



April 28, 2017

Consolidated Financial Review for the Year Ended March 31, 2017

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. Consolidated financial highlights for the year ended March 31, 2017

(1) Operating results

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

	Year ended			
	March 31, 2016		March 31, 2017	
		%		%
Net sales (Millions of yen)	663,948	8.3	799,719	20.4
Operating income (Millions of yen)	116,788	32.5	155,697	33.3
Ordinary income (Millions of yen)	119,399	28.5	157,549	32.0
Net income attributable to owners of parent (Millions of yen)	77,891	8.4	115,208	47.9
Net income per share of common stock (Yen):				
Basic	461.10		702.26	
Diluted	460.00		700.35	
Return on equity (%)	13.0		19.1	
Ordinary income to total assets (%)	14.3		18.0	
Operating income to net sales (%)	17.6		19.5	
Comprehensive income:	Year ended March 31, 2017: 119,998 million yen, 96.8%			
	Year ended March 31, 2016: 60,984 million yen, (24.1)%			
Profit/loss on equity method:	Year ended March 31, 2017: 342 million yen			
	Year ended March 31, 2016: 325 million yen			

(2) Financial position

	As of	
	March 31, 2016	March 31, 2017
Total assets (Millions of yen)	793,367	957,447
Total net assets (Millions of yen)	564,239	645,999
Equity ratio (%)	70.9	67.2
Net assets per share (Yen)	3,428.37	3,919.50
Equity:	643,094 million yen (as of March 31, 2017)	
	562,369 million yen (as of March 31, 2016)	

(3) Cash flows

(Millions of yen)

	Year ended	
	March 31, 2016	March 31, 2017
Cash flows from operating activities	69,398	136,948
Cash flows from investing activities	(150,013)	(28,893)
Cash flows from financing activities	(138,600)	(39,380)
Cash and cash equivalents at end of period	95,638	164,366

2. Dividends

	Year ended	
	March 31, 2016	March 31, 2017
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	125.00	128.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	112.00	224.00
Annual dividends per share (Yen)	237.00	352.00
Total dividends (Millions of yen)	39,194	57,752
Payout ratio (%)	51.4	50.1
Dividend on equity (%)	6.8	9.6

Note: Regarding the year-end dividends forecast for the fiscal year ended March 31, 2017, please refer to the press release "Announcement on Dividends Forecast Revision for the Fiscal Year Ended March 31, 2017" published today.

3. Financial forecasts for the fiscal year ending March 31, 2018

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

	Year ending			
	September 30, 2017		March 31, 2018	
		%		%
Net sales (Millions of yen)	480,000	36.1	980,000	22.5
Operating income (Millions of yen)	104,000	73.3	216,000	38.7
Ordinary income (Millions of yen)	104,000	66.8	216,000	37.1
Net income attributable to owners of parent (Millions of yen)	79,000	88.2	163,000	41.5
Net income per share (Yen)	481.48		993.44	

4. Others

(1) Important changes in subsidiaries (Changes on specific subsidiaries associated with changes in scope of consolidation): None

(2) 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

(3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding (including treasury stock)

As of March 31, 2017: 165,210,911 shares

As of March 31, 2016: 165,210,911 shares

2. Number of shares of treasury stock

As of March 31, 2017: 1,135,104 shares

As of March 31, 2016: 1,176,800 shares

3. Average number of shares outstanding

As of March 31, 2017: 164,054,693 shares

As of March 31, 2016: 168,924,437 shares

(Reference) Non-consolidated financial review for the fiscal year ended March 31, 2017**(1) Operating results**

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

	Year ended			
	March 31, 2016		March 31, 2017	
		%		%
Net sales (Millions of yen)	582,623	5.0	751,097	28.9
Operating income (Millions of yen)	42,092	(10.6)	60,557	43.9
Ordinary income (Millions of yen)	74,861	(13.5)	61,895	(17.3)
Net income (Millions of yen)	63,549	0.4	46,682	(26.5)
Net income per share of common stock (Yen):				
Basic	376.20		284.56	
Diluted	375.30		283.78	

(2) Financial position

	As of	
	March 31, 2016	March 31, 2017
Total assets (Millions of yen)	625,968	768,651
Total net assets (Millions of yen)	329,351	340,518
Equity ratio (%)	52.4	44.0
Net assets per share (Yen)	1,997.82	2,059.40
Equity:	337,898 million yen (as of March 31, 2017)	
	327,709 million yen (as of March 31, 2016)	

***Note**

This Consolidated Financial Review is outside the scope of the audit procedures under the Financial Instruments and Exchange Act.

