



Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2019 (Japanese GAAP)

July 26, 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 Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (Cumulative)

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

	Three months ended			
	June 30, 2018		June 30, 2019	
		%		%
Net sales (Millions of yen)	295,569	25.0	216,421	(26.8)
Operating income (Millions of yen)	72,418	32.2	42,552	(41.2)
Ordinary income (Millions of yen)	75,212	36.4	44,591	(40.7)
Net income attributable to owners of parent (Millions of yen)	55,741	35.1	31,894	(42.8)
Net income per share of common stock (Yen):				
Basic	339.65		195.68	
Diluted	338.34		194.72	
Comprehensive income:	Three months ended June 30, 2019 : 27,071 million yen, (50.0)%			
	Three months ended June 30, 2018 : 54,152 million yen, 22.9%			

(2) Consolidated Financial Position

	As of	
	March 31, 2019	June 30, 2019
Total assets (Millions of yen)	1,257,627	1,149,391
Total net assets (Millions of yen)	888,117	819,354
Equity ratio (%)	70.0	70.3
Equity:	807,956 million yen (as of June 30, 2019)	
	880,748 million yen (as of March 31, 2019)	

2. Dividends

	Year ended	Year ending
	March 31, 2019	March 31, 2020 (Forecast)
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	413.00	193.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	345.00	309.00
Annual dividends per share (Yen)	758.00	502.00

Note: Revision to the dividends forecast most recently announced: None

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, and those for six months ending September 30, 2019 indicate changes from the same period of the previous fiscal year.

	Six months ending		Year ending	
	September 30, 2019		March 31, 2020	
	(Cumulative)			
		%		%
Net sales (Millions of yen)	490,000	(29.1)	1,100,000	(13.9)
Operating income (Millions of yen)	85,000	(51.5)	220,000	(29.2)
Ordinary income (Millions of yen)	85,000	(53.1)	220,000	(31.6)
Net income attributable to owners of parent (Millions of yen)	63,000	(53.4)	164,000	(33.9)
Net income per share (Yen)	388.83		1,015.21	

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 June 30, 2019 : 165,210,911 shares

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

2. Number of shares of treasury stock

As of June 30, 2019 : 4,151,346 shares

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

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

Three months ended June 30, 2019: 162,993,433 shares

Three months ended June 30, 2018: 164,113,708 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". (249,626 shares as of June 30, 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 July 26, 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

During the first quarter of the current fiscal year, growth of the global economy was sluggish with signs of weakness in China and other parts of Asia, moderated by continued strong growth in the U.S. economy and a trend toward recovery in Europe.

In the electronics industry, where the Tokyo Electron (TEL) Group operates, the market has entered an adjustment phase due to factors such as a slowdown in capital investment in data centers and slowing demand for smartphones. However, further market expansion in the medium to long term is expected due to new technologies such as IoT, artificial intelligence (AI) and the next-generation communication standard (5G).

Under these circumstances, the consolidated financial results (cumulative) for the first quarter of the current fiscal year were net sales of 216,421 million yen (year-on-year decrease of 26.8%), operating income of 42,552 million yen (year-on-year decrease of 41.2%), ordinary income of 44,591 million yen (year-on-year decrease of 40.7%) and net income attributable to owners of parent of 31,894 million yen (year-on-year decrease of 42.8%).

The overview of each business segment is as described below.

(i) Semiconductor Production Equipment

Although the capital investment growth trend in logic semiconductors to support next generation technology remains intact, capital investment in DRAM and 3D NAND flash memory has entered a temporary adjustment phase as memory manufacturers review their capital investment plans due to a slowdown in demand for data centers. However, capital investment is expected to recover as the balance between supply and demand improves going forward. Consequently, net sales to external customers in this segment for the first quarter of the current fiscal year were 198,137 million yen (year-on-year decrease of 29.3%).

(ii) Flat Panel Display (FPD) Production Equipment

There are signs of adjustment of investment in capital investment for small to medium-sized OLED panels for smartphones, and capital investment for large-sized LCD panels for televisions is also slowing down, but it is expected that demand will recover beginning in the second half of the year. Consequently, net sales to external customers in this segment for the first quarter of the current fiscal year were 18,229 million yen (year-on-year growth of 20.6%).

(iii) Other

Net sales to external customers in this segment for the first quarter of the current fiscal year were 54 million yen (year-on-year decrease of 0.9%).

(For reference)

Consolidated Operating Results						(Millions of yen)
	FY 2019					FY 2020
	Full Year	1Q	2Q	3Q	4Q	1Q
Net Sales	1,278,240	295,569	395,465	268,169	319,036	216,421
Semiconductor Production Equipment	1,166,781	280,400	358,057	239,525	288,798	198,137
Japan	206,035	51,146	58,048	54,095	42,743	32,534
North America	131,931	28,496	45,910	22,767	34,757	28,550
Europe	93,113	17,755	31,345	18,613	25,398	20,270
South Korea	305,422	88,986	86,558	60,960	68,917	36,903
Taiwan	162,922	26,315	48,057	29,384	59,165	48,333
China	206,914	54,964	71,306	38,099	42,544	27,090
Southeast Asia	60,440	12,734	16,830	15,604	15,271	4,454
FPD Production Equipment	111,261	15,113	37,354	28,598	30,195	18,229
Other	197	55	53	46	42	54
Operating Income	310,571	72,418	103,000	58,735	76,416	42,552
Ordinary Income	321,662	75,212	106,034	60,660	79,754	44,591
Net Income Attributable to Owners of Parent	248,228	55,741	79,553	48,831	64,101	31,894

Note: Intersegment sales or transfers are eliminated.

(2) Description of Financial Conditions

(i) Financial Conditions

Current assets at the end of the first quarter of the current fiscal year were 871,320 million yen, a decrease of 111,576 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 94,000 million yen in short-term investments included in securities, a decrease of 50,612 million yen in trade notes and accounts receivable, and an increase of 42,251 million yen in cash and deposits.

Tangible fixed assets increased by 1,877 million yen from the end of the previous fiscal year, to 151,946 million yen.

Intangible fixed assets decreased by 203 million yen from the end of the previous fiscal year, to 8,851 million yen.

Investments and other assets increased by 1,665 million yen from the end of the previous fiscal year, to 117,273 million yen.

As a result, total assets decreased by 108,236 million yen from the end of the previous fiscal year, to 1,149,391 million yen.

Current liabilities decreased by 39,641 million yen from the end of the previous fiscal year, to 265,240 million yen.

This was largely due to a decrease of 40,963 million yen in income taxes payable, a decrease of 24,153 million yen in accrued employees' bonuses, and an increase of 27,480 million yen in customer advances.

Long-term liabilities increased by 167 million yen from the end of the previous fiscal year, to 64,795 million yen.

Net assets decreased by 68,762 million yen from the end of the previous fiscal year, to 819,354 million yen. This was largely due to an increase of 31,894 million yen in net income attributable to owners of parent, a decrease resulting from the payment of 56,651 million yen in year-end dividends for the previous fiscal year, and a decrease of 43,253 million yen resulting from the purchase of treasury stock. As a result, the equity ratio was 70.3%.

(ii) Cash Flows

Cash and cash equivalents at the end of the first quarter of the current fiscal year increased by 23,251 million yen compared to the end of the previous fiscal year, to 255,886 million yen. The combined balance including 85,000 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 340,886 million yen, a decrease of 51,748 million yen from the end of the previous fiscal year. The overall situation regarding cash flows during the first quarter of the current fiscal year was as described below.

Cash flows from operating activities were positive 59,466 million yen, an increase of 7,996 million yen compared to the same period of the previous fiscal year. The major positive factors were a 48,762 million yen decrease in trade notes and accounts receivable, 44,572 million yen in income before income taxes, a 35,451 million yen decrease in prepaid consumption tax, and a 27,746 million yen increase in customer advances. The major negative factors were 52,064 million yen in payment of income taxes, a 29,534 million yen increase in inventories, and a 23,961 million yen decrease in accrued employees' bonuses.

Cash flows from investing activities were positive 66,452 million yen compared to negative 21,153 million yen in the same period of the previous fiscal year. This was largely due to an inflow of 75,000 million yen from a decrease in time deposits and short-term investments and the payment of 8,088 million yen for the purchase of fixed assets.

Cash flows from financing activities were negative 99,994 million yen compared to negative 56,948 million yen in the same period of the previous fiscal year. This was largely due to the payment of 56,651 million yen in dividends and 43,253 million yen for the purchase of treasury stock.

Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash flows from operating activities	51,470	59,466
Income before income taxes	75,205	44,572
Depreciation and amortization	5,078	6,081
Decrease (increase) in trade notes and accounts receivable	8,403	48,762
Decrease (increase) in inventories	(37,454)	(29,534)
Increase (decrease) in trade notes and accounts payable	(7,929)	945
Other, net	8,166	(11,360)
Cash flows from investing activities	(21,153)	66,452
Decrease (increase) in time deposits and short-term investments	(9,000)	75,000
Other (Acquisition of fixed assets)	(12,153)	(8,547)
Cash flows from financing activities	(56,948)	(99,994)
Purchase of treasury stock	(0)	(43,253)
Other (Dividends paid)	(56,948)	(56,740)
Effect of exchange rate changes on cash and cash equivalents	(657)	(2,673)
Net increase (decrease) in cash and cash equivalents	(27,289)	23,251
Cash and cash equivalents at beginning of period	257,877	232,634
Cash and cash equivalents at end of period	230,588	255,886
Cash and cash equivalents, time deposits and short-term investments with maturities of more than three months	355,588	340,886

(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 April 26, 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 described in this Summary of Consolidated Financial Results.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
ASSETS		
Current assets		
Cash and deposits	177,634	219,886
Trade notes and accounts receivable	146,971	96,358
Securities	215,000	121,000
Merchandise and finished goods	234,102	256,718
Work in process	62,785	71,975
Raw materials and supplies	57,331	52,371
Others	89,156	53,123
Allowance for doubtful accounts	(84)	(112)
Total current assets	982,897	871,320
Long-term assets		
Tangible fixed assets	150,069	151,946
Intangible fixed assets		
Others	9,054	8,851
Total intangible fixed assets	9,054	8,851
Investments and other assets		
Others	117,033	118,688
Allowance for doubtful accounts	(1,426)	(1,415)
Total investments and other assets	115,607	117,273
Total long-term assets	274,730	278,070
Total assets	1,257,627	1,149,391

Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of June 30, 2019
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	75,448	75,058
Income taxes payable	57,671	16,707
Customer advances	77,247	104,728
Accrued warranty expenses	14,097	12,431
Other allowances	38,251	9,463
Others	42,166	46,850
Total current liabilities	304,882	265,240
Long-term liabilities		
Other allowances	932	119
Net defined benefit liabilities	60,600	60,503
Others	3,094	4,172
Total long-term liabilities	64,628	64,795
Total liabilities	369,510	330,036
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	748,827	724,075
Treasury stock, at cost	(11,821)	(55,039)
Total shareholders' equity	869,977	802,008
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	13,024	13,772
Net deferred gains (losses) on hedging instruments	(34)	77
Foreign currency translation adjustments	4,366	(2,041)
Accumulated remeasurements of defined benefit plans	(6,585)	(5,860)
Total accumulated other comprehensive income (loss)	10,770	5,947
Share subscription rights	7,368	11,398
Total net assets	888,117	819,354
Total liabilities and net assets	1,257,627	1,149,391

Consolidated Statements of Income

	(Millions of yen)	
	Three months ended	Three months ended
	June 30, 2018	June 30, 2019
Net sales	295,569	216,421
Cost of sales	173,085	126,537
Gross profit	122,483	89,884
Selling, general & administrative expenses		
Research and development expenses	26,131	25,692
Others	23,933	21,639
Total selling, general and administrative expenses	50,065	47,332
Operating income	72,418	42,552
Non-operating income		
Dividend income	346	434
Foreign exchange gain	1,891	1,043
Others	589	623
Total non-operating income	2,826	2,101
Non-operating expenses		
Maintenance and operation costs of closed facilities	12	-
Others	19	62
Total non-operating expenses	32	62
Ordinary income	75,212	44,591
Unusual or infrequent profit		
Gain on sales of fixed assets	0	0
Total unusual or infrequent profit	0	0
Unusual or infrequent loss		
Loss on disposal and sales of fixed assets	7	19
Total unusual or infrequent loss	7	19
Income before income taxes	75,205	44,572
Income taxes	19,463	12,677
Net income	55,741	31,894
Net income attributable to owners of parent	55,741	31,894

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended	Three months ended
	June 30, 2018	June 30, 2019
Net income	55,741	31,894
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(2,008)	749
Net deferred gains (losses) on hedging instruments	(347)	98
Foreign currency translation adjustments	243	(6,381)
Remeasurements of defined benefit plans	519	715
Share of other comprehensive income of associates accounted for using the equity method	2	(4)
Total other comprehensive income (loss)	(1,589)	(4,822)
Comprehensive income	54,152	27,071
(Breakdown)		
Comprehensive income attributable to owners of parent	54,152	27,071

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 43,217 million yen for the first quarter of the current fiscal year and resulted in 55,039 million yen at the end of the first quarter of the current fiscal year.

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. 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

Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(Millions of yen)

	Reportable Segments		Others *1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	198,137	18,229	4,436	220,803
Segment profit (loss)	46,483	3,500	235	50,218

	Adjustments *2	Consolidated *3
Net sales	(4,381)	216,421
Segment profit (loss)	(5,646)	44,572

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 (5,646) million yen mainly consists of research and development costs of (4,751) 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