

Consolidated Financial Review for the Second Quarter Ended September 30, 2015

Company name: **Tokyo Electron Limited**
 URL: <http://www.tel.com>
 Telephone number: (03) 5561-7000
 Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 8035)

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 2. Amounts are rounded down to the nearest million yen.

1. Financial highlights for the six months ended September 30, 2015

(1) Operating results (Cumulative)

	Six months ended	
	September 30, 2014	September 30, 2015
Net sales (Millions of yen)	294,273	340,951
Operating income (Millions of yen)	30,115	61,250
Ordinary income (Millions of yen)	31,773	62,384
Net income attributable to owners of parent (Millions of yen)	20,016	41,376
Net income per share (Yen)	111.68	238.10
Fully diluted net income per share (Yen)	111.42	237.46
Comprehensive income:	Six months ended September 30, 2015: 35,153 million yen	
	Six months ended September 30, 2014: 23,321 million yen	

(2) Financial position

	As of March 31, 2015	As of September 30, 2015
Total assets (Millions of yen)	876,153	794,679
Net assets (Millions of yen)	641,162	576,007
Equity ratio (%)	73.0	72.2
Equity:	573,824 million yen (as of September 30, 2015)	
	639,483 million yen (as of March 31, 2015)	

2. Dividends

	Year ended March 31, 2015	Year ending March 31, 2016	
1Q-end dividend per share (Yen)	10.00	-	
2Q-end dividend per share (Yen)	30.00	125.00	
3Q-end dividend per share (Yen)	35.00	-	
Year-end dividend per share (Yen)	68.00	94.00	(Forecast)
Annual dividend per share (Yen)	143.00	219.00	(Forecast)

Note: Revision of dividends forecast : Yes

3. Earnings forecasts for the year ending March 31, 2016

	Year ending March 31, 2016
Net sales (Millions of yen)	666,000
Operating income (Millions of yen)	105,000
Ordinary income (Millions of yen)	106,000
Net income attributable to owners of parent (Millions of yen)	72,000
Net income per share (Yen)	423.07

Notes: Revision of earnings forecast : Yes

4. Others

- (1) Important changes in subsidiaries: None
(Changes on specific subsidiaries with changes in scope of consolidation)
- (2) Changes in accounting principles, accounting estimation and restatement
 1. Changes in accounting policies along with changes in accountings standards: Yes
 2. Other changes of accounting policies besides number 1 above: None
 3. Changes in accounting estimation: None
 4. Restatement: None
- (3) Number of shares issued and outstanding (common stock)
 1. Number of shares issued and outstanding (including treasury stock)

As of September 30, 2015:	180,610,911 shares
As of March 31, 2015:	180,610,911 shares
 2. Number of shares of treasury stock

As of September 30, 2015:	14,026,217 shares
As of March 31, 2015:	1,344,892 shares
 3. Average number of shares outstanding

Six months ended September 30, 2015:	173,781,675 shares
Six months ended September 30, 2014:	179,222,274 shares

Notification of the status of quarterly financial review procedures:

This quarterly financial report is outside the jurisdiction of auditing procedures outlined in the Financial Instruments and Exchange Act and remain incomplete at the time of announcing this report.

Explanations on the appropriate use of earnings forecast:

The performance forecast and estimate stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available. Consequently, actual operating results may differ substantially from the projections in this Financial Review.

The company plans to hold a financial meeting for analysts and investors on Tuesday Oct 27, 2015. The supplementary materials to these financial reports that will be handed out at this meeting will be posted simultaneously on our company website.

1. Qualitative Information on Financial Results for the Current Quarter

(1) Description of Operating Results

Global economy during the first half of the current fiscal year generally remained on a gradual recovery trend despite sluggish economic growth in China and other emerging countries. The Japanese economy also shows signs of a moderate recovery.

In the electronics industry, the primary area of the Tokyo Electron (TEL) Group's business activities, in spite of some movements including inventory adjustments in the semiconductors market against a backdrop of weak demand for PCs and slower economic growth in China, demand for electronic components used in high performance smartphones and servers for data centers remained robust overall.

