	17.8	-7.2%	19.0

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 (Quarterly)

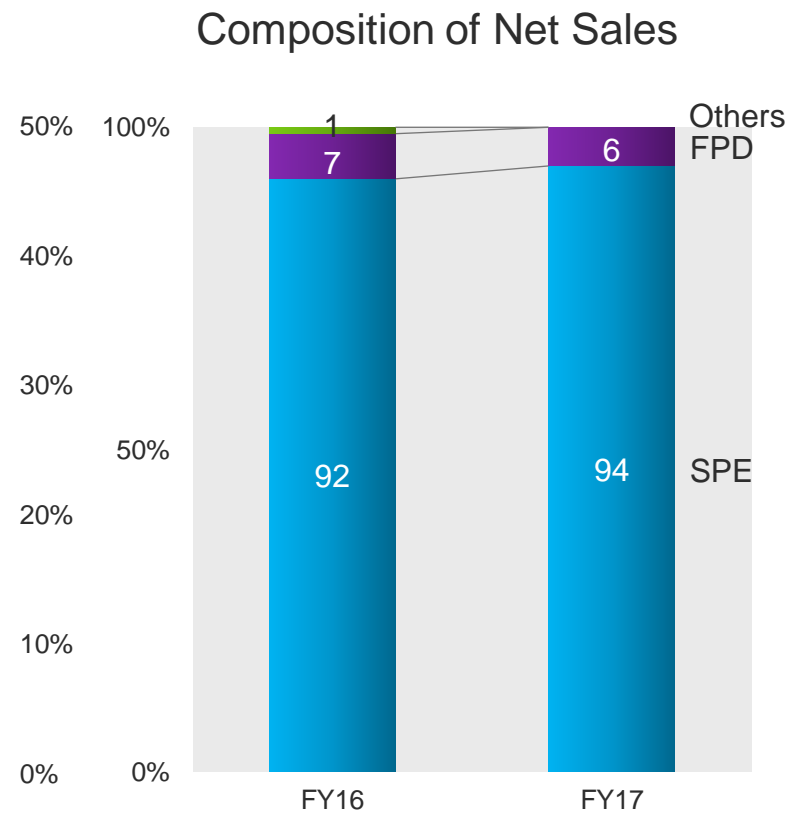
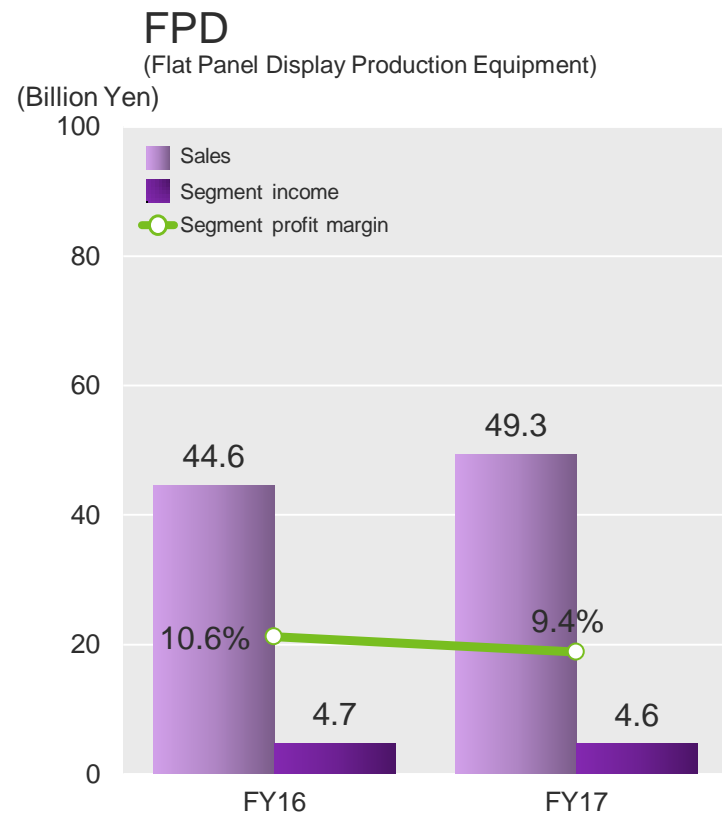
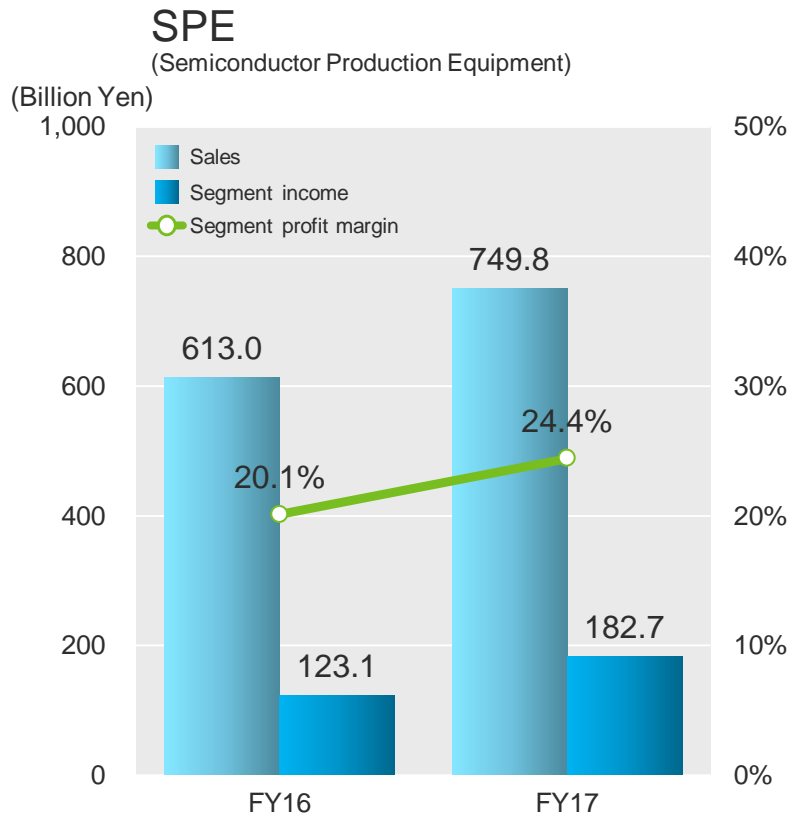
(Billion Yen)



Net sales	164.2	147.9	204.7	186.3	260.6
Operating income	30.0	22.0	37.9	34.1	61.5
Net income attributable to owners of parent	18.6	12.6	29.2	25.9	47.2
Gross profit margin	42.1%	38.7%	39.7%	39.1%	42.5%
Operating margin	18.3%	14.9%	18.5%	18.3%	23.6%

