

1Q FY2018 (April 1, 2017 – June 30, 2017) Financial Announcement

July 27, 2017

Agenda:

- 1Q FY2018 Consolidated Financial Summary
Tetsuro Hori, Representative Director, CFO, Executive Vice President
- Business Environment and Financial Estimates
Toshiki Kawai, Representative Director, President & CEO



Forward Looking Statements

- 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

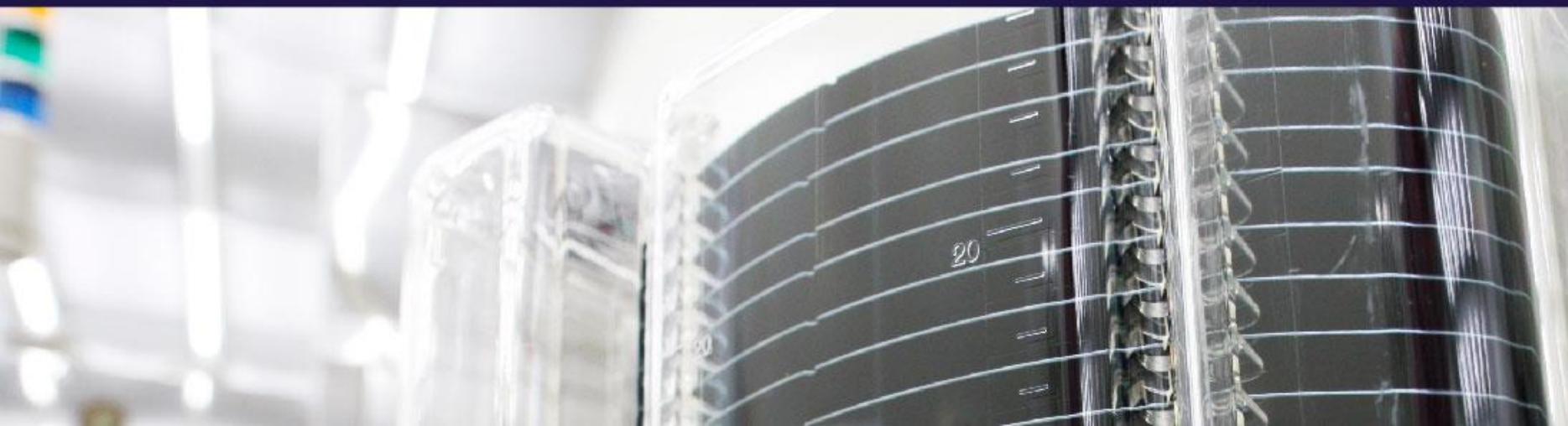
In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD panel production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD: Flat panel display

1Q FY2018 Consolidated Financial Summary

July 27, 2017

Tetsuro Hori
Representative Director, CFO, Executive Vice President



FY2018 1Q Highlights

- Sales up ¥88.4 billion YoY (+60%)
Operating income up ¥32.6 billion YoY (+148%)
- Profit margins maintained high level, gross profit margin above 40%,
operating margin above 23%
Progress in line with initial plan
- Although FPD segment profitability declined compared to the
previous quarter, full year profitability is expected to improve in line
with forecast

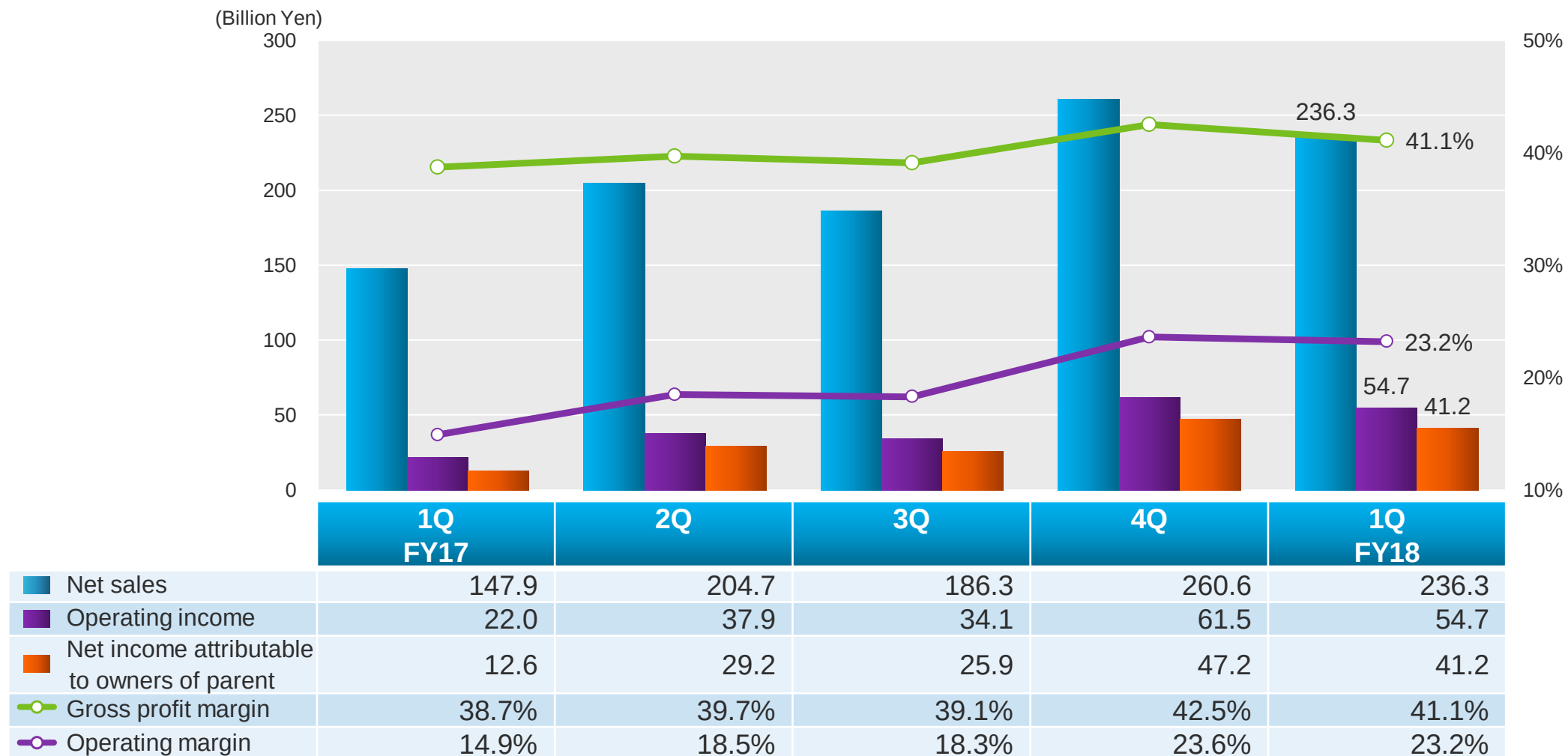
Financial Summary

(Billion Yen)