Under such circumstances, the Group's consolidated results (cumulative) for the first half of the current fiscal year were net sales of 340,951 million yen (a year-on-year growth of 15.9%), operating income of 61,250 million yen (a year-on-year growth of 103.4%), ordinary income of 62,384 million yen (a year-on-year growth of 96.3%); and in addition, net income attributable to owners of parent for the first half of the current fiscal year stood at 41,376 million yen (a year-on-year growth of 106.7%).

The overview of each business segment is as described below.

As of the first quarter of the current fiscal year, the Photovoltaic Panel (PV) Production Equipment business, from which we announced our intention to withdraw, was no longer material as stipulated in the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information. Therefore, it has been removed from the reportable segments and included in "Others." The year-on-year comparisons below are based on figures reclassified into segments after the amendment of year-on-year figures.

(i) Semiconductor Production Equipment

Net sales in this segment remained strong, thanks to vigorous capital investment in facilities among memory manufacturers reflecting launch of new smartphones and robust demand for servers. Consequently, net sales to external customers in this segment for the first half of the current fiscal year were 316,987 million yen (a year-on-year growth of 16.3%).

(ii) Flat Panel Display (FPD) Production Equipment

While capital investment in facilities for manufacturing large-sized flat panel displays remained steady in China, since demand for small to medium-sized flat panel displays for mobile terminals stayed in an adjustment phase, sales of our FPD production equipment was sluggish. As a result, net sales to external customers in this segment for the first half of the current fiscal year were 18,275 million yen (a year-on-year decrease of 4.0%).

(iii) Others

Net sales to external customers in this segment for the first half of the current fiscal year were 5,687 million yen (a year-on-year growth of 117.3%).

(For reference)**Consolidated Operating Results**

(Millions of yen)

	FY2015 1H	FY2015 2H	FY2016		
			1H	1Q	2Q
Net Sales	294,273	318,851	340,951	155,762	185,189
Semiconductor Production Equipment	272,626	303,615	316,987	140,365	176,622
Japan	39,505	48,241	62,820	25,011	37,809
U.S.	67,696	67,645	60,267	30,776	29,491
Europe	24,720	34,047	26,674	17,053	9,620
Korea	37,146	60,218	53,351	28,140	25,211
Taiwan	76,808	62,615	76,058	23,130	52,928
China	20,981	18,732	31,125	14,084	17,041
S.E.Asia	5,768	12,115	6,689	2,169	4,520
FPD Production Equipment	19,029	13,680	18,275	10,070	8,205
Others	2,617	1,555	5,687	5,326	361
Operating Income	30,115	57,997	61,250	30,279	30,970
Ordinary Income	31,773	61,175	62,384	30,207	32,177
Net Income Attributable to Owners of Parent	20,016	51,871	41,376	19,481	21,895

Note: Offset elimination has been carried out on the dealing between segments.

Production and Order Performance**1. Production**

(Millions of yen)

	FY2015 1H	FY2015 2H	FY2016		
			1H	1Q	2Q
Semiconductor Production Equipment	247,355	312,570	298,007	147,830	150,176
FPD Production Equipment	10,453	22,777	23,194	10,435	12,758
Others	2,272	1,215	5,124	5,124	-
Total	260,081	336,563	326,325	163,390	162,935

Note: 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

2. Orders Received

(Millions of yen)

	FY2015 1H	FY2015 2H	FY2016		
			1H	1Q	2Q
Semiconductor Production Equipment	279,771	347,023	279,163	156,663	122,499
FPD Production Equipment	19,130	16,170	24,349	11,847	12,502
Others	842	△1,971	2,039	1,835	204
Total	299,744	361,223	305,552	170,346	135,206

- Note: 1. Offset elimination has been carried out on the dealing between segments.
2. The above amounts do not include consumption taxes.

3. Orders Backlog

(Millions of yen)

	FY2015 1H	FY2015 2H	FY2016	
			1Q	2Q
Semiconductor Production Equipment	217,059	260,467	276,766	222,643
FPD Production Equipment	29,121	31,611	33,388	37,686
Others	7,219	3,692	201	44
Total	253,399	295,771	310,355	260,373

- Note: 1. Offset elimination has been carried out on the dealing between segments.
2. The above amounts do not include consumption taxes.