***Explanation of the appropriate use of financial forecast:**

The financial forecasts and estimates provided in this Consolidated Financial Review are based on certain assumptions judged to be reasonable by the Company and available information at the time of report issuance, and therefore are not guarantees of future performance. Consequently, actual results may differ substantially from those described in this Consolidated Financial Review. Please refer to (3) Future forecast on page 7 for further details.

The Company plans to hold an earnings release conference for analysts and investors on April 28, 2017. Supplementary presentation materials to be handed out at the conference will be posted simultaneously on the Company's website.

1. Operating Results

(1) Overview of Operating Results

(i) Business Environment during the Fiscal Year Ended March 31, 2017

In the fiscal year under review, there was generally a modest recovery in the global economy, with the US economy maintaining moderate growth and the Chinese economy also showing signs of a recovery.

In the electronics industry, which the Tokyo Electron (TEL) Group is part of, semiconductor manufacturers stepped up capital investment against the backdrop of an increase in demand for servers used in data centers stemming from growing in frequency and volumes of the data communications, associated with the continued evolution of the Internet of things (IoT), and higher functionality and sales volumes for smartphones made in China; thus, the semiconductor production equipment market was buoyant.

(ii) Overview of Profit and Losses during the Fiscal Year Ended March 31, 2017

In this environment, the consolidated business results for the fiscal year under review are as follows.

Net sales for the fiscal year increased 20.4% from the previous fiscal year to 799,719 million yen. Domestic net sales decreased 17.0% from the previous year to 101,122 million yen, while overseas net sales increased 28.9% to 698,597 million yen to account for 87.4% of net sales. Orders received during the fiscal year increased 53.4% to 1,036,883 million yen, as well as, the orders backlog grew 78.9% to 537,885 million yen.

Cost of sales increased 20.3% to 477,427 million yen and gross profit increased 20.6% to 322,291 million yen. As a result, the gross profit margin expanded by 0.1 points to 40.3%.

Selling, general and administrative (SG&A) expenses increased 10.8% to 166,594 million yen, while the ratio to consolidated net sales declined 1.8 points to 20.8%.

As a result of the foregoing, operating income increased 33.3% to 155,697 million yen and operating margin increased 1.9 points to 19.5%. After adjustment of non-operating income of 2,931 million yen and non-operating expenses of 1,079 million yen, ordinary income increased 32.0% to 157,549 million yen.

Extraordinary losses totaled 8,433 million yen (compared to a loss of 12,932 million yen in the previous fiscal year), due mainly to the recording of an unusual or infrequent loss resulting from the impact of the Kumamoto Earthquake, amongst other factors.

Income before income taxes was 149,116 million yen (year-on-year growth of 40.1%) and net income attributable to owners of parent was 115,208 million yen - year-on-year growth of 47.9%.

As a result of the foregoing, net income per share was 702.26 yen - compared to net income per share of 461.10 yen in the previous fiscal year.

(iii) Overview of Operations by Business Segment during the Fiscal Year Ended March 31, 2017

The overview of each business segment is as described below.

Semiconductor Production Equipment

In addition to an increase in demand for servers used in data centers, smartphone manufacturers accelerated the pace of internal memory expansion, so demand for 3D NAND flash memory and DRAM was brisk. Given these market conditions, memory manufacturers maintained capital investment in order to boost production capacity. Logic semiconductor manufacturers also proactively allocated capital investment to cutting-edge technologies targeting more advanced semiconductor functionality. Under these circumstances, the segment's net sales to external customers during the fiscal year under review were 749,893 million yen (up 22.3% compared to the previous fiscal year).

In this segment, the new product, "Triase+™ EX-II™ TiON" single wafer deposition system, was released during this fiscal year.