	FY2017				FY2018	
	1Q	2Q	3Q	4Q	1Q	vs. 4Q FY2017
Net sales	147.9	204.7	186.3	260.6	236.3	-9.3%
Gross profit Gross profit margin	57.3 38.7%	81.3 39.7%	72.9 39.1%	110.6 42.5%	97.1 41.1%	-12.2% -1.4pts
SG&A expenses	35.2	43.4	38.7	49.1	42.3	-13.8%
Operating income Operating margin	22.0 14.9%	37.9 18.5%	34.1 18.3%	61.5 23.6%	54.7 23.2%	-11.0% -0.4pts
Income before income taxes	16.1	38.2	33.2	61.4	55.1	-10.3%
Net income attributable to owners of parent	12.6	29.2	25.9	47.2	41.2	-12.8%
R&D expenses	17.7	22.0	19.1	24.8	21.1	-14.6%
Capital expenditures	3.8	5.5	4.1	7.1	8.1	+13.5%
Depreciation and amortization	3.9	4.2	4.5	5.0	4.2	-16.7%

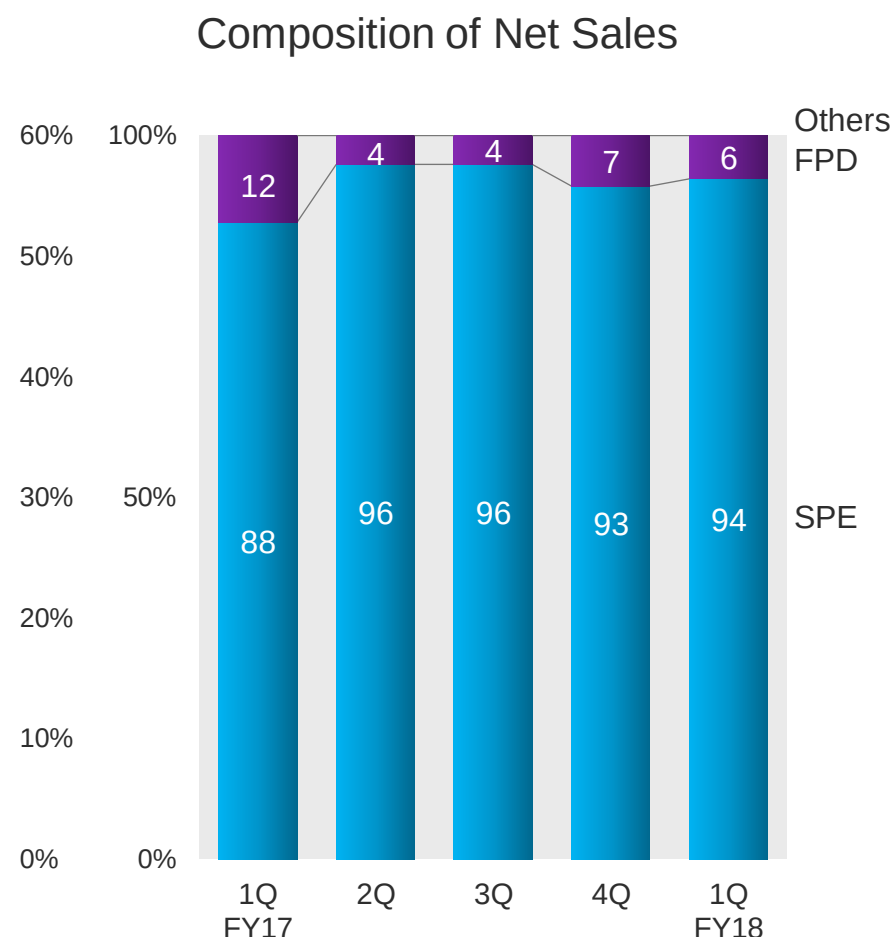
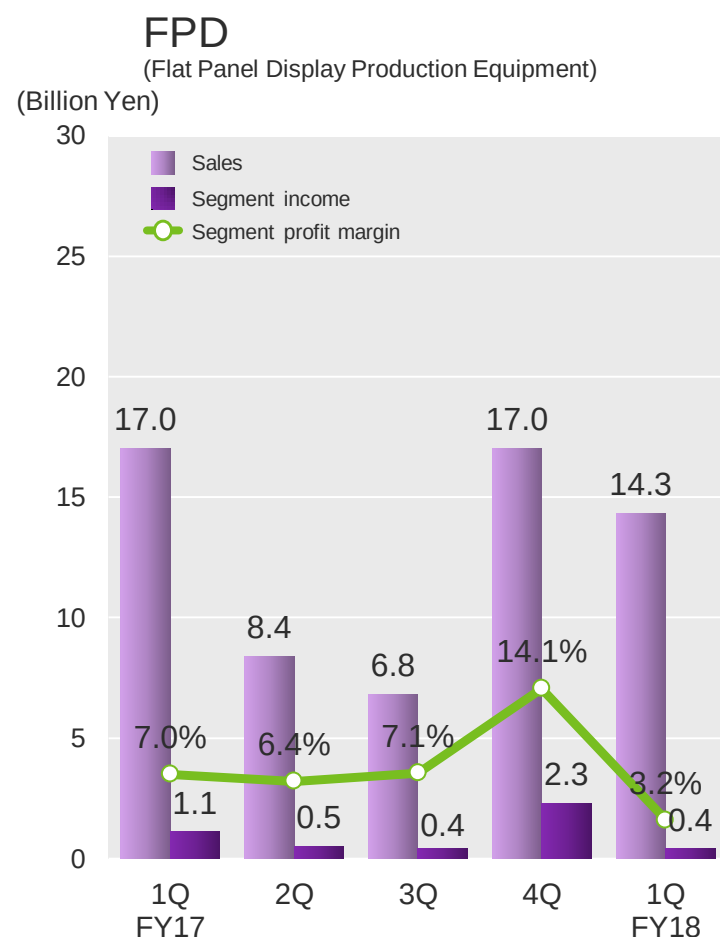
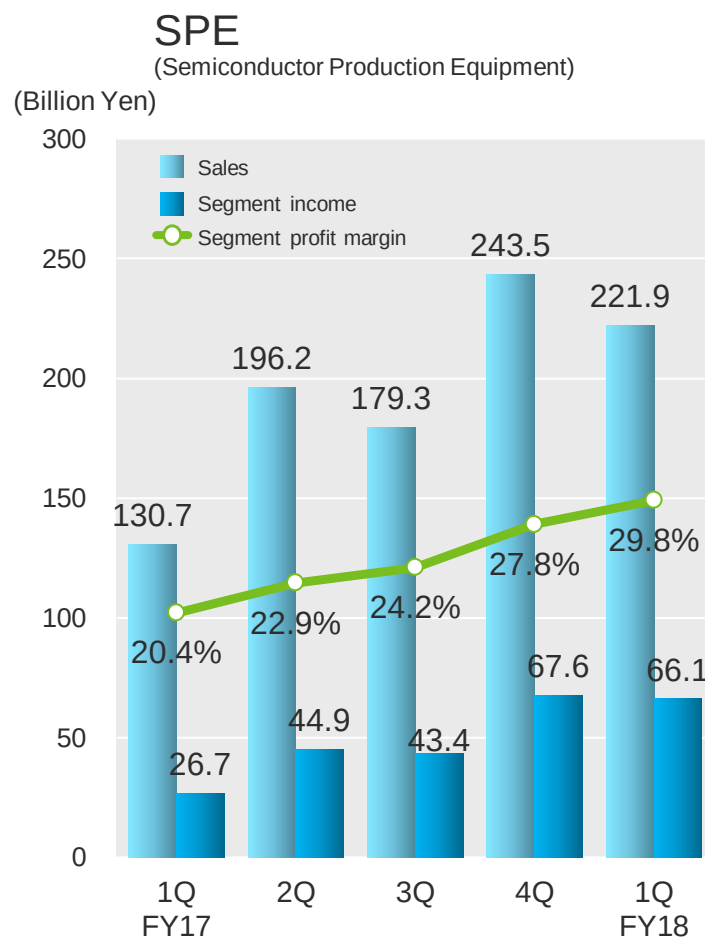
1. In principle, export sales of Tokyo Electron's mainstay semiconductor and FPD production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking.
2. Profit ratios are calculated using full amounts, before rounding.