(2) Description of Financial Conditions

(i) Financial Conditions

Current assets at the end of the second quarter of the current fiscal year were 605,854 million yen, down 65,028 million yen compared to the end of the previous fiscal year. The major factors influencing this result were a 33,805 million yen decrease in short-term investments included in securities, a 23,139 million yen decrease in cash and deposit, a 13,521 million yen decrease in prepaid consumption taxes, and a 5,171 million yen increase in inventories.

Tangible fixed assets decreased by 5,026 million yen from the end of the previous fiscal year, to 101,870 million yen.

Intangible fixed assets decreased by 6,085 million yen from the end of the previous fiscal year, to 21,481 million yen.

Investment and other assets decreased by 5,334 million yen from the end of the previous fiscal year, to 65,473 million yen.

As a result, total assets decreased by 81,474 million yen from the end of the previous fiscal year, to 794,679 million yen.

Current liabilities were down 13,353 million yen compared to the end of the previous fiscal year, to 159,458 million yen. The major factors causing the decrease were an 11,459 million yen decrease in trade notes and accounts payable, a 4,196 million yen decrease in customer advance, a 2,852 million yen decrease in accrued consumption taxes, and a 9,814 million yen increase in income taxes payable.

Long-term liabilities were down 2,965 million yen compared to the end of the previous fiscal year, to 59,213 million yen.

Net assets were down 65,154 million yen compared to the end of the previous fiscal year, to 576,007 million yen. The main factors were an increase due to the reporting of net income attributable to owners of parent

of 41,376 million yen, a decrease of 89,033 million yen as a result of purchase of treasury stock, and a decrease due to the payment of 12,190 million yen in year-end dividends for the previous fiscal year. The equity ratio was 72.2%.

(ii) Cash Flow

Cash and cash equivalents at the end of the second quarter of the current fiscal year decreased by 165,427 million yen compared to the end of the previous fiscal year, to 152,204 million yen. The combined balance including a 108,533 million yen in time deposits and short-term investments with periods to maturity or redemption of at least three months that are not included in cash and cash equivalents was 260,737 million yen, down 56,944 million yen from the end of the previous fiscal year. The overall situation regarding cash flow during the first half of the current fiscal year was as described below.

Cash flow from operating activities was positive 47,576 million yen, up 4,238 million yen compared to the same period of the previous fiscal year. The main positive factors were 57,519 million yen in net income before income taxes, a 13,480 million yen decrease in prepaid consumption taxes, and 9,376 million yen in depreciation and amortization. The main negative factors were an 11,168 million yen decrease in accounts payable, 7,378 million yen for the payment of income taxes, a 6,195 million yen increase in inventories, and a 4,798 million yen decrease in customer advance.

Cash flow from investing activities was negative 111,814 million yen, compared to positive 85,358 million yen in the same period of the previous fiscal year. The primary negative factor was 108,492 million yen associated with an increase in short-term investments and 4,713 million yen in payments for purchase of tangible fixed assets.

Cash flow from financing activities was negative 101,000 million yen, compared to negative 6,458 million yen in the same period of the previous fiscal year. This was primarily the result of the payment of 88,756 million yen for purchase of treasury stock and the payment of 12,190 million yen in dividends.

(3) Description of Financial Estimates Information such as Consolidated Performance Forecasts

The financial forecast for the fiscal year ending March 2016 announced on July 28 2015 has been revised up in the light of our current orders and sales forecast of our core semiconductor production equipment segment.

Consolidated Forecast	(Billions of yen, Y/Y change)	
	FY2016(E)	
Net Sales	660.0	7.6%
Semiconductor Production Equipment	610.0	5.9%
FPD Production Equipment	44.0	34.5%
Others	6.0	43.8%
Operating Income	105.0	19.2%
Ordinary Income	106.0	14.0%
Net Income Attributable to Owners of Parent	72.0	0.2%

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 Sheet

TOKYO ELECTRON

	(Millions of yen)	
	As of March 31, 2015	As of September 30, 2015
ASSETS		
Current assets		
Cash and deposit	79,382	56,242
Trade notes and accounts receivable	110,845	110,292
Securities	238,532	204,495
Merchandise and finished goods	112,301	116,526
Work in process	41,483	39,264
Raw materials and supplies	21,803	24,968
Others	66,913	54,135
Allowance for doubtful accounts	(378)	(71)
Total current assets	670,882	605,854
Long-term assets		
Tangible fixed assets	106,896	101,870
Intangible fixed assets		
Others	27,566	21,481
Total intangible fixed assets	27,566	21,481
Investments and other assets		
Others	72,692	67,356
Allowance for doubtful accounts	(1,884)	(1,883)
Total investments and other assets	70,807	65,473
Total long-term assets	205,271	188,824
Total assets	876,153	794,679