Record high quarterly operating margin 23.6%

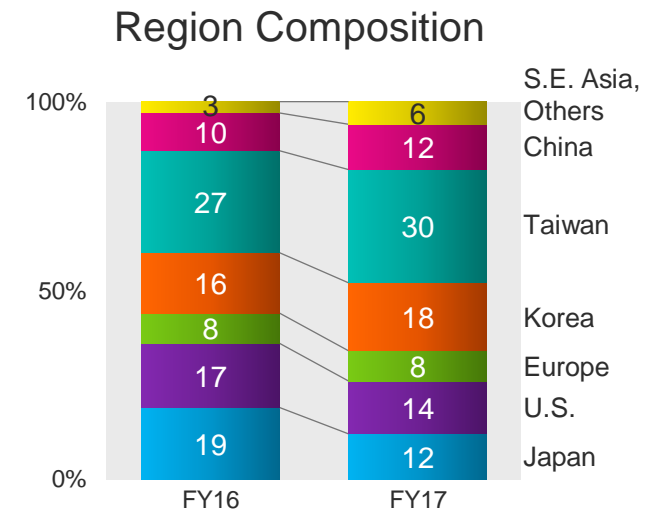
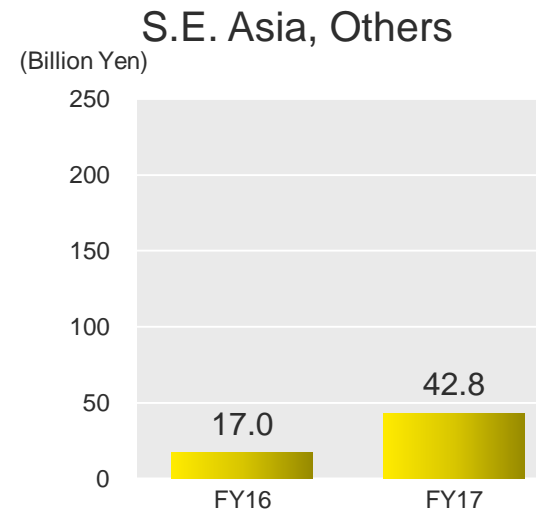
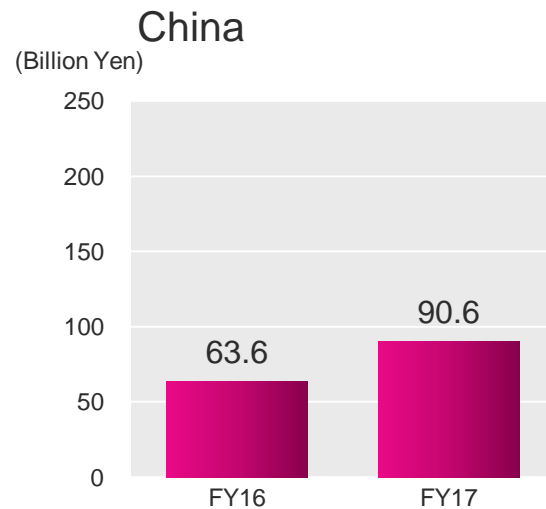
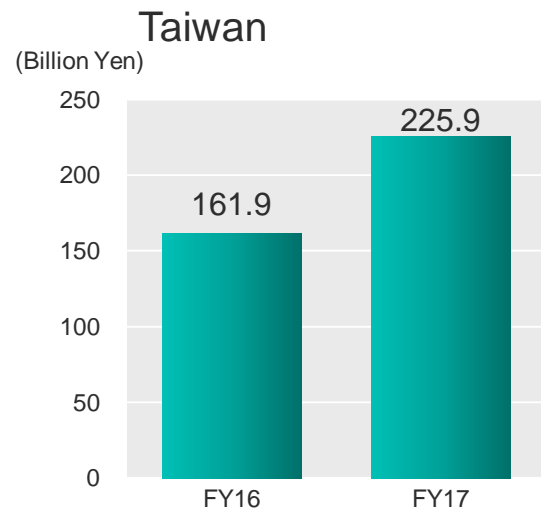
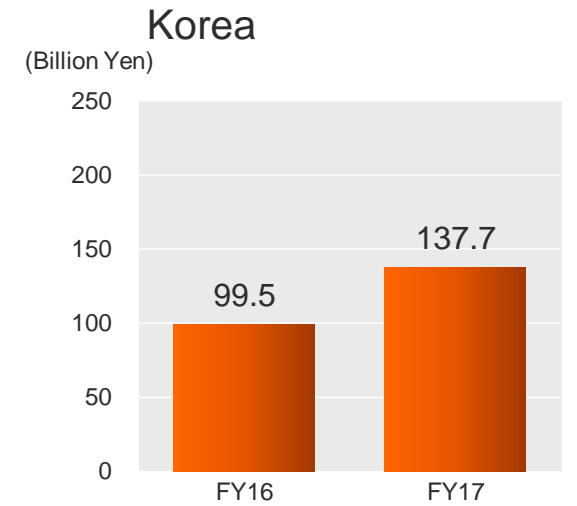
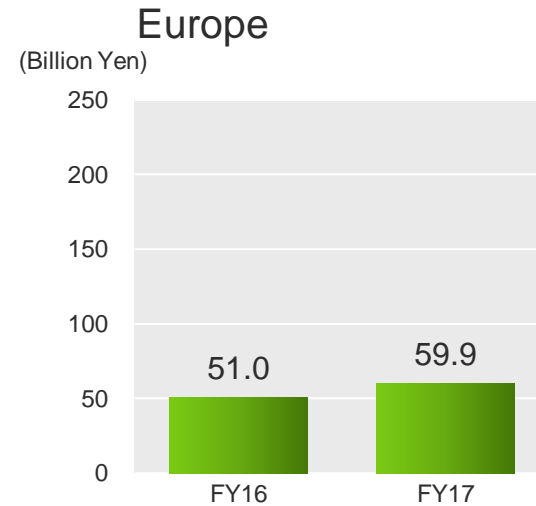
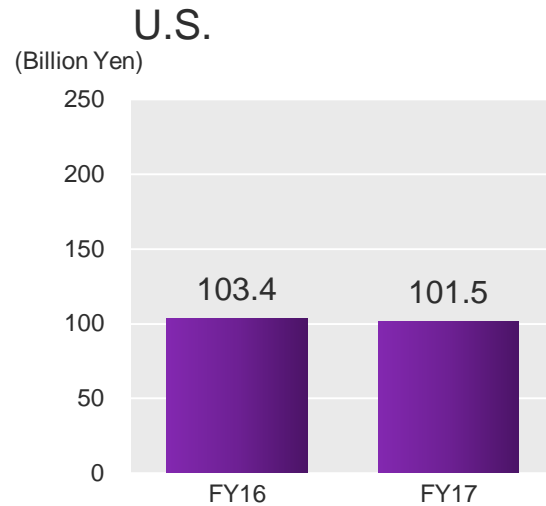
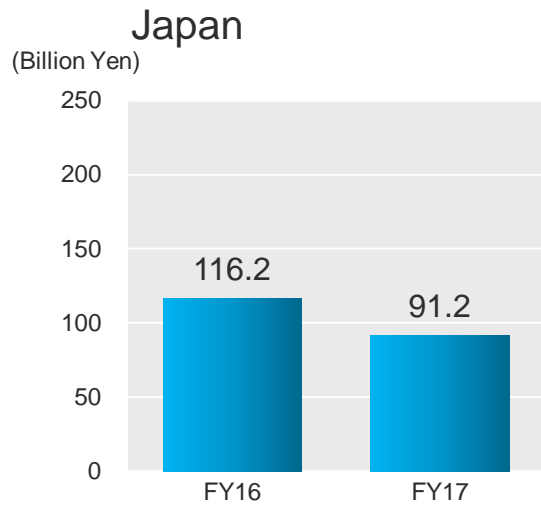
Segment Information



Record high SPE sales and segment profit margin on SAM expansion and higher TEL market share