Financial Performance



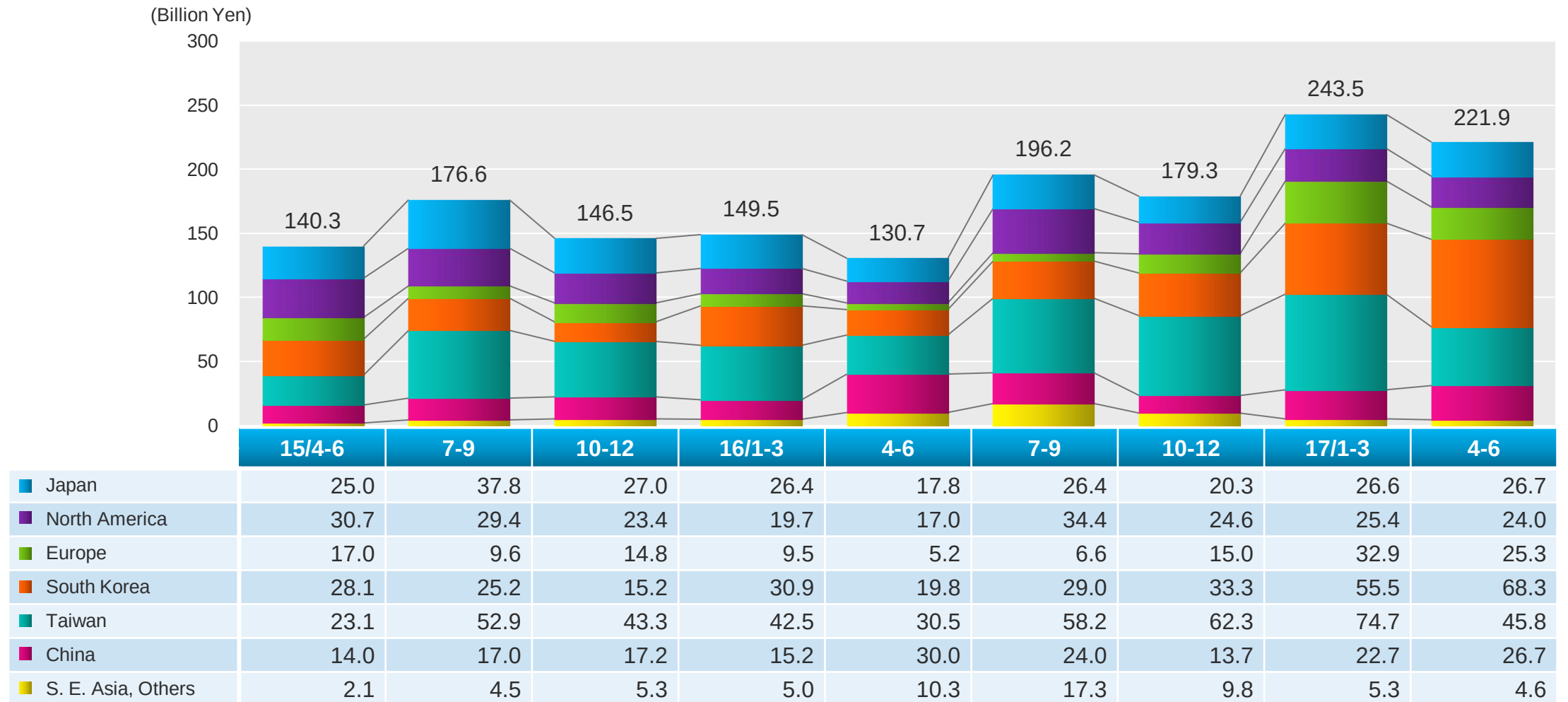
Gross profit margin and operating margin maintained high level

