

Summary of Consolidated Financial Results For The First Quarter Ended June 30, 2016 [Japanese GAAP]

July 28, 2016

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(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Highlights for the First Quarter Ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results (cumulative)

(% indicates changes from the same period of previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The First Quarter ended June 30, 2016	29,387	3.4	(62)	—	75	(86.8)	64	(82.4)
The First Quarter ended June 30, 2015	28,416	9.5	697	547.5	569	627.1	369	499.0

(Note) Comprehensive income: The First Quarter ended June 30, 2016 66 million yen [(81.4)%]
 The First Quarter ended June 30, 2015 359 million yen [689.1%]

	Basic net income per share	Diluted net income per share
	Yen	Yen
The First Quarter ended June 30, 2016	6.48	—
The First Quarter ended June 30, 2015	37.00	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	64,535	21,957	34.0
As of March 31, 2016	64,284	22,174	34.5

(Reference) Equity: As of June 30, 2016 21,954 million yen As of March 31, 2016 22,171 million yen

2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	30.00	—	30.00	60.00
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (Forecast)		30.00	—	30.00	60.00

(Note) Revision of dividends forecast: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the same period of previous fiscal year.)

	Net sales		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016 (cumulative)	58,300	2.0	300	(53.7)	210	(49.6)	20.95
Fiscal year ending March 31, 2017	123,000	4.4	1,700	4.4	1,130	22.1	112.76

(Note) Revision of financial forecasts: None

*Notes

- (1) Changes of significant subsidiaries during the period : None
- (2) Changes in accounting policies, accounting estimates, and restatements
 - 1) Changes due to revision of accounting standards : Yes
 - 2) Changes in accounting standards other than 1) : None
 - 3) Changes in accounting estimates : None
 - 4) Restatements : None

(Note) For details, please refer to “Issues on Summary Information (Notes)” on page 3 of the Appendix.

- (3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding at the end of the period (including treasury stock):

June 30, 2016	10,445,500 shares
March 31, 2016	10,445,500 shares

- 2) Number of shares of treasury stock at the end of the period:

June 30, 2016	403,719 shares
March 31, 2016	423,819 shares

- 3) Average number of shares outstanding during the period:

The First Quarter ended June 30, 2016	10,030,848 shares
The First Quarter ended June 30, 2015	9,978,939 shares

(Note) The Company has adopted the Directors’ Compensation BIP (Board Incentive Plan) Trust and the Employee Shareholding Association ESOP (Employee Stock Ownership Plan) Trust, and has included the number of the Company’s shares held by both Trusts accordingly in the number of shares of treasury stock.

* Notification of the status of the quarterly review procedures

This quarterly financial report is exempt from the quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this report, review procedures for the quarterly consolidated financial statements have not been completed.

* Explanation of the appropriate use of finance forecasts and other special notes

The financial forecasts and other estimates herein are based on currently available information and certain assumptions deemed reasonable at time of report issuance. The Company does not guarantee the achievement of these forecasts. Actual operating results may differ significantly from these forecasts due to various factors. For information concerning financial forecasts, please refer to “Explanation of Financial Estimates Information such as Consolidated Financial Forecasts” on page 3 of the Appendix.

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1. Qualitative Information on Financial Results for the Period

(1) Explanation of Operating Results

During the period, economic recovery stalled in Japan, as production trends and consumer sentiment remained at a standstill, despite signs of improvement in the employment and income environments. In addition, the market outlook remains more cautious due to the impact of the economic slowdown in China and certain emerging countries, and the effects of the sharp fluctuation in foreign exchange rate on the real economy. Consolidated financial results for the period were net sales of 29,387 million yen (a year-on-year increase of 3.4%). Despite this increase in net sales, the Company recorded operating loss of 62 million yen (operating income of 697 million yen in the same period of the previous fiscal year) due to factors including changes in the product mix in the Electronic Components Business. The Company recorded ordinary income of 75 million yen (a year-on-year decrease of 86.8%) thanks to factors including foreign exchange gains, and net income attributable to owners of parent of 64 million yen (a year-on-year decrease of 82.4%). Operating results report for each business segment is as follows.

(Electronic Components Business)

While the supply/demand balance for semiconductors in general remains in an adjustment phase, demand for semiconductors for industrial equipment and others, has been recovering moderately. Meanwhile, the yen appreciated to levels higher than those in the same period of the previous fiscal year, which has resulted in a persistently harsh business climate for exporting companies.

Under such circumstances, net sales in this segment during the period were 25,649 million yen (a year-on-year increase of 5.8%) thanks to robust sales of products for storage and automotive equipment, despite the decrease in sales of custom ICs for industrial and communications equipment due to termination of the distributorship agreement with XILINX INC. On the other hand, ordinary loss in this segment was 8 million yen (ordinary income was 373 million yen in the same period of the previous fiscal year) due to changes in the product mix and the sharp fluctuations in foreign exchange rates.