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

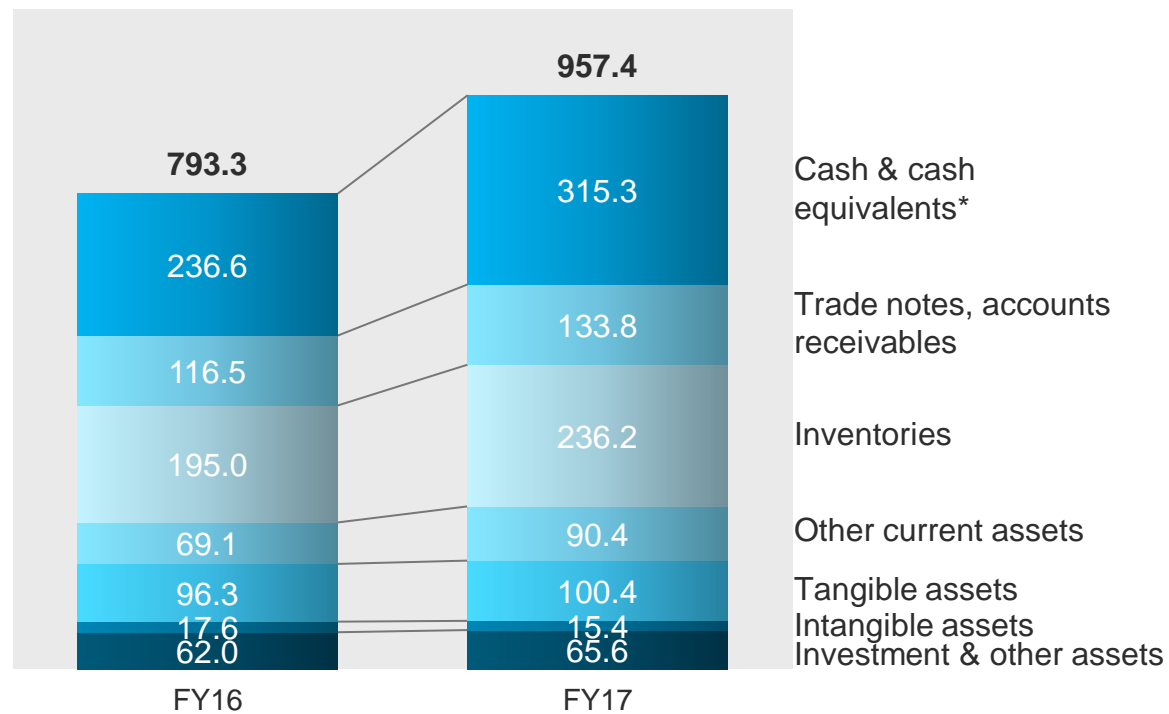
SPE Sales by Region



Balance Sheet

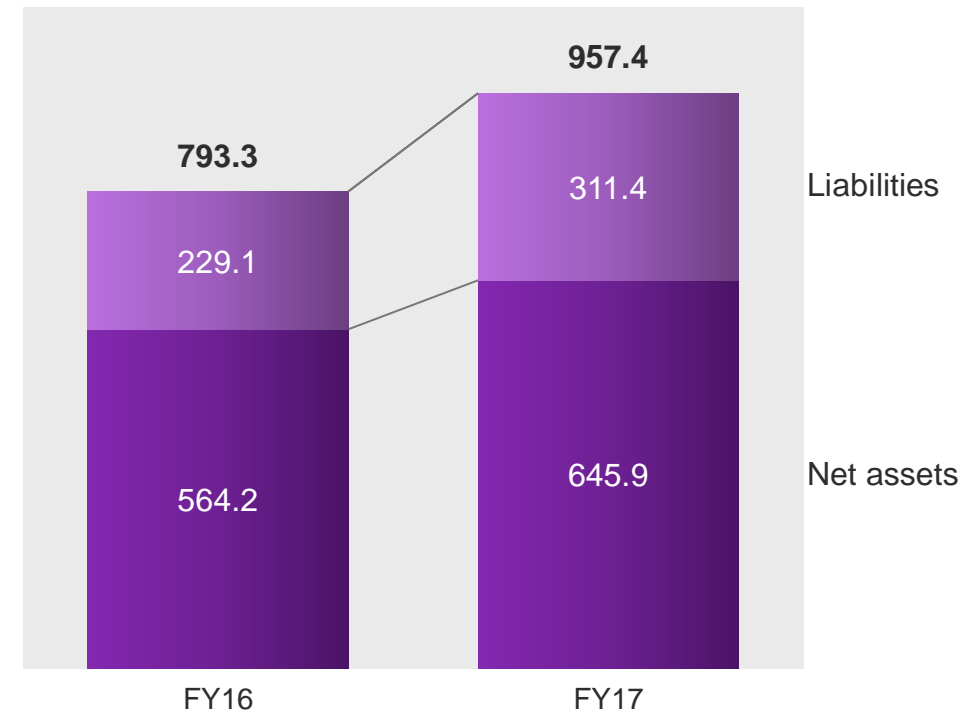
Assets

(Billion Yen)



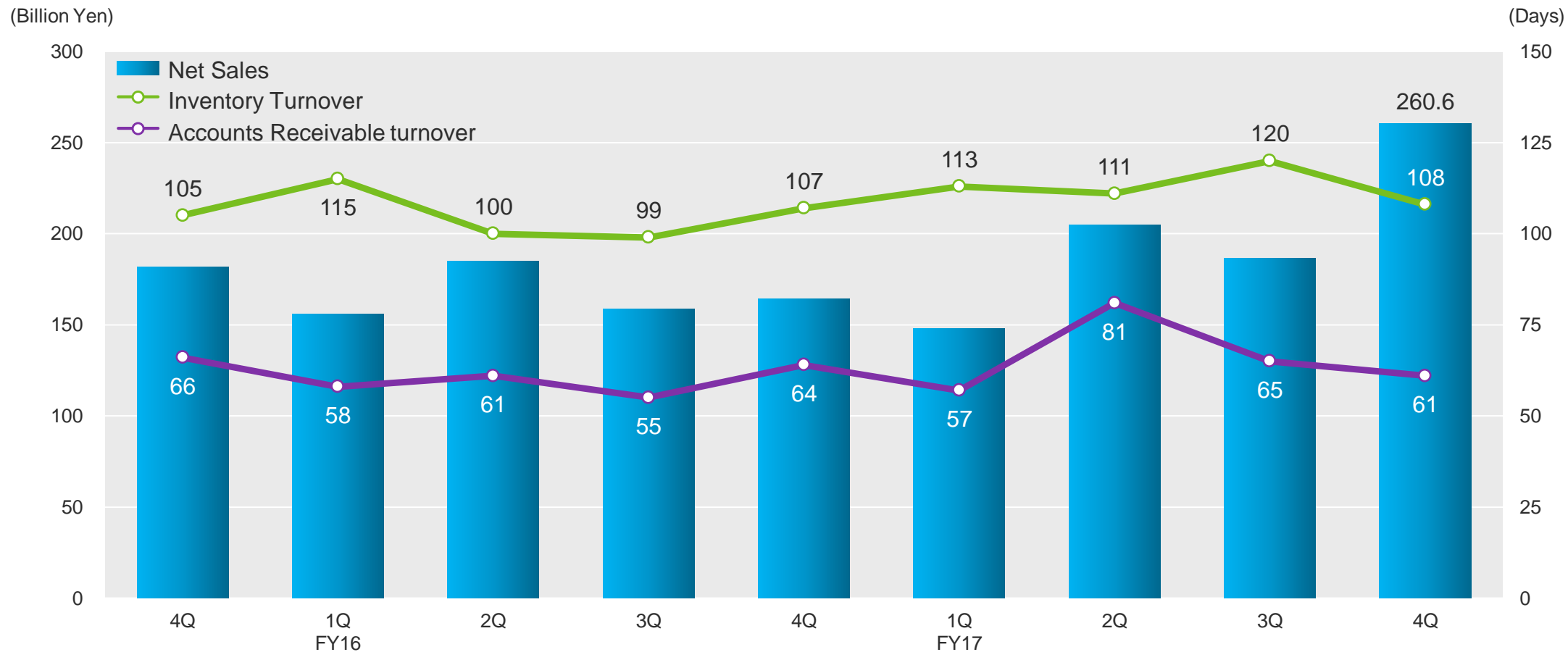
Liabilities & Net Assets

(Billion Yen)



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

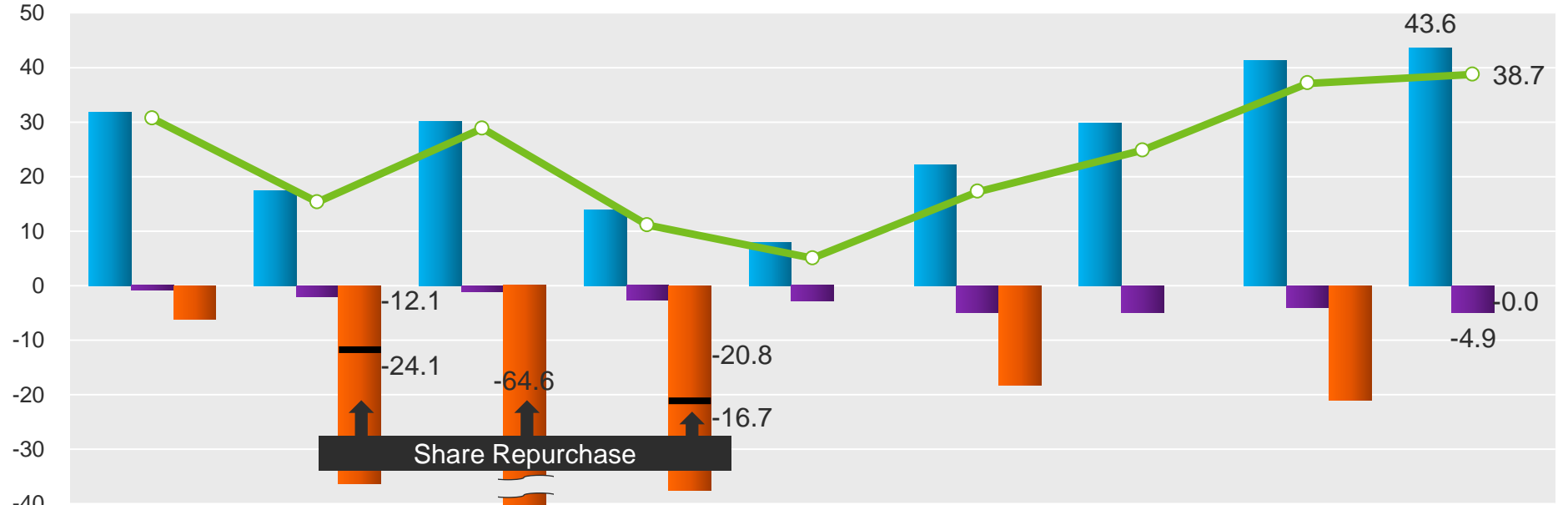
Inventory Turnover and Accounts Receivable Turnover