Segment Information

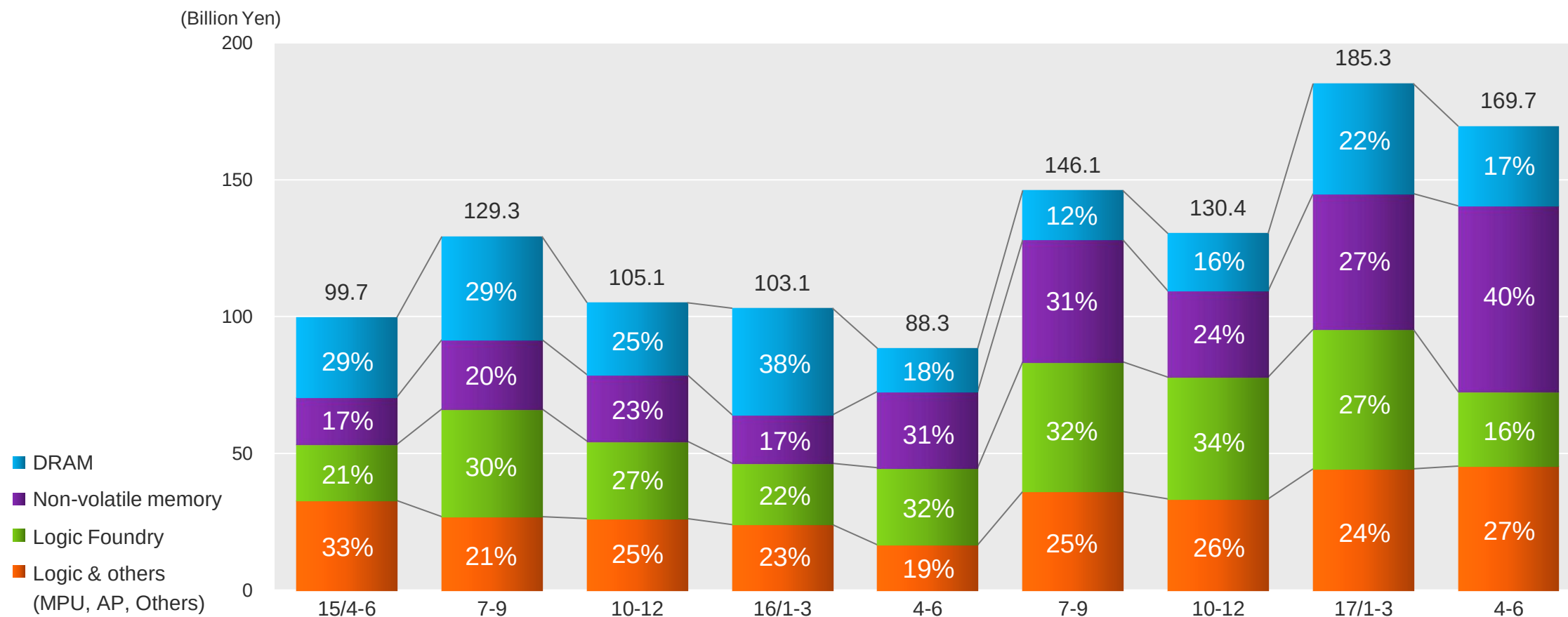


1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research are not included in above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