(Computer Networks Business)

There has been enhanced motivation to invest in IT for the communications industry, with particular focus on virtualization technology in preparation for efficient network operations compatible with increasing data volume, in addition to risk countermeasures.

Under such circumstances, net sales in this segment during the period were 3,738 million yen (a year-on-year decrease of 10.6%) and ordinary income in this segment was 83 million yen (a year-on-year decrease of 57.3%), due to factors including a reactionary decline in equipment sales to government agencies, which had been strong in the same period of the previous fiscal year, despite brisk sales of equipment for enterprises.

(2) Explanation of Financial Position

Total assets as of the end of the first quarter of the current fiscal year amounted to 64,535 million yen, an increase of 251 million yen compared to the end of the previous fiscal year. This was primarily due to an increase in cash and deposits, despite a decrease in notes and accounts receivable - trade. Total liabilities amounted to 42,578 million yen, an increase of 467 million yen compared to the end of the previous fiscal year. This was primarily due to an increase in short-term loans payable. In addition, total net assets were 21,957 million yen, a decrease of 216 million yen compared to the end of the previous fiscal year. As a result, equity ratio declined by 0.5 percentage points from the end of the previous fiscal year to 34.0%.

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

As operating results for the period has been more or less as initially forecasted, and in light of trends going forward, there are no changes in the consolidated financial forecasts for the six months ending September 30, 2016 and the fiscal year ending March 31, 2017 from the previous forecast announced on April 26, 2016.

2. Issues on Summary Information (Notes)

(1) Changes of Significant Subsidiaries during the Period

None.

(2) Changes in Accounting Policies, Accounting Estimates, and Restatements

(Changes in Accounting Policies)

In conjunction with the revision of the Corporation Tax Act, the Company adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan [ASBJ] Practical Issues Task Force [PITF] No. 32, June 17, 2016), effective in the first quarter of the current fiscal year, and accordingly has changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change has no impact on the consolidated financial statements for the period.

(3) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), effective from the current period.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2016 (As of Mar. 31, 2016)	FY 2017 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	2,637	3,757
Notes and accounts receivable - trade	28,902	28,243
Electronically recorded monetary claims - operating	627	726
Merchandise and finished goods	21,527	21,503
Other	5,644	5,456
Total current assets	59,340	59,688
Non-current assets		
Property, plant and equipment	870	864
Intangible fixed assets	772	684
Investments and other assets		
Net defined benefit asset	177	187
Other	3,135	3,123
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	3,301	3,298
Total non-current assets	4,944	4,847
Total assets	64,284	64,535
Liabilities		
Current liabilities		
Accounts payable - trade	8,694	7,862
Short-term loans payable	10,680	11,993
Current portion of long-term loans payable	2,096	2,096
Provision for bonuses	712	221
Other	6,005	6,543
Total current liabilities	28,189	28,716
Non-current liabilities		
Long-term loans payable	6,288	6,264
Net defined benefit liability	7,080	7,050
Other	552	547
Total non-current liabilities	13,921	13,861
Total liabilities	42,110	42,578

(Millions of yen)

	FY 2016 (As of Mar. 31, 2016)	FY 2017 (As of Jun. 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,495	2,495
Capital surplus	5,645	5,645
Retained earnings	14,917	14,668
Treasury stock	(628)	(598)
Total shareholders' equity	22,430	22,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(18)
Deferred gains or losses on hedges	77	234
Foreign currency translation adjustment	215	52
Remeasurements of defined benefit plans	(542)	(525)
Total accumulated other comprehensive income	(258)	(256)
Non-controlling interests	2	2
Total net assets	22,174	21,957
Total liabilities and net assets	64,284	64,535

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Jun. 30, 2015)	FY 2017 (from Apr. 1, 2016 to Jun. 30, 2016)
Net sales	28,416	29,387
Cost of sales	24,350	26,168
Gross profit	4,065	3,218
Selling, general and administrative expenses		
Salaries and allowances	1,450	1,408
Provision for bonuses	292	212
Retirement benefit expenses	130	204
Other	1,494	1,455
Total selling, general and administrative expenses	3,368	3,281
Operating income (loss)	697	(62)
Non-operating income		
Insurance income	23	14
Foreign exchange gains	–	150
Other	8	12
Total non-operating income	32	176
Non-operating expenses		
Interest expenses	18	23
Foreign exchange losses	127	–
Other	14	15
Total non-operating expenses	160	39
Ordinary income	569	75
Extraordinary income		
Gain on sales of golf memberships	–	0
Gain on sales of investments in capital of subsidiaries and associates	8	–
Total extraordinary income	8	0
Extraordinary losses		
Loss on retirement of non-current assets	2	1
Loss on sales of investment securities	9	–
Total extraordinary losses	11	1
Net income before income taxes	566	75
Income taxes	196	10
Net income	369	64
Net income attributable to owners of parent	369	64

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Jun. 30, 2015)	FY 2017 (from Apr. 1, 2016 to Jun. 30, 2016)
Net income	369	64
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(10)
Deferred gains or losses on hedges	14	157
Foreign currency translation adjustment	31	(162)
Remeasurements of defined benefit plans, net of tax	(35)	17
Share of other comprehensive income of associates accounted for using equity method	(16)	(0)
Total other comprehensive income	(10)	1
Comprehensive income	359	66
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	359	66
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Jun. 30, 2015)	FY 2017 (from Apr. 1, 2016 to Jun. 30, 2016)
Cash flows from operating activities		
Net income before income taxes	566	75
Depreciation	118	116
Amortization of goodwill	25	25
Increase (decrease) in provision for bonuses	(436)	(488)
Increase (decrease) in net defined benefit liability	(61)	(15)
Interest expenses	18	23
Loss (gain) on sales of investment securities	9	—
Loss (gain) on sales of investments in capital of subsidiaries and associates	(8)	—
Decrease (increase) in notes and accounts receivable - trade	2,667	(121)
Decrease (increase) in inventories	3,605	(531)
Increase (decrease) in notes and accounts payable - trade	(2,782)	(682)
Increase (decrease) in accounts payable - other	(452)	(46)
Increase (decrease) in advances received	1,318	903
Decrease (increase) in consumption taxes refund receivable	2,972	556
Decrease (increase) in accounts receivable - other	(3,036)	219
Decrease (increase) in prepaid expenses	(437)	(424)
Other, net	182	82
Subtotal	4,268	(308)
Interest and dividend income received	0	5
Interest expenses paid	(19)	(23)
Income taxes paid	(566)	(82)
Net cash provided by (used in) operating activities	3,682	(408)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5)	(44)
Purchase of intangible assets	(37)	(11)
Payments for establishment of unconsolidated subsidiaries	—	(33)
Other, net	1	1
Net cash provided by (used in) investing activities	(41)	(87)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,901)	1,979
Repayments of long-term loans payable	(24)	(24)
Proceeds from disposal of treasury shares	28	30
Cash dividends paid	(299)	(300)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(4,195)	1,685
Effect of exchange rate change on cash and cash equivalents	10	(69)
Net increase (decrease) in cash and cash equivalents	(544)	1,119
Cash and cash equivalents at beginning of period	2,302	2,637
Cash and cash equivalents at end of period	1,757	3,757

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

(Notes on Significant Changes in Shareholders' Equity)

None.

(Segment Information)

I. For the Period ended June 30, 2015 (From Apr. 1, 2015 to Jun. 30, 2015)

1. Information on the amount of net sales and income (loss) by segments

(Millions of yen)

	Segments			Adjustments	Consolidated statements of income (Note)
	Electronic Components Business	Computer Networks Business	Total		
Net sales:					
Outside customers	24,235	4,181	28,416	—	28,416
Inter-segment	—	—	—	—	—
Total	24,235	4,181	28,416	—	28,416
Segment income	373	195	569	—	569

(Note) Total amount of segment income coincides with the ordinary income in the consolidated statements of income.

II. For the Period ended June 30, 2016 (From Apr. 1, 2016 to Jun. 30, 2016)

1. Information on the amount of net sales and income (loss) by segments

(Millions of yen)

	Segments			Adjustments	Consolidated statements of income (Note)
	Electronic Components Business	Computer Networks Business	Total		
Net sales:					
Outside customers	25,649	3,738	29,387	—	29,387
Inter-segment	—	—	—	—	—
Total	25,649	3,738	29,387	—	29,387
Segment income (loss)	(8)	83	75	—	75

(Note) Total amount of segment income (loss) coincides with the ordinary income in the consolidated statements of income.

4. Supplementary Information

(1) Status of Purchases, Orders and Sales

1) Purchases

Purchases by segment for the period ended June 30, 2016 are as follows:

Segment	Purchase amount (Millions of yen)	Year-on-year change (%)
Electronic Components Business	23,651	31.2
Computer Networks Business	2,525	(10.8)
Total	26,176	25.5

(Note) Above figures are stated net of consumption taxes, etc.

2) Orders

Orders by segment for the period ended June 30, 2016 are as follows:

Segment	Orders received (Millions of yen)	Year-on-year change (%)	Order backlog (Millions of yen)	Year-on-year change (%)
Electronic Components Business	27,388	14.0	17,071	19.4
Computer Networks Business	3,976	(17.8)	7,450	(2.5)
Total	31,365	8.6	24,521	11.8

(Note) Above figures are stated net of consumption taxes, etc.

3) Sales

Sales by segment for the period ended June 30, 2016 are as follows:

Segment	Sales (Millions of yen)	Year-on-year change (%)
Electronic Components Business	25,649	5.8
Computer Networks Business	3,738	(10.6)
Total	29,387	3.4

(Note) Above figures are stated net of consumption taxes, etc.