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

Cash Flow

(Billion Yen)



	4Q FY15	1Q FY16	2Q	3Q	4Q	1Q FY17	2Q	3Q	4Q
Cash flow from operating activities	31.7	17.3	30.1	13.8	7.9	22.1	29.8	41.3	43.6
Cash flow from investing activities*	-0.9	-2.0	-1.2	-2.7	-2.9	-4.9	-4.9	-4.1	-4.9
Cash flow from financing activities	-6.2	-36.3	-64.6	-37.5	0.0	-18.3	0.0	-21.0	-0.0
Free cash flow**	30.7	15.3	28.8	11.1	5.0	17.2	24.8	37.1	38.7
Cash on hand***	317.6	298.9	260.7	233.8	236.6	230.9	255.6	277.2	315.3

Cash flow from operating activities	31.7	17.3	30.1	13.8	7.9	22.1	29.8	41.3	43.6
Cash flow from investing activities*	-0.9	-2.0	-1.2	-2.7	-2.9	-4.9	-4.9	-4.1	-4.9
Cash flow from financing activities	-6.2	-36.3	-64.6	-37.5	0.0	-18.3	0.0	-21.0	-0.0
Free cash flow**	30.7	15.3	28.8	11.1	5.0	17.2	24.8	37.1	38.7
Cash on hand***	317.6	298.9	260.7	233.8	236.6	230.9	255.6	277.2	315.3

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

** 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.

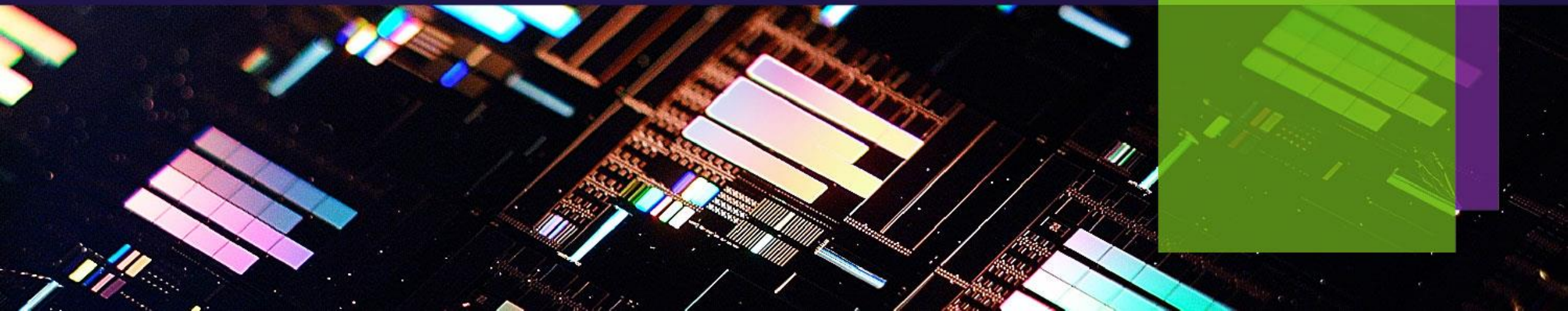
*** Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.



Business Highlights and Financial Estimates

April 28, 2017

Toshiki Kawai
Representative Director, President & CEO



FY2017 Business Highlights

- SAM has expanded and account for half of the total WFE* market
 - Higher demand in etching, deposition, and cleaning markets
- Conducted upfront investment based on market growth
 - Strengthened development of next generation technologies, responded to increased production
- Raised competitive strength of business and products
 - Grew share in SPE** focus areas (etching, thermal processing, cleaning)
 - FS*** business sales were ¥208.0B, up 12% YoY
 - Made progress with initiatives for improving profitability in FPD**** business

* WFE: Wafer Fab Equipment: The semiconductor production process can be divided into two sequential sub-processes: front-end (wafer fabrication) and back-end (assembly and test) production. WFE is used in the front-end production process. Front-end production equipment includes equipment for wafer level packaging.

SPE: Semiconductor Production Equipment, * Field Solutions, ****FPD: Flat Panel Display Production Equipment

FY2017 Product Highlights

- Etching system (23% share, +2pts YoY)
 - Sales up 13% YoY on growth in market and of share
 - Further adoption of TEL's products, primarily cutting-edge memory
 - DRAM : combined patterning step etching, interconnect formation, HARC* process
 - NAND : 3D NAND wordline isolation (slit) HARC process
- Thermal processing system (59% share, +5pts YoY)
 - Further adoption of TEL's batch systems in 3D NAND
 - Sales of semi-batch ALD system NT333™ doubled YoY
- Cleaning system (20% share, +2pts YoY)
 - Expanded adoption of TEL's single wafer, batch cleaning

*HARC (High Aspect Ratio Contact) process: A process for forming holes that requires advanced processing technology



Plasma Etch System
Tactras™



ALD system
NT333™



Single Wafer
Cleaning System
CELLESTA™ -i

FY2017 Product Highlights

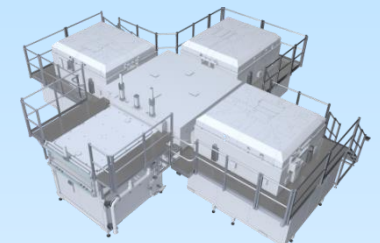
- Coater/Developer (90% share)
 - Maintained overwhelming competitive strength in both advanced logic and memory
 - Planned adoption of TEL products for all EUV* lithography equipment
- Test system
 - Grew sales for 3D NAND/FOWLP** (sales tripled YoY)
- FPD production equipment
 - Large growth in sales of new PICP^{TM***} etching system for small/medium panels
 - Introduced PICPTM etching system for large panels
 - Grew G10.5 business



Coater/Developer
CLEAN TRACK™ LITHIUS Pro™ Z



Multi-Cell Test System
Cellcia™



FPD Plasma Etch/Ash System
Impressio™

FY2018 Business Environment and Financial Estimates

WFE Market Outlook

Future growth drivers

PC, internet, mobile
+
VR/AR*, IoT, AI**,
machine learning, big data,
autonomous driving,
personalized medicine

WFE market has grown to
\$40B
and is continuing to grow

Expand investment in both
advanced logic and memory

Equipment market will move to the next stage amid expanding applications for semiconductors

*VR/AR: Virtual reality/Augmented reality **AI: Artificial intelligence

Business Environment (Outlook as of Apr. 2017)

▶ SPE Capex

CY2017 WFE capex forecast to increase by around 10% YoY driven by investment in next generation 3D NAND and advanced logic

▶ FPD Capex

CY2017 demand for TFT Array Process** FPD equipment forecast to increase 30% YoY on continued capex for small/medium panels for mobile devices and G10.5 ramp-up

Accelerating growth in the equipment market on active investment in IoT and next generation technologies

** TFT Array Process: Process for manufacturing substrate that realizes display images

CY2017 Market Growth and Business Opportunities by Application

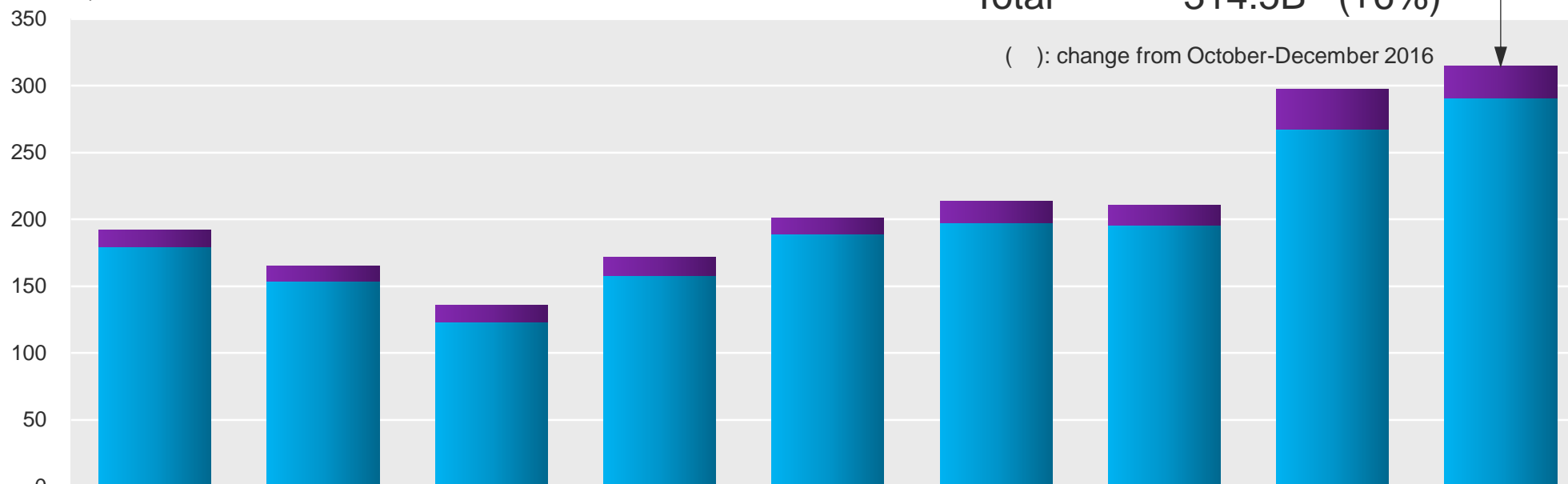
- **NAND: Market growth of 25-30% YoY forecast**
 - Driving force: Demand for SSD for data centers
 - Capex: 6X/7X generations to comprise 80%, expect 700k/month capacity of 3D NAND by end 2017
 - Opportunity: Market growth and share expansion, focus on increasing our position across 9X to 12X
- **DRAM: Increase of 5-10%**
 - Driving force: YoY 1GB increase in average mobile device capacity, 30% increase in server capacity
 - Capex: Capex for 1Xnm generation to comprise over 60%
 - Opportunity: Differentiation through combined patterning and our strength in interconnect formation
- **Logic/Foundry: Same level forecast**
 - Driving force: Demand for higher performance, lower power consumption
 - Capex: Leading-edge 10/7nm generation to comprise 70%
 - Opportunity: Business expansion in more complex patterning processes

Quarterly Orders, Order Backlog

January – March 2017

SPE	290.4B	(+9%)
FPD	24.1B	(-21%)
Total	314.5B	(+6%)

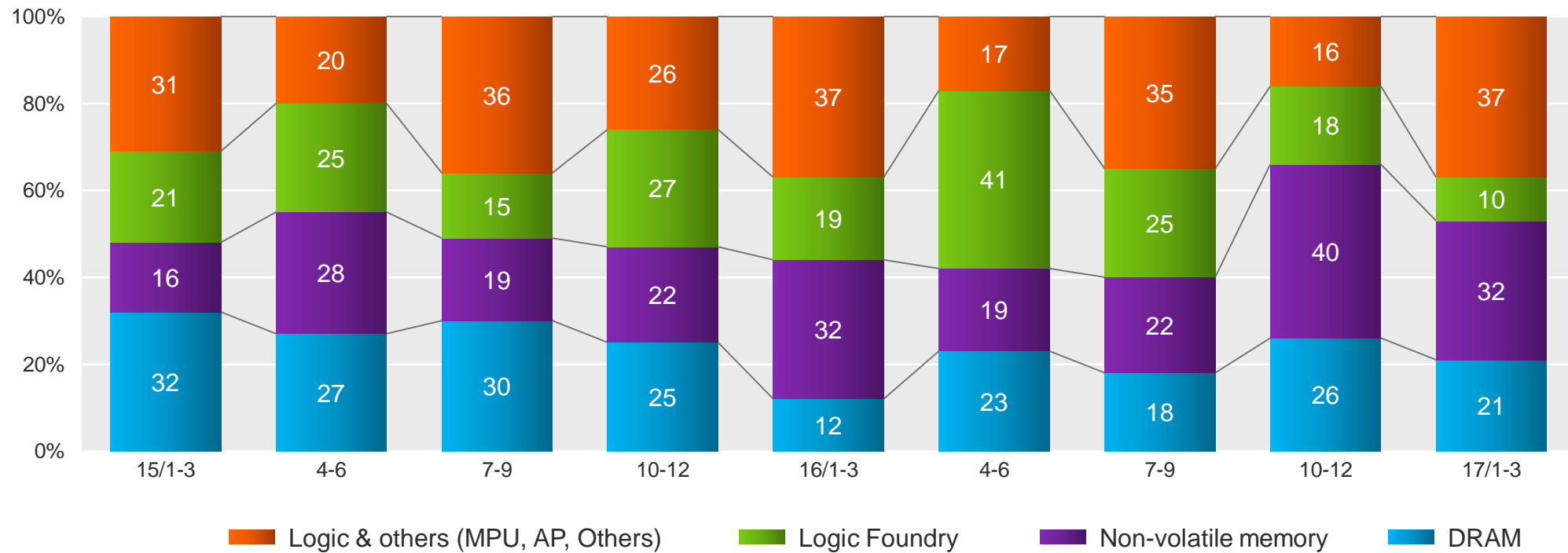
(Billion Yen)



	15/1-3	4-6	7-9	10-12	16/1-3	4-6	7-9	10-12	17/1-3
SPE Orders	179.2	153.4	122.8	157.9	188.6	197.4	195.6	267.1	290.4
FPD Orders	12.6	11.8	12.5	13.9	12.2	15.9	15.0	30.4	24.1
SPE Order backlog	253.3	266.4	212.6	224.1	263.2	329.9	329.4	417.2	464.1
FPD Order backlog	31.6	33.3	37.6	39.9	37.4	36.3	42.9	66.5	73.6

1Q/CY2017 saw new record high orders for second consecutive quarter

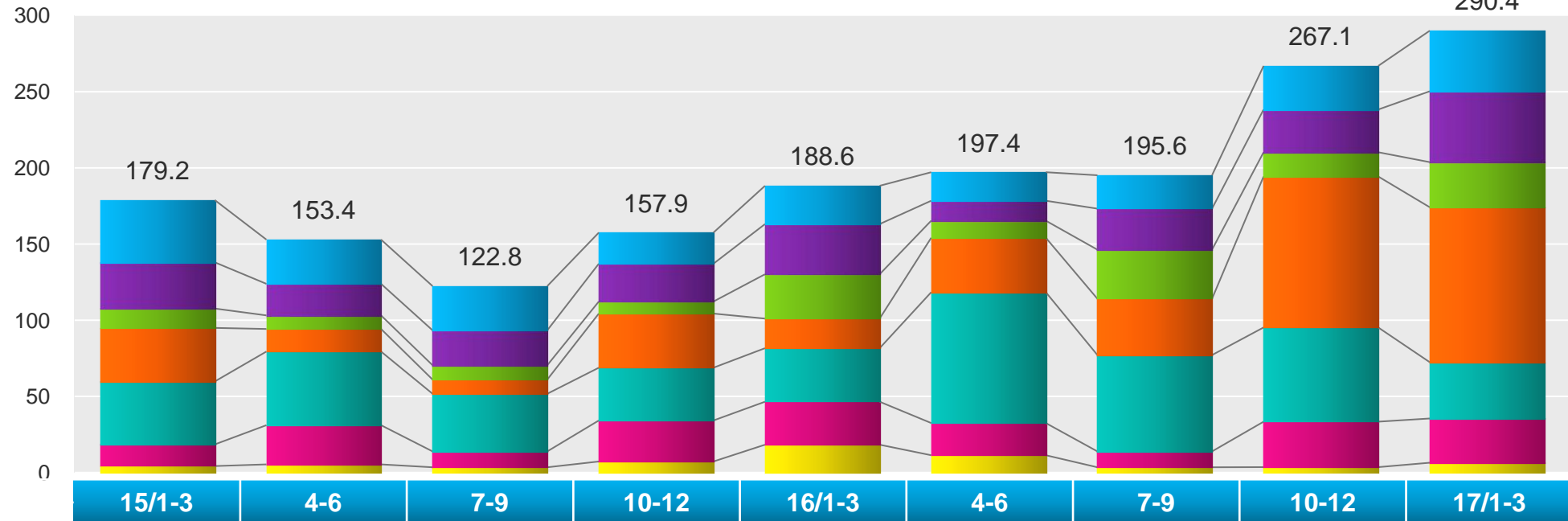
Composition of SPE Orders by Application: Equipment Only



Logic grew in Europe, the US and South Korea

SPE Orders by Region

(Billion Yen)



	15/1-3	4-6	7-9	10-12	16/1-3	4-6	7-9	10-12	17/1-3
Japan	40.8	29.0	29.0	20.4	25.1	18.7	21.9	28.6	39.7
U.S.	30.3	20.7	22.9	24.8	32.9	13.1	26.9	28.0	46.5
Europe	12.7	8.9	9.4	7.9	29.1	11.2	32.2	15.9	29.6
Korea	35.1	14.8	9.3	35.5	19.4	35.7	36.9	99.0	101.6
Taiwan	41.3	48.3	37.8	34.6	35.1	85.8	63.2	61.8	36.9
China	14.2	25.7	10.4	26.9	28.2	21.1	10.4	29.8	29.0
S.E. Asia, Others	4.5	5.6	3.7	7.5	18.5	11.6	3.7	3.8	6.7