SPE Division: Sales by Region

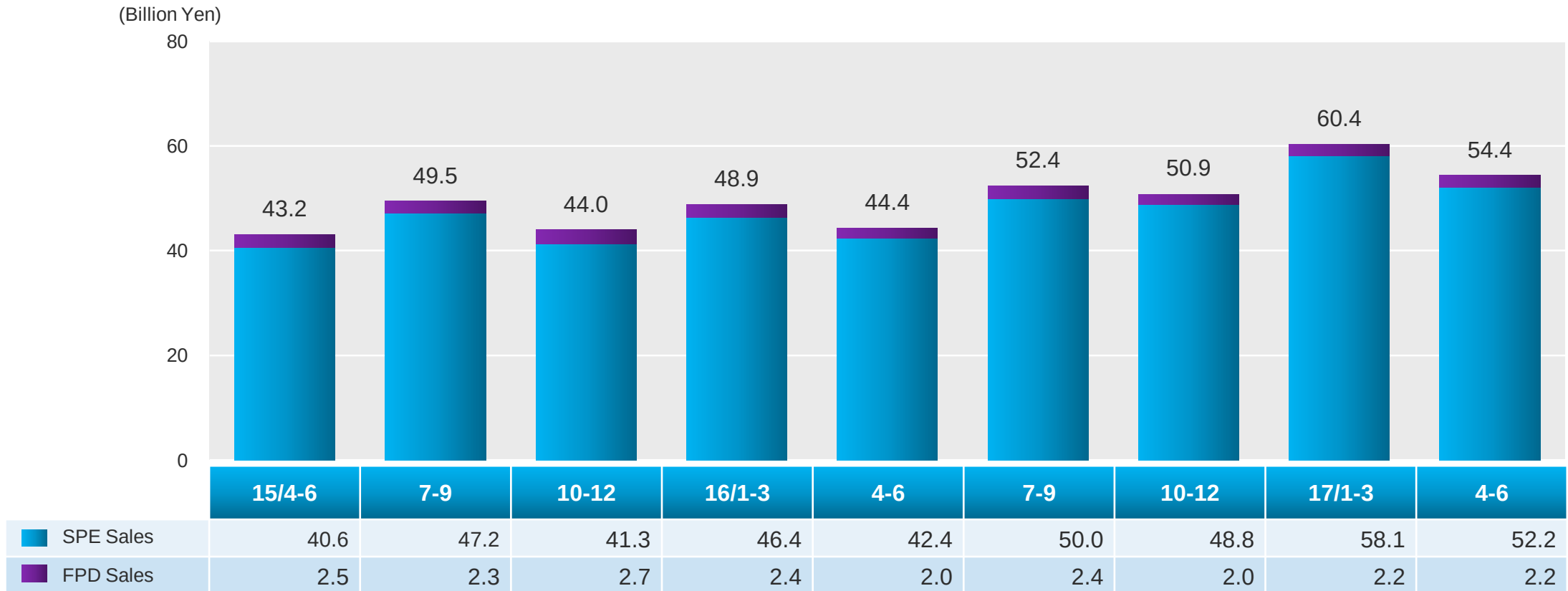


SPE Division: New Equipment Sales by Application



NAND increased in South Korea
Foundry and DRAM declined in Taiwan

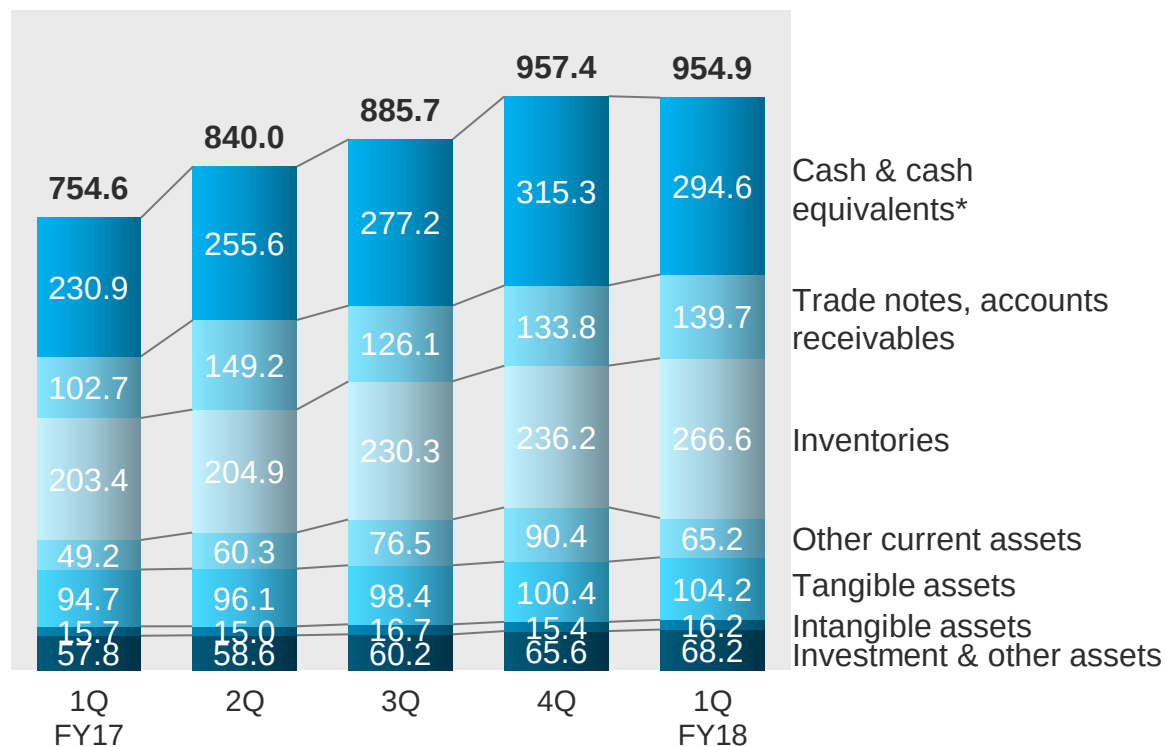
Field Solutions Sales



Balance Sheet

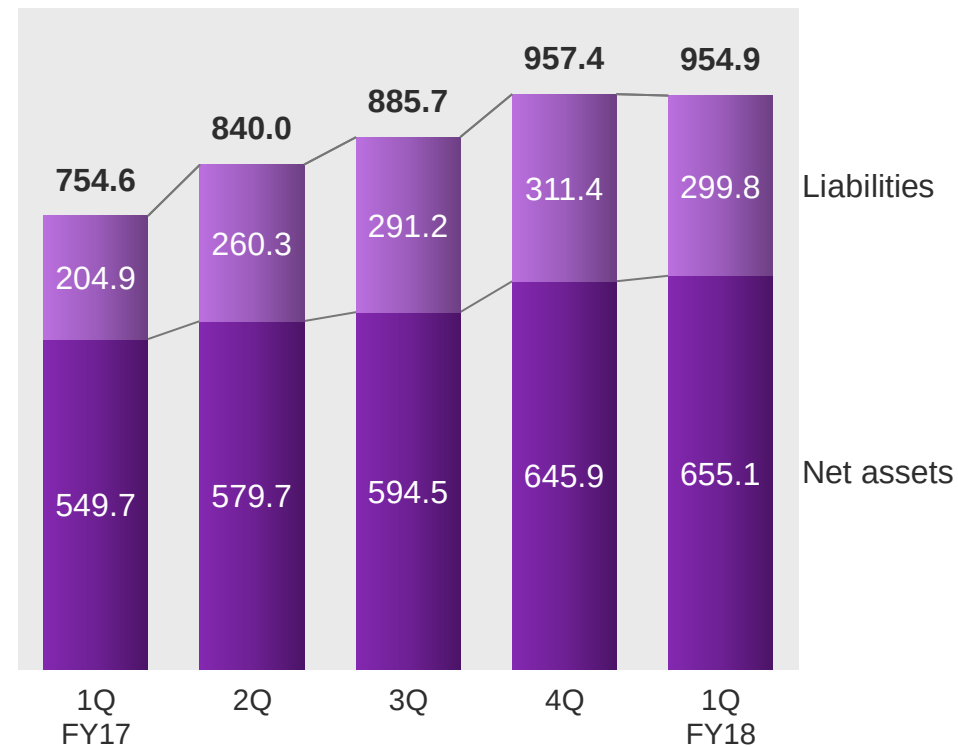
Assets

(Billion Yen)



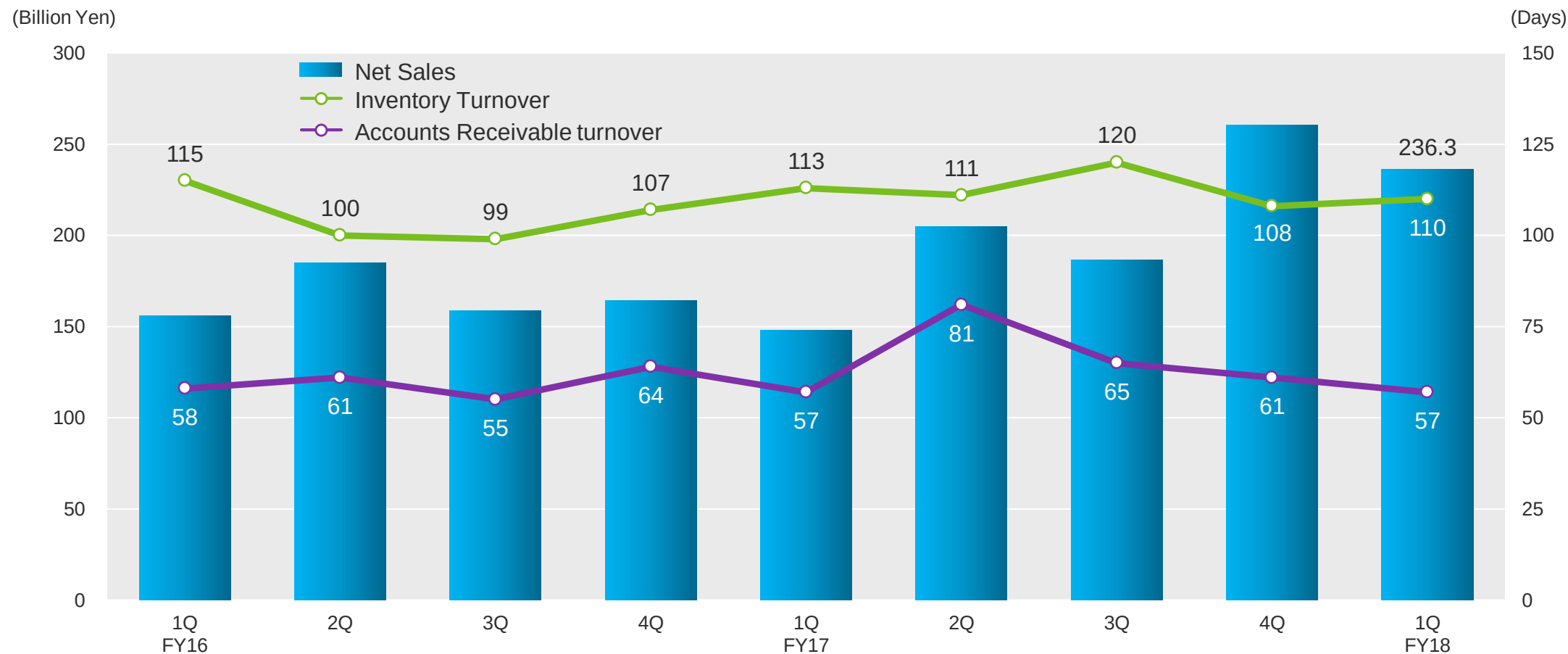
Liabilities & Net Assets

(Billion Yen)



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

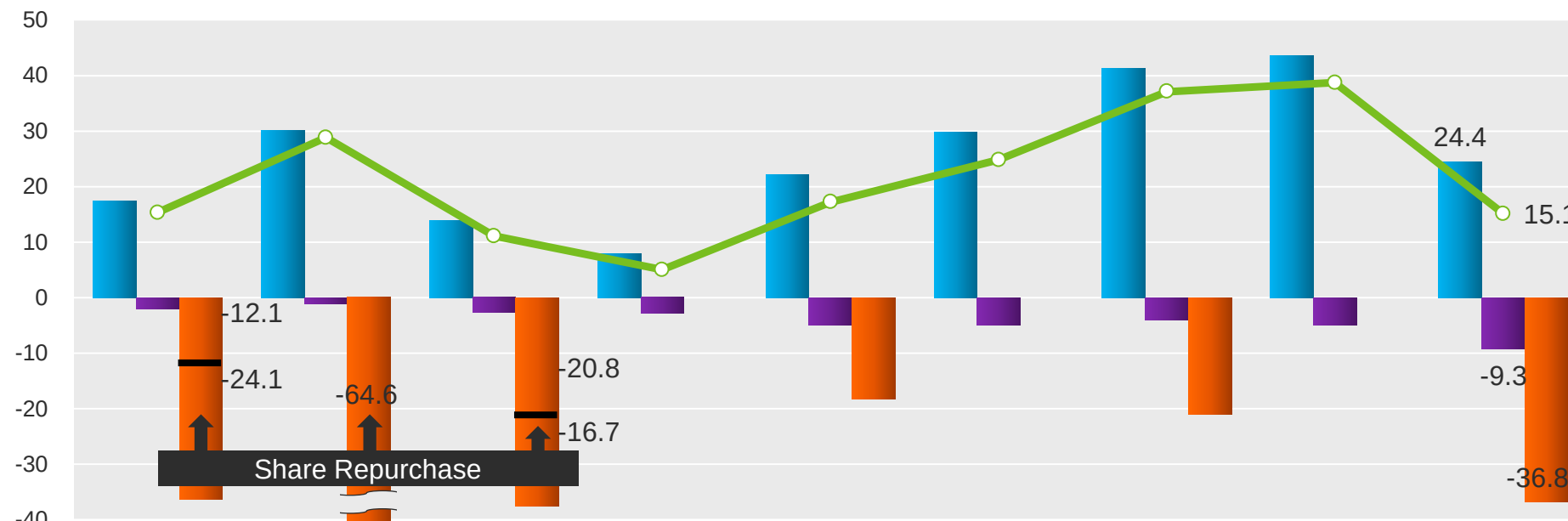
Inventory Turnover and Accounts Receivable Turnover



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

Cash Flow

(Billion Yen)



	1Q FY16	2Q	3Q	4Q	1Q FY17	2Q	3Q	4Q	1Q FY18
Cash flow from operating activities	17.3	30.1	13.8	7.9	22.1	29.8	41.3	43.6	24.4
Cash flow from investing activities*	-2.0	-1.2	-2.7	-2.9	-4.9	-4.9	-4.1	-4.9	-9.3
Cash flow from financing activities	-36.3	-64.6	-37.5	0.0	-18.3	0.0	-21.0	-0.0	-36.8
Free cash flow**	15.3	28.8	11.1	5.0	17.2	24.8	37.1	38.7	15.1
Cash on hand***	298.9	260.7	233.8	236.6	230.9	255.6	277.2	315.3	294.6

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

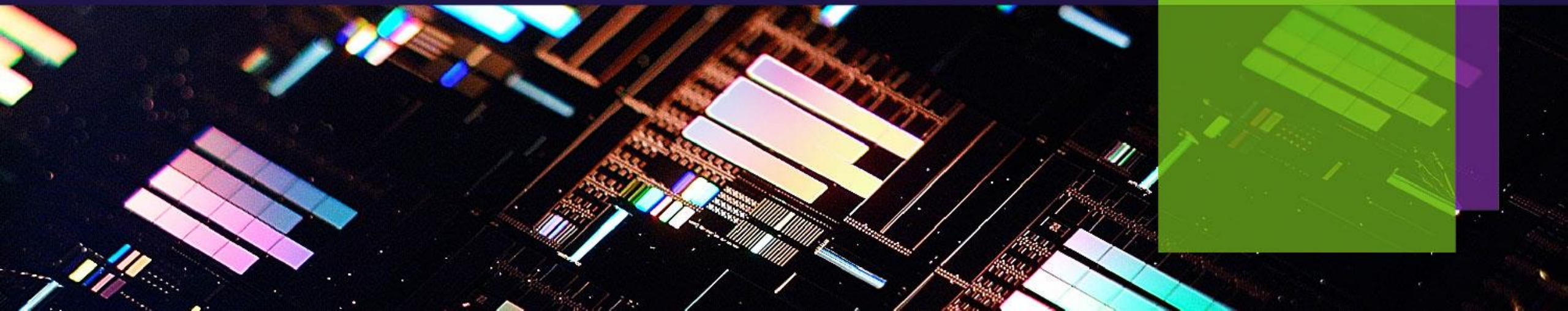
** Free cash flow = cash flow from operating activities + cash flow from investing activities excluding changes in deposits with periods to maturity of over 3 months.

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

Business Environment and Financial Estimates

July 27, 2017

Toshiki Kawai
Representative Director, President & CEO



WFE Market Outlook

Future growth drivers

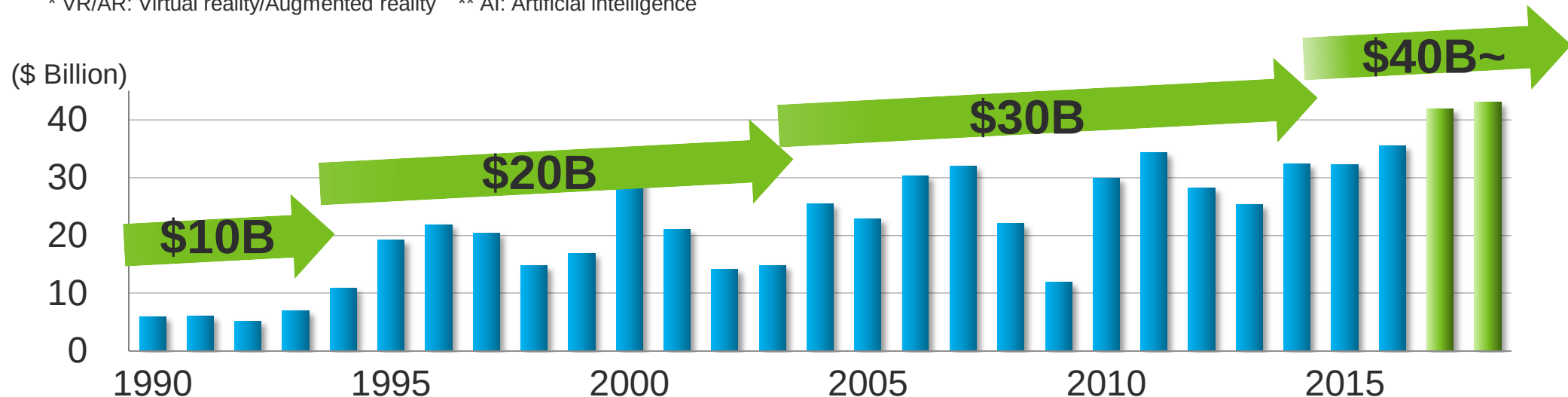
PC, internet, mobile
+
VR/AR*, IoT, AI**,
machine learning, big data,
autonomous driving, personalized medicine

WFE market has grown to
\$40B

and is continuing to grow

Expand investment in both
advanced logic and memory

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



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

Business Environment (Outlook as of July 2017)

► SPE Capex

CY2017 WFE* capex forecast to increase by over 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

* WFE (Wafer fab equipment): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. Wafer fab equipment refers to the production equipment used in front-end production and in wafer-level packaging production.

** TFT array process: The processes of manufacturing the substrates with the electric circuit functions that drive displays

CY2017 Market Growth and Business Opportunities by Application

- NAND: Market growth of 30% YoY forecast
 - Driving force: Demand for SSD for data centers
 - Capex: 6X/7X generations to comprise 70%, 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: Average mobile device capacity up 25% YoY, server capacity up 40%
 - Capex: Capex for 1Xnm generation to comprise 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

FY2018 1Q Business Progress

- SPE key fields (etching, deposition, cleaning equipment):
Progress on business strategy continues on track
 - In CY2017 TEL expects to grow share in each of its three key equipment fields
- FPD production equipment
 - Establishing our leading position in G10.5 and G11
- Miyagi Plant (etching equipment) to double production capacity by CY2019
Planned consolidated capex for this fiscal year ¥42.0 billion (unchanged)
 - Raise productivity through new logistics facility currently under construction
 - Doubling production lines within existing plant



Plasma Etch System
Tactras™



Tokyo Electron Miyagi Ltd.

FY2018 Financial Estimates

FY2018 Financial Estimates (no change from Apr. 28, 2017 announcement)

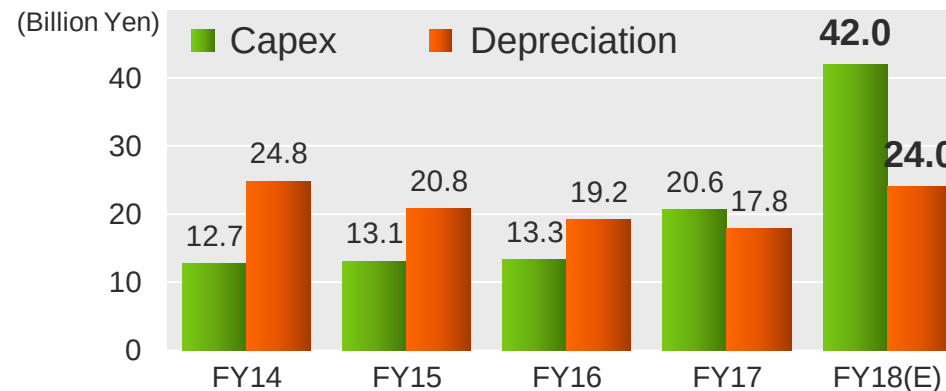
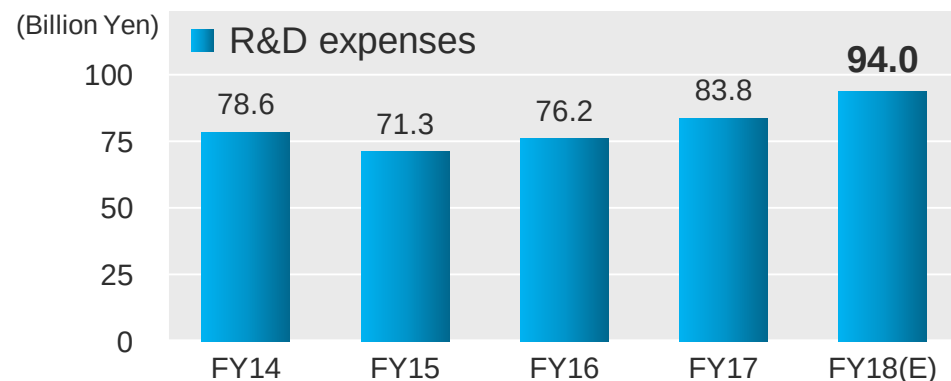
(Billion yen)

	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

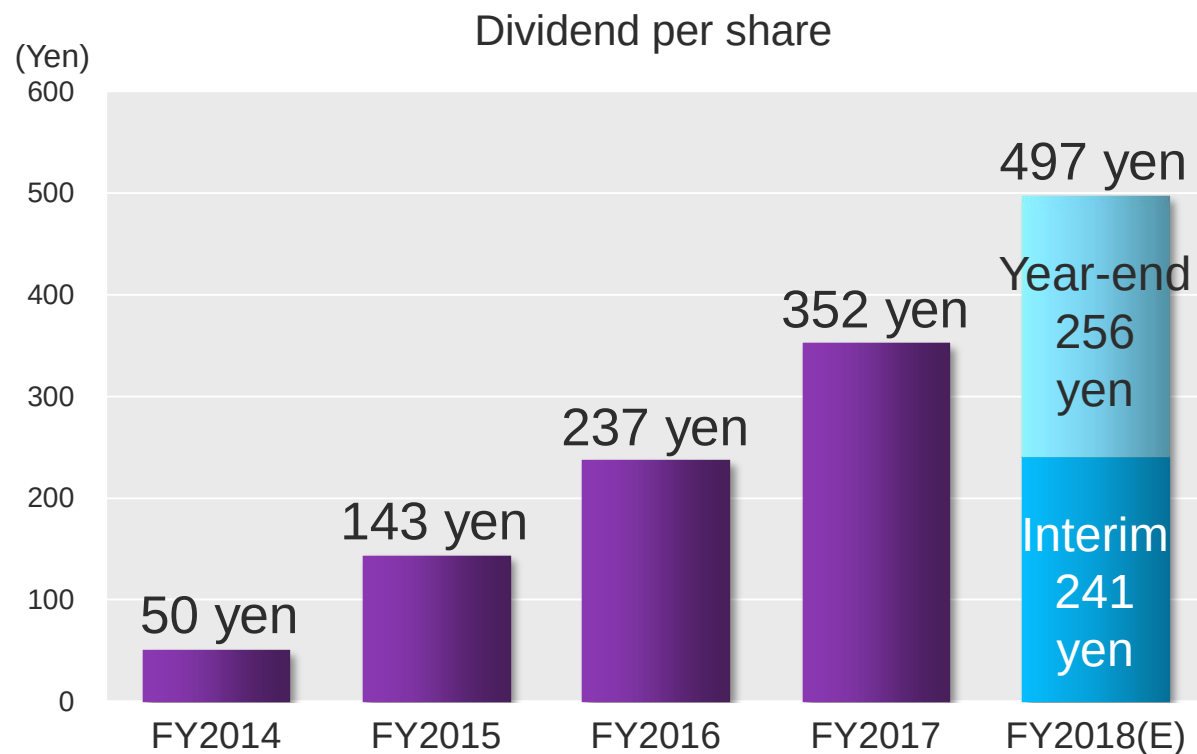
R&D Expenses, Capex Plan (no change from Apr. 28, 2017 announcement)

- R&D Expenses ¥94.0B
 - Continue investing based on focus areas and sustainable growth
- Capex ¥42.0B
 - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation ¥24.0B



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

FY2018 Dividend Forecast (no change from Apr. 28, 2017 announcement)



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



TOKYO ELECTRON