Flat Panel Display (FPD) Production Equipment

The FPD production equipment market was strong, with capital investment in small to medium-sized flat panel displays for mobile devices growing, and capital investment in large-sized flat panel displays in China also providing a boost. Under these circumstances, the segment's net sales to external customers during the fiscal year under review were 49,387 million yen (up 10.5% compared to the previous fiscal year).

Other

The segment's sales to external customers during the fiscal year under review totaled 438 million yen (down 93.0% from the previous fiscal year).

(For reference)

Consolidated Operating Results

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017						
		1Q	2Q	First Half	3Q	4Q	Second Half	Full Year
Net Sales	663,948	147,976	204,745	352,722	186,364	260,632	446,997	799,719
Semiconductor Production Equipment	613,032	130,796	196,211	327,008	179,373	243,511	422,885	749,893
Japan	116,272	17,819	26,429	44,248	20,329	26,625	46,954	91,203
U.S.	103,460	17,022	34,416	51,439	24,634	25,485	50,119	101,559
Europe	51,088	5,234	6,695	11,930	15,061	32,937	47,998	59,929
Korea	99,574	19,805	29,031	48,837	33,376	55,575	88,951	137,788
Taiwan	161,930	30,504	58,289	88,794	62,360	74,755	137,116	225,910
China	63,605	30,049	24,044	54,093	13,798	22,777	36,575	90,669
Southeast Asia	17,099	10,360	17,304	27,664	9,812	5,355	15,167	42,832
FPD Production Equipment	44,687	17,064	8,414	25,479	6,887	17,020	23,908	49,387
Other	6,228	115	119	234	103	100	203	438
Operating Income	116,788	22,095	37,916	60,012	34,147	61,536	95,684	155,697
Ordinary Income	119,399	24,083	38,281	62,365	33,327	61,857	95,184	157,549
Net Income Attributable to Owners of Parent	77,891	12,684	29,281	41,966	25,951	47,290	73,242	115,208

Note: Intersegment sales or transfers are eliminated.

(2) Qualitative Information on Consolidated Financial Conditions

(i) Financial Conditions

Current assets at the end of the fiscal year totaled 775,938 million yen, an increase of 158,522 million yen when compared to the end of the previous fiscal year. This was mainly attributable to an increase of 83,500 million yen in short-term investments included in securities, an increase of 41,176 million yen in inventories, and an increase of 17,354 million yen in trade notes and accounts receivable.

Tangible fixed assets increased by 4,124 million yen from the end of the previous fiscal year, to 100,441 million yen.

Intangible fixed assets decreased by 2,201 million yen from the end of the previous fiscal year, to 15,401 million yen.

Investments and other assets increased by 3,634 million yen from the end of the previous fiscal year, to 65,666 million yen.

As a result of the foregoing, total assets increased by 164,079 million yen from the end of the previous fiscal year, to 957,447 million yen.

Current liabilities increased by 81,709 million yen when compared to the end of the previous fiscal year, to 247,770 million yen. This was largely due to a 34,453 million yen increase in customer advances, a 24,167 million yen increase in trade notes and accounts payable, a 10,230 million yen increase in provisions for bonuses, and an 8,608 million yen increase in income taxes payable.

Long-term liabilities increased by 609 million yen when compared to the end of the previous fiscal year, to 63,677 million yen.

Net assets increased by 81,760 million yen when compared to the end of the previous fiscal year, to 645,999 million yen.

Contributing factors were an increase of 115,208 million yen in net income attributable to owners of parent and a decrease resulting from the payment of 39,371 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 67.2%.

(ii) Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased by 68,728 million yen when compared to the end of the previous fiscal year, to 164,366 million yen. The combined balance including time deposits and short-term investments with periods to maturity or redemption of at least three months which are not included in cash and cash equivalents was 315,366 million yen, an increase of 78,693 million yen from the end of the previous fiscal year. The various cash flows for the fiscal year under review were as described below.