	(Millions of yen)	
	As of March 31, 2015	As of September 30, 2015
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	56,478	45,019
Income taxes payable	6,196	16,011
Accrued employees' bonuses	12,111	10,776
Accrued warranty expenses	10,441	10,209
Other allowance	1,040	628
Others	86,543	76,813
Total current liabilities	172,812	159,458
Long-term liabilities		
Other allowance	374	374
Net defined benefit liability	51,104	51,635
Others	10,699	7,202
Total long-term liabilities	62,178	59,213
Total liabilities	234,991	218,671
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	488,816	517,582
Treasury stock	(9,064)	(97,259)
Total shareholders' equity	612,736	553,307
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,463	6,084
Deferred gains or losses on hedges	122	3
Translation adjustments	12,481	10,573
Remeasurements of defined benefit plans	4,681	3,855
Total accumulated other comprehensive income	26,747	20,516
Subscription rights to shares	1,420	1,970
Non-controlling interests	257	213
Total net assets	641,162	576,007
Total liabilities and net assets	876,153	794,679

Consolidated Statement of Income

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	294,273	340,951
Cost of sales	186,825	204,940
Gross profit	107,448	136,010
Selling, general & administrative expenses		
Research and development expenses	34,951	37,578
Others	42,381	37,181
Total selling, general & administrative expenses	77,333	74,759
Operating income	30,115	61,250
Non-operating income		
Others	2,264	1,725
Total non-operating income	2,264	1,725
Non-operating expenses		
Foreign currency translation loss	535	-
Payment for purchase of treasury stocks	-	360
Others	69	231
Total non-operating expenses	605	591
Ordinary income	31,773	62,384
Unusual or infrequent profit		
Gain on sale of fixed assets	120	998
Gain on sale of investment securities	54	-
Total unusual or infrequent profit	175	998
Unusual or infrequent loss		
Loss on impairment	-	4,434
Expenses for restructuring of business bases	698	-
Others	2,149	1,429
Total unusual or infrequent loss	2,848	5,864
Income before income taxes	29,101	57,519
Income taxes	9,058	16,123
Net income	20,042	41,396
Net income attributable to non-controlling interests	26	19
Net income attributable to owners of parent	20,016	41,376

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net income	20,042	41,396
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	(3,376)
Deferred gains or losses on hedges	81	(148)
Translation adjustments	4,178	(1,913)
Remeasurements of defined benefit plans	(892)	(801)
Share of other comprehensive income of associates accounted for using equity method	(51)	(2)
Total other comprehensive income	<u>3,278</u>	<u>(6,242)</u>
Comprehensive income	<u>23,321</u>	<u>35,153</u>
(Breakdown)		
Comprehensive income attributable to owners of parent	23,280	35,146
Comprehensive income attributable to non-controlling interests	40	7

Consolidated Cash Flow

TOKYO ELECTRON

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flow from operating activities		
Income before income taxes	29,101	57,519
Depreciation and amortization	9,737	9,376
Loss on impairment	-	4,434
Amortization of goodwill	544	628
Increase (decrease) in accrued employees' bonuses	(592)	(1,318)
Loss (gain) on sales of shares of subsidiaries and affiliates'	1,609	1,110
Decrease (increase) in trade notes and accounts receivable	5,327	(420)
Decrease (increase) in inventories	5,186	(6,195)
Increase (decrease) in accounts payable	(6,535)	(11,168)
Decrease (increase) in prepaid consumption tax	4,740	13,480
Increase (decrease) in accrued consumption tax	(503)	(2,862)
Increase (decrease) in customer advances	4,343	(4,798)
Others	4,714	(5,440)
Subtotal	57,671	54,346
Receipts from interest and dividends	984	608
Interest paid	(15)	-
Income taxes paid or refund (paid)	(15,302)	(7,378)
Net cash generated by operating activities	43,338	47,576
Cash flow from investing activities		
Decrease (increase) in time deposits	-	12
Decrease (increase) in short-term investments	89,303	(108,492)
Payment for purchase of tangible fixed assets	(6,597)	(4,713)
Proceeds from sale of tangible fixed assets	157	1,878
Payment for purchase of intangible fixed assets	(128)	(305)
Proceeds from sale of investment securities	1,084	-
Proceeds from sale of subsidiaries resulting in change in scope of consolidation	1,726	-
Others	(185)	(193)
Net cash used in investing activities	85,358	(111,814)
Cash flow from financing activities		
Payment for purchase of treasury stocks	(85)	(88,756)
Dividends paid	(6,272)	(12,190)
Others	(101)	(53)
Net cash generated by financing activities	(6,458)	(101,000)
Effect of exchange rate changes on cash and cash equivalents	(1,963)	(189)
Net increase (decrease) in cash and cash equivalents	120,274	(165,427)
Cash and cash equivalents at beginning of period	104,797	317,632
Cash and cash equivalents at end of period	225,071	152,204

Notes

Remarkable Changes in Shareholders' Equity

Tokyo Electron Limited executed the purchase of treasury stock based on the resolution of its Board of Directors dated April 27, 2015. Due to the purchase and other transactions, the amount of treasury stock of the company increased by 88,195 million yen for the second quarter of the current fiscal year and resulted in 97,259 million yen at the end of the second quarter of the current fiscal year.

Loss on impairment

The Tokyo Electron Group groups its business assets into small units that generate independent cash flow. For those business sites we have decided to restructure or handle otherwise, we are grouping assets separately based on each individual business. During the second quarters of the current fiscal year, we are posting a loss on impairment of the following asset groups.

Location	Purpose	Accounting treatment	Loss on impairment (Millions of yen)
Chaska, Minnesota, U. S. A.	Plant	Goodwill, etc.	4,434

Regarding the goodwill and other items posted at the time we acquired the consolidated subsidiary TEL FSI, Inc., in the semiconductor production equipment (SPE) business, given that sales have been trending below initial plans, we implemented an impairment test. And as a result, we wrote down this goodwill to a recoverable value and are posting this write-down as an unusual or infrequent loss. We note that the recoverable book value was gauged in accordance with value in use and applying a 14.0% discount to future cash flow.

Segment Information

(i) Overview of reportable segments

The reportable segments by the company provide separate financial information pertaining to the various segments of the company, which is reviewed periodically by the management to evaluate corporate performance as well as make decisions about the allocation of management resources.

The corporate structure consists of product and service segments based on business units (BUs), and the reportable segments are as follows: Semiconductor Production Equipment and Flat Panel Display (FPD) Production Equipment.

The Semiconductor Production Equipment segment consists of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The FPD Production Equipment segment consists of coaters/developers, plasma etch/ash systems used in the manufacturing of flat panel displays, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

(ii) Net sales and income (loss) in reportable segments

Six months ended September 30, 2015

(Millions of yen)

	Reportable Segments		Others	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	316,987	18,275	11,388	346,651
Segment income (loss)	65,889	2,360	2,000	70,250

	Eliminations	Consolidated Total
Net sales	(5,700)	340,951
Segment income (loss)	(12,730)	57,519

Notes:

- The "Others" is all other businesses segment which are not included in the reported business segments, such as Photovoltaic Panel (PV) Production Equipment and the transportation of products, facility management and insurance of the Tokyo Electron Group.
- The eliminations of segment income amounting to 12,730 million yen includes corporate expenses pertaining to the corporate account which are not allocated to any specific reportable segments. The corporate account expenses are mainly R&D expenses of 6,536 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
- Segment income is adjusted against income before income taxes in consolidated statement of income.

Segment Information

(iii) Items Related to Changes in Reportable Segments

As of the first quarter of the current fiscal year, the Photovoltaic Panel (PV) Production Equipment business was no longer material as stipulated in the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information. Therefore, it has been removed from the reportable segments and included in "Others."

(iv) Impairment losses on fixed assets and goodwill, etc. in reportable segments

Significant impairment losses related to fixed assets: None

Significant changes in goodwill amount:

During the second quarter of the current consolidated fiscal year, goodwill for the semiconductor production equipment, as a result of recording a loss on impairment, decreased 4,363 million yen compared to the end of the previous fiscal year.

Significant income related to negative goodwill: None