In 1Q/CY2017 memory grew in Japan and logic in Europe and the US

FY2018 Financial Estimates

FY2018 Financial Estimates

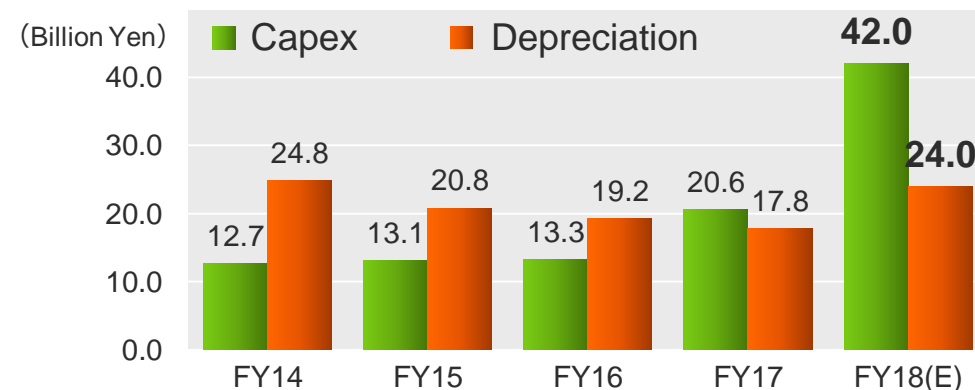
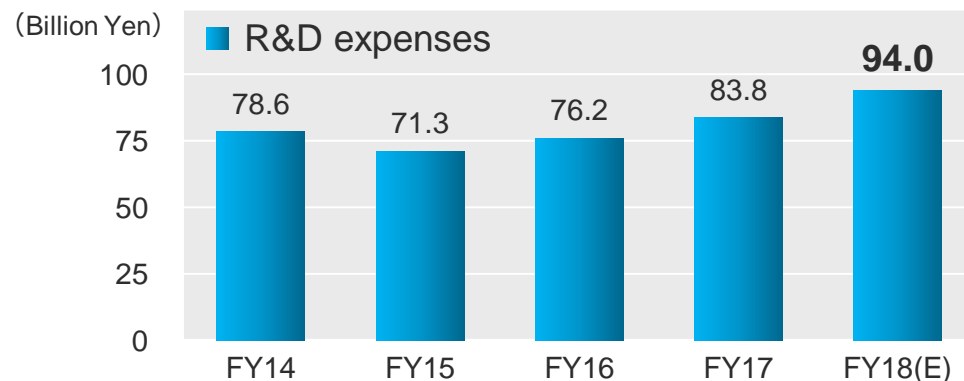
(Billion Yen)

	FY2017 (Actual)	FY2018 (Estimates)			
		1 st half	2 nd half	Full year	Full year YoY change
Net sales	799.7	480.0	500.0	980.0	+22.5%
SPE	749.8	451.0	459.0	910.0	+21.4%
FPD	49.3	29.0	41.0	70.0	+41.7%
Gross profit	322.2	202.0	210.0	412.0	+89.7
Gross profit margin	40.3%	42.1%	42.0%	42.0%	+1.7pts
SG&A expenses	166.5	98.0	98.0	196.0	+29.4
Operating income	155.6	104.0	112.0	216.0	+60.3
Operating margin	19.5%	21.7%	22.4%	22.0%	+2.5pts
Income before income taxes	149.1	104.0	112.0	216.0	+66.8
Net income attributable to owners of parent	115.2	79.0	84.0	163.0	+47.7
Net income per share (Yen)	702.26	481.48	511.96	993.44	+291.18

**Expect sales growth to exceed market growth,
generating record high profits for second consecutive year**

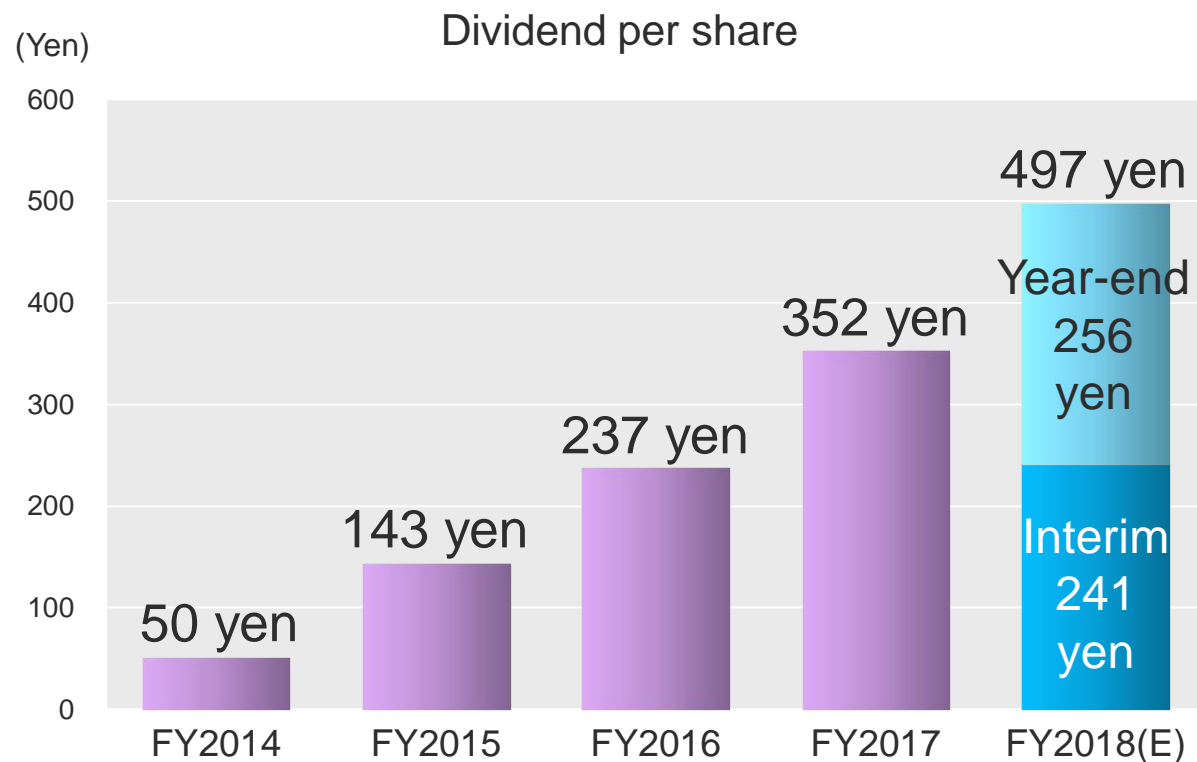
R&D Expenses, Capex Plan

- Net sales ¥980.0B (+¥180.2B YoY)
 - Higher demand for advanced logic (10/7nm generation), next generation 3D NAND and DRAM
- R&D Expenses ¥94.0B (+¥10.1B YoY)
 - Continue investing based on focus areas and sustainable growth
- Capex ¥42.0B (+ ¥21.3B YoY)
 - Actively invest in advanced technologies R&D and to meet increasing production



Plan to conduct proactive upfront investment towards a new phase in the equipment market

FY2018 Dividend Forecast



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 more than 40% YoY

Initiatives to Promote Dialogue Over the Medium- to Long-term

- Review of disclosure items
 - Cease to disclose orders results (from 1Q FY2018)
- Reasons for review
 - To raise emphasis on dialogue about raising TEL's fundamental corporate value, such as medium- to long-term growth strategy
 - To reduce short-term share price volatility and promote appropriate evaluation of corporate value

Promote dialogue for sustainable growth and appropriate corporate value creation

Appendix

Financial Summary

(Billion Yen)

	FY2016	FY2017					YoY Change
	4Q	1Q	2Q	3Q	4Q		
Net sales	164.2	147.9	204.7	186.3	260.6	+58.7%	
SPE	149.5	130.7	196.2	179.3	243.5	+62.9%	
FPD	14.6	17.0	8.4	6.8	17.0	+15.9%	
Others	0.0	0.1	0.1	0.1	0.1	---	
Gross profit	69.1	57.3	81.3	72.9	110.6	+60.1%	
Gross profit margin	42.1%	38.7%	39.7%	39.1%	42.5%	+0.4pts	
SG&A expenses	39.1	35.2	43.4	38.7	49.1	+25.7%	
Operating income	30.0	22.0	37.9	34.1	61.5	+105.0%	
Operating margin	18.3%	14.9%	18.5%	18.3%	23.6%	+5.3pts	
Income before income taxes	23.8	16.1	38.2	33.2	61.4	+158.2%	
Net income attributable to owners of parent	18.6	12.6	29.2	25.9	47.2	+153.5%	
R&D expenses	20.3	17.7	22.0	19.1	24.8	+22.0%	
Capital expenditures	5.6	3.8	5.5	4.1	7.1	+26.4%	
Depreciation and amortization	4.9	3.9	4.2	4.5	5.0	+2.3%	

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.

Segment Information

SPE

(Semiconductor Production Equipment)

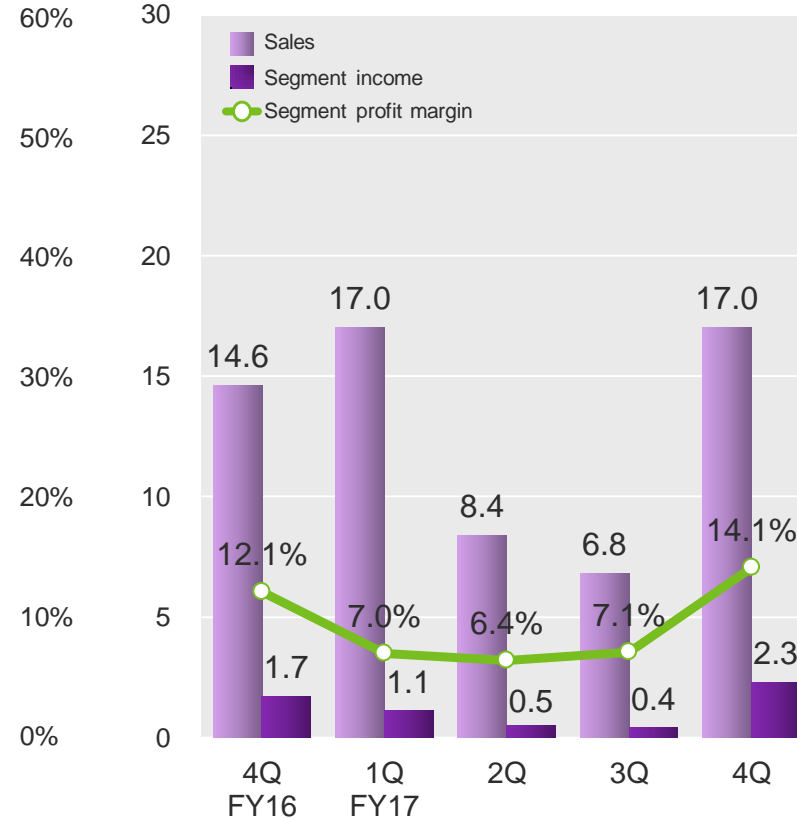
(Billion Yen)



FPD

(Flat Panel Display Production Equipment)

(Billion Yen)

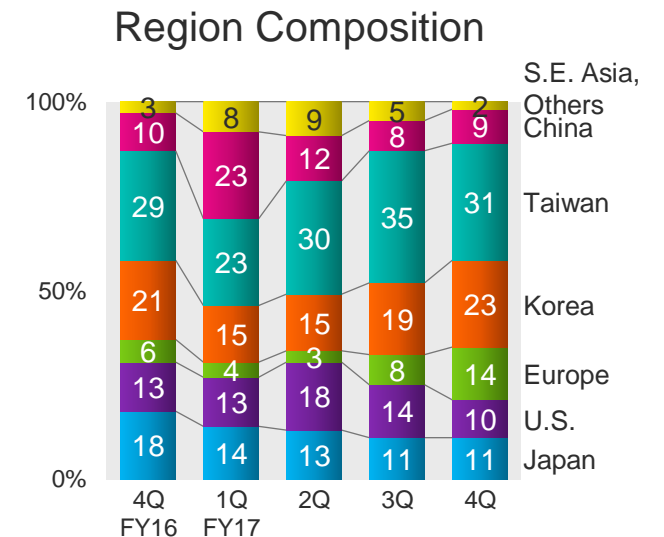
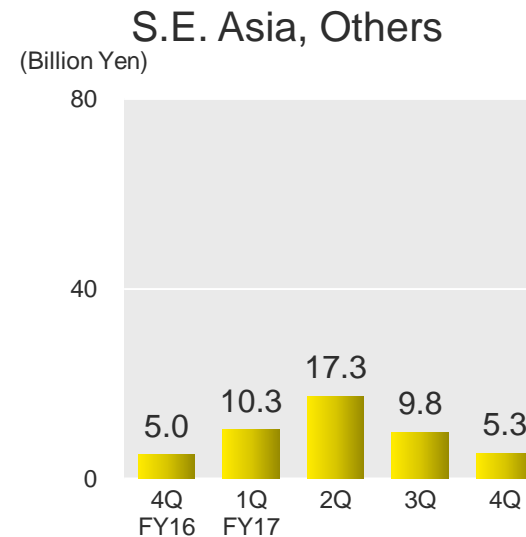
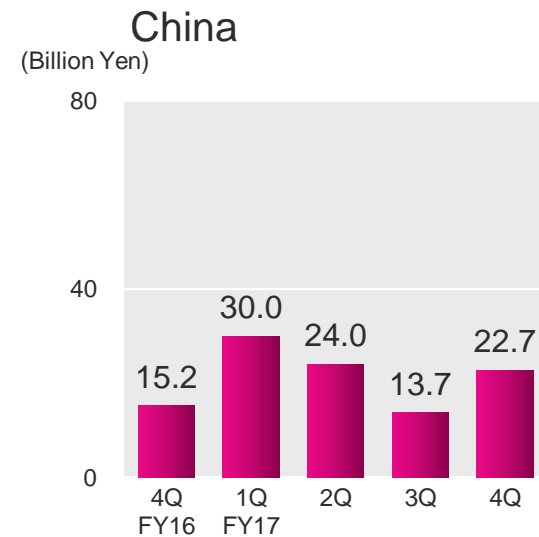
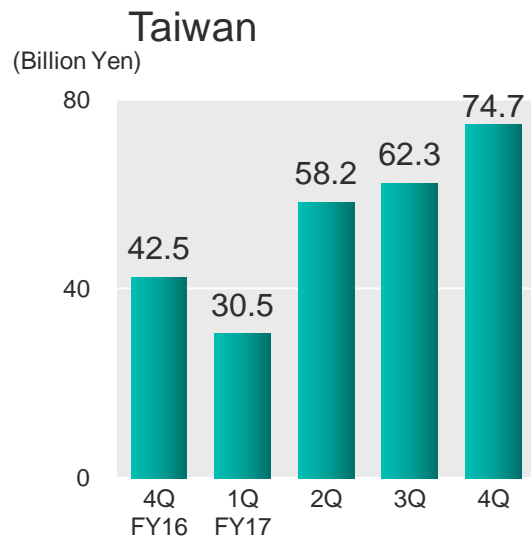
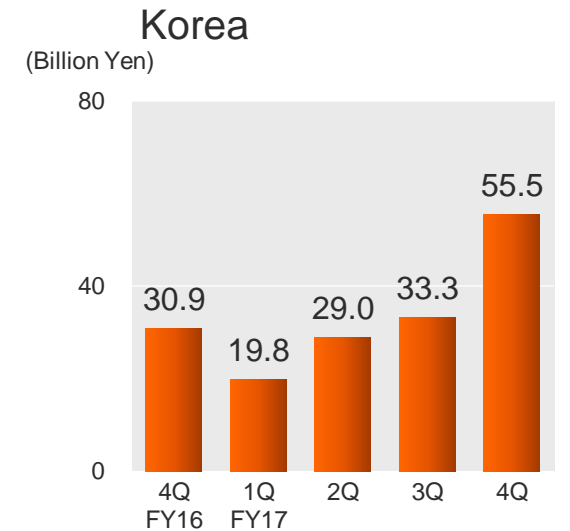
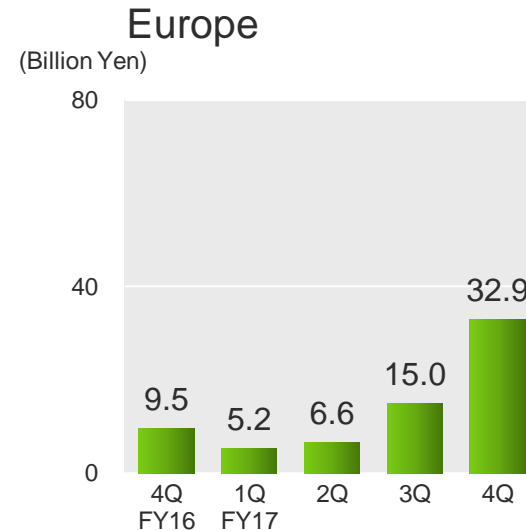
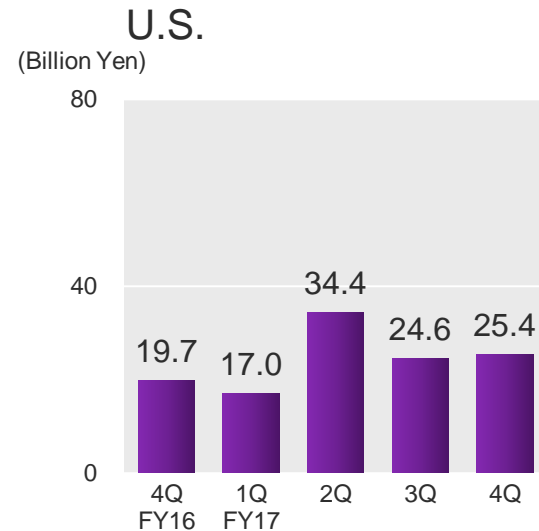
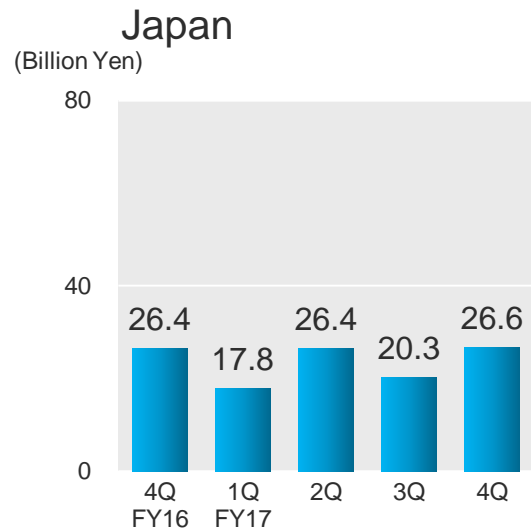