Cash flows from operating activities were 136,948 million yen, an increase of 67,550 million yen when compared to the previous fiscal year. This was mainly attributable to inflows of 149,116 million yen in net income before income taxes, 17,872 million yen in depreciation and amortization, an increase of 34,444 million yen in customer advances, an increase of 24,053 million yen in trade notes and accounts payable; and outflows of an increase of 44,102 million yen in inventories, 32,622 million yen for payment of income taxes and an increase of 17,411 million yen in trade notes and accounts receivable.

Cash flows from investing activities were negative 28,893 million yen compared to a negative 150,013 million yen in the previous fiscal year. The main factors were outflows of 17,557 million yen for purchase of tangible fixed assets and 9,967 million yen associated with an increase in time deposits and short-term investments.

Cash flows from financing activities were a negative 39,380 million yen, compared to a negative 138,600 million yen in the previous fiscal year. These were mainly attributable to the payment of 39,371 million yen in dividends.

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio (%)	70.9	67.2
Equity ratio at market value (%)	151.7	208.3
Interest-bearing debt to cash flow ratio (times)	-	-
Interest coverage ratio (times)	-	-

Equity ratio: (Equity / Total assets) x 100

Equity ratio at market value: (Market capitalization / Total assets) x 100

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest expenses

* All indicators are calculated using financial figures on a consolidated basis.

* Market capitalization is calculated based on the following formula: Closing stock price at fiscal year-end x Number of shares outstanding at fiscal year-end after deduction of treasury stock.

(3) Future Forecast

In light of strong demand for semiconductors driven by servers used in data centers and the increasingly high functionality and large capacity of mobile devices, we expect to continue to see strong trends in capital investment in semiconductor manufacturing equipment—one of the company's core segments. In FPD production equipment, we expect robust demand with continuing of investment in small to medium-sized flat panel displays for mobile devices, and launching of investment in large-sized flat panel displays. Based on the current business and economic environment, the financial forecasts for the next fiscal year (the year ending March 31, 2018) is set forth below.

Consolidated Forecast

(Billions of yen, Y/Y change)

Year ending March 31, 2018	Interim		Full Year	
Net Sales	480.0	36.1%	980.0	22.5%
Semiconductor Production Equipment	451.0	37.9%	910.0	21.4%
FPD Production Equipment	29.0	13.8%	70.0	41.7%
Other	0.0	-	0.0	-
Operating Income	104.0	73.3%	216.0	38.7%
Ordinary Income	104.0	66.8%	216.0	37.1%
Net Income Attributable to Owners of Parent	79.0	88.2%	163.0	41.5%

Note: Intersegment sales or transfers are eliminated.

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.

(4) Basic Policy on Profit Allocation and Payment of Dividends for the Current and Next Fiscal Years

TEL utilizes capital reserves to raise corporate value through earnings growth and provide returns directly to shareholders by concentrating investment in high-growth areas and linking dividend payments to business performance.

Basic policy concerning shareholder return is as follows.

Shareholder Return Policy

- Our dividend policy is to link dividend payments to business performance on an ongoing basis and a payout ratio is around 50% based on net income attributable to owners of parent. But with an annual dividend per share of not less than 150 yen.

Note: A dividend policy review is required if TEL does not generate net income for two consecutive fiscal years.

- TEL will flexibly consider share buybacks.

The year-end dividend for the current fiscal year (the year ended March 31, 2017) is scheduled to be 224 yen per share. The dividend for the full year will be 352 yen per share, which includes the interim dividend of 128 yen per share.

Dividends are forecasted for the next fiscal year (the year ending March 31, 2018) to be 497 yen per share for the entire year - an interim dividend of 241 yen and year-end dividend of 256 yen, in accordance with the above consolidated forecast for net income attributable to owners of parent for the next fiscal year pursuant to the stated dividend policy.

	Dividend per share		
	2Q-end	Year-end	Total
Current fiscal year (ended March 31, 2017)	128 yen	224 yen	352 yen
Next fiscal year (ending March 31, 2018)	241 yen	256 yen	497 yen

2. Basic philosophy on the selection of accounting standards

The consolidated financial statements of TEL group have been prepared in conformity with accounting principles generally accepted in Japan. In regard to the application of IFRS, we will pay close attention to domestic and international implementation adoption trends and respond accordingly.

Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2016	March 31, 2017
ASSETS		
Current assets		
Cash and deposit	75,674	70,866
Trade notes and accounts receivable	116,503	133,858
Securities	160,999	244,500
Merchandise and finished goods	130,478	152,629
Work in process	41,556	51,112
Raw materials and supplies	23,044	32,514
Deferred income taxes	31,203	36,892
Others	38,003	53,628
Allowance for doubtful accounts	(48)	(63)
Total current assets	617,416	775,938
Long-term assets		
Tangible fixed assets		
Buildings and structures	147,653	145,901
Accumulated depreciation	(99,794)	(100,003)
Buildings and structures , net	47,859	45,898
Machinery and carriers	99,976	102,144
Accumulated depreciation	(83,172)	(83,804)
Machinery and carriers , net	16,803	18,340
Land	23,867	24,855
Others	32,966	35,925
Accumulated depreciation	(25,180)	(24,577)
Others, net	7,786	11,347
Total tangible fixed assets	96,316	100,441
Intangible fixed assets		
Others	17,603	15,401
Total intangible fixed assets	17,603	15,401
Others		
Investment securities	19,914	24,119
Deferred income taxes	20,781	19,128
Net asset for defined benefits	1,623	4,818
Others	21,537	19,416
Allowance for doubtful accounts	(1,825)	(1,816)
Total investments and other assets	62,031	65,666
Total long-term assets	175,951	181,508
Total assets	793,367	957,447

Consolidated Balance Sheets

	(Millions of yen)	
	As of	As of
	March 31, 2016	March 31, 2017
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	55,050	79,217
Income taxes payable	22,460	31,069
Accrued employees' bonuses	11,623	21,853
Customer advances	33,522	67,976
Others	43,403	47,653
Total current liabilities	166,060	247,770
Long-term liabilities		
Net liability for defined benefits	55,302	55,825
Others	7,765	7,851
Total long-term liabilities	63,067	63,677
Total liabilities	229,128	311,447
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	427,618	503,325
Treasury stock, at cost	(8,050)	(7,766)
Total shareholders' equity	552,551	628,543
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities	7,902	10,788
Net deferred gains (losses) on hedging instruments	50	59
Foreign currency translation adjustments	6,742	5,789
Accumulated remeasurements of defined benefit plans	(4,877)	(2,086)
Total accumulated other comprehensive income (loss)	9,817	14,551
Share subscription rights	1,641	2,620
Non-controlling interests	228	284
Total net assets	564,239	645,999
Total liabilities and net assets	793,367	957,447

Consolidated Statements of Income

	(Millions of yen)	
	Year ended	Year ended
	March 31, 2016	March 31, 2017
Net sales	663,948	799,719
Cost of sales	396,738	477,427
Gross profit	<u>267,209</u>	<u>322,291</u>
Selling, general & administrative expenses		
Salaries and allowances	24,210	23,724
Research and development expenses	76,286	83,800
Others	49,923	59,069
Total selling, general and administrative expenses	<u>150,420</u>	<u>166,594</u>
Operating income	<u>116,788</u>	<u>155,697</u>
Non-operating income		
Interest income	547	722
Dividend income	308	310
Share of profit of associates accounted for using the equity method	325	342
Dividend income of insurance	296	300
Foreign exchange gain	886	-
Others	1,433	1,255
Total non-operating income	<u>3,798</u>	<u>2,931</u>
Non-operating expenses		
Foreign exchange loss	-	791
Commission for purchase of treasury stock	662	-
Others	525	287
Total non-operating expenses	<u>1,187</u>	<u>1,079</u>
Ordinary income	<u>119,399</u>	<u>157,549</u>
Unusual or infrequent profit		
Gain on sales of fixed assets	1,025	55
Gain on sale of investment securities	445	6
Total unusual or infrequent profit	<u>1,470</u>	<u>61</u>
Unusual or infrequent loss		
Loss on disaster	-	7,521
Loss from restructuring	2,235	-
Others	12,168	973
Total unusual or infrequent loss	<u>14,403</u>	<u>8,494</u>
Income before income taxes	<u>106,466</u>	<u>149,116</u>
Provision for income taxes and enterprise taxes	32,559	40,633
Deferred income taxes	(4,029)	(6,765)
Total income taxes	<u>28,530</u>	<u>33,867</u>
Net income	<u>77,936</u>	<u>115,248</u>
Net income attributable to non-controlling interests	44	39
Net income attributable to owners of parent	<u>77,891</u>	<u>115,208</u>

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Year ended	Year ended
	March 31, 2016	March 31, 2017
Net income	77,936	115,248
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(1,555)	2,875
Net deferred gains (losses) on hedging instruments	(111)	10
Foreign currency translation adjustments	(5,705)	(933)
Remeasurements of defined benefit plans	(9,233)	2,682
Share of other comprehensive income of associates accounted for using equity method	(345)	114
Total other comprehensive income (loss)	(16,951)	4,750
Comprehensive income	60,984	119,998
(Breakdown)		
Comprehensive income attributable to owners of parent	60,961	119,942
Comprehensive income attributable to non-controlling interests	22	56

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	54,961	78,023	488,816	(9,064)	612,736
Changes of items during the period					
Cash dividends			(33,013)		(33,013)
Net income attributable to owners of parent			77,891		77,891
Repurchase of treasury stock				(105,809)	(105,809)
Disposal of treasury stock			(725)	1,472	746
Cancellation of treasury stock			(105,351)	105,351	-
Net change except shareholders' equity					
Total changes of items during the period	-	-	(61,198)	1,013	(60,184)
Balance at end of period	54,961	78,023	427,618	(8,050)	552,551

	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains (losses) on investment securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)			
Balance at beginning of period	9,463	122	12,481	4,681	26,747	1,420	257	641,162
Changes of items during the period								
Cash dividends								(33,013)
Net income attributable to owners of parent								77,891
Repurchase of treasury stock								(105,809)
Disposal of treasury stock								746
Cancellation of treasury stock								-
Net change except shareholders' equity	(1,560)	(71)	(5,738)	(9,559)	(16,929)	220	(29)	(16,738)
Total changes of items during the period	(1,560)	(71)	(5,738)	(9,559)	(16,929)	220	(29)	(76,923)
Balance at end of period	7,902	50	6,742	(4,877)	9,817	1,641	228	564,239

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	54,961	78,023	427,618	(8,050)	552,551
Changes of items during the period					
Cash dividends			(39,371)		(39,371)
Net income attributable to owners of parent			115,208		115,208
Repurchase of treasury stock				(6)	(6)
Disposal of treasury stock			(130)	290	159
Net change except shareholders' equity					
Total changes of items during the period	-	-	75,707	283	75,991
Balance at end of period	54,961	78,023	503,325	(7,766)	628,543

	Accumulated other comprehensive income					Share subscription rights	Non-controlling interests	Total net assets
	Net unrealized gains (losses) on investment securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)			
Balance at beginning of period	7,902	50	6,742	(4,877)	9,817	1,641	228	564,239
Changes of items during the period								
Cash dividends								(39,371)
Net income attributable to owners of parent								115,208
Repurchase of treasury stock								(6)
Disposal of treasury stock								159
Net change except shareholders' equity	2,886	9	(953)	2,791	4,733	979	56	5,769
Total changes of items during the period	2,886	9	(953)	2,791	4,733	979	56	81,760
Balance at end of period	10,788	59	5,789	(2,086)	14,551	2,620	284	645,999

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	106,466	149,116
Depreciation and amortization	19,257	17,872
Amortization of goodwill	970	631
Increase (decrease) in accrued employees' bonuses	(283)	10,112
Interest and dividend revenue	(855)	(1,032)
Loss (gain) on sales of affiliates' shares	1,110	-
Decrease (increase) in trade notes and accounts receivable	(8,649)	(17,411)
Decrease (increase) in inventories	(23,535)	(44,102)
Increase (decrease) in trade notes and accounts payable	31	24,053
Decrease (increase) in prepaid consumption tax	(1,910)	(12,350)
Increase (decrease) in customer advances	(15,003)	34,444
Others	6,199	6,970
Subtotal	<u>83,797</u>	<u>168,304</u>
Receipts from interest and dividends	956	1,266
Income taxes paid or refund (paid)	(15,356)	(32,622)
Net cash provided by operating activities	<u>69,398</u>	<u>136,948</u>
Cash flows from investing activities		
Payment into time deposits	(25,000)	(25,000)
Proceeds from time deposits	12	50,034
Payment for purchase of short-term investments	(184,490)	(177,200)
Proceeds from redemption of short-term investments	68,492	142,198
Payment for purchase of fixed assets	(11,294)	(17,557)
Payment for acquisition of intangible assets	(707)	(1,116)
Others	2,974	(252)
Net cash provided by (used in) investing activities	<u>(150,013)</u>	<u>(28,893)</u>
Cash flows from financing activities		
Payment for purchase of treasury stock	(105,532)	(6)
Dividends paid	(33,013)	(39,371)
Others	(55)	(2)
Net cash used in financing activities	<u>(138,600)</u>	<u>(39,380)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,776)</u>	<u>53</u>
Net increase (decrease) in cash and cash equivalents	<u>(221,993)</u>	<u>68,728</u>
Cash and cash equivalents at beginning of period	<u>317,632</u>	<u>95,638</u>
Cash and cash equivalents at end of period	<u>95,638</u>	<u>164,366</u>

Notes

Going concern

None

Changes in accounting policies, changes in accounting estimates and restatements

In accordance with the revision to the Corporation Tax Act, the Company and its domestic subsidiaries applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force No. 32, dated June 17, 2016) and changed the depreciation method for buildings and accompanying facilities and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method, starting from the fiscal year ended March 31, 2017. The effect of this change on the consolidated financial statements is immaterial.

Notes on consolidated statements of income

Loss on disaster

These are actual and current estimated expenses relating to the recovery of buildings, production and development facilities as well as the disposal of inventories caused by the impact of the Kumamoto earthquake in 2016.

Provision for income taxes and enterprise taxes

The Company received notification from the National Tax Agency, Japan (NTA) dated February 14, 2017, that the agreement had been reached through the Mutual Agreement Procedure (MAP) between the NTA and U.S. income tax authorities concerning the transfer pricing adjustments assessed during prior historical periods relating to the transactions between the Company and its U.S. subsidiary. As a result, 405 million yen of tax benefit is included in current income tax expense as the difference between the current 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 of coater/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems, wafer probers used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, sells and distributes such products.

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 and distributes such products.

(ii) Means to measure net sales, profit or loss, assets and other items in each reportable segment

The method used to account for each reportable segment is similar to those applied to prepare consolidated financial statements. Intersegment revenues or transfers are based on prevailing market prices.

Shared assets are not allocated to each reportable segment, but the associated costs are allocated based on reasonable standards.

(iii) Net sales, profit or loss, assets and other items in reportable segments

Year ended March 31, 2017

(Millions of yen)

	Reportable Segments		Others *1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Sales				
Sales to external customers	749,893	49,387	438	799,719
Intersegment sales or transfers	-	-	14,372	14,372
Net sales	749,893	49,387	14,810	814,091
Segment profit (loss)	182,709	4,618	82	187,410
Segment assets	374,513	27,494	2,646	404,654
Other items				
Depreciation and amortization	8,694	418	89	9,202
Amortization of goodwill	631	-	-	631
Loss on impairment	362	-	-	362
Increase in the amount of tangible and intangible fixed assets	10,881	562	472	11,917

	Eliminations and Corporate *2	Consolidated *3
Sales		
Sales to external customers	-	799,719
Intersegment sales or transfers	(14,372)	-
Net sales	(14,372)	799,719
Segment profit (loss)	(38,294)	149,116
Segment assets	552,792	957,447
Other items		
Depreciation and amortization	8,670	17,872
Amortization of goodwill	-	631
Loss on impairment	-	362
Increase in the amount of tangible and intangible fixed assets	10,347	22,264

Notes:

*1. "Others" includes all other operating segments which are not included in the reportable segments, including PV Production Equipment business, group-wide logistic services, facility maintenance and insurance.

*2. a) "Eliminations and Corporate" segment loