



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