Composition of Net Sales



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2. R&D expenses such as fundamental research and element research are not included in above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

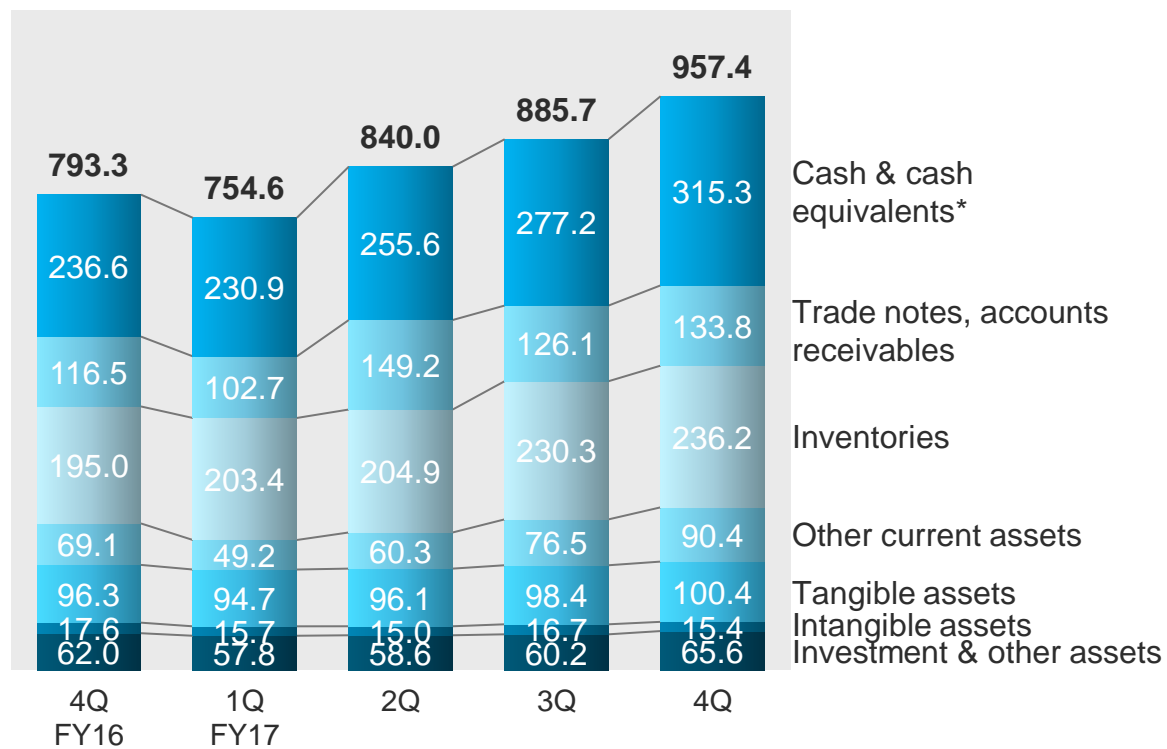
SPE Sales by Region



Balance Sheet

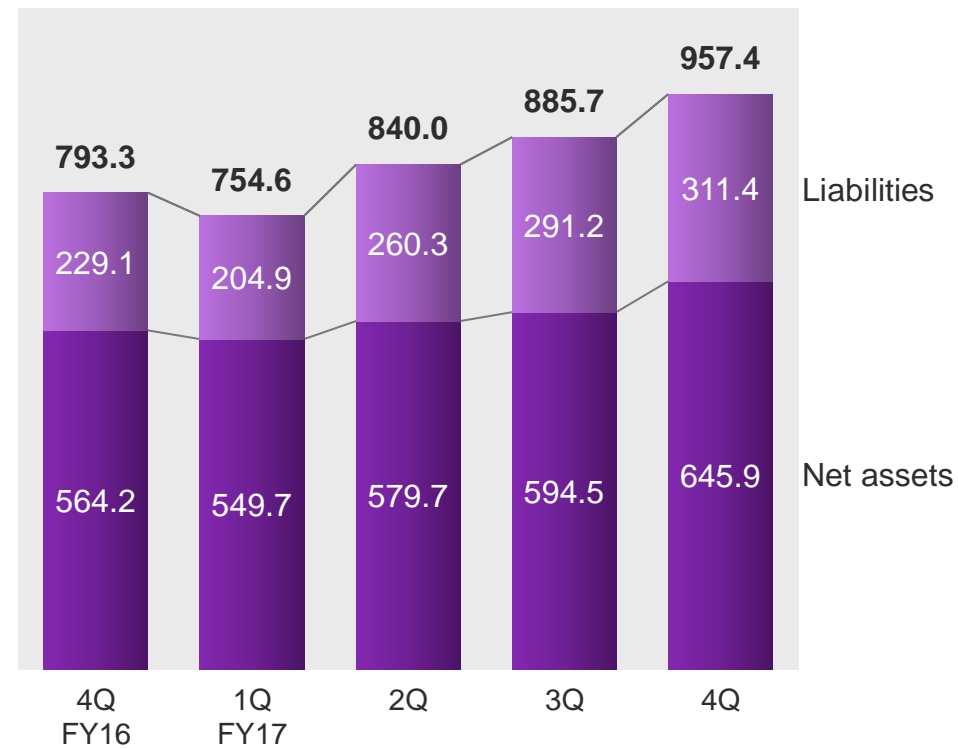
Assets

(Billion Yen)



Liabilities & Net Assets

(Billion Yen)



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

Number of Employees

(Person)

		FY2016	FY2017
	Japan	7,060	7,288
	U.S.	1,586	1,655
	Europe	435	448
	Asia	1,548	1,850
Total		10,629	11,241

Adjustment to Share Results due to Product Recategorization (etching system, cleaning system)

Before
adjustment

Market share	CY2014	CY2015	CY2016
Etching system	26%	19%	21%
Cleaning system (Including dry cleaning systems)	24%	23%	25%



After
adjustment

Market share	CY2014	CY2015	CY2016
Etching system (Including dry cleaning systems)	28%	21%	23%
Cleaning system	19%	18%	20%

- From CY2016 dry cleaning systems have been recategorized under etching system, and actual shares for etching system and cleaning system for CY2014, CY2015 and CY2016 have been adjusted to reflect this.

- 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 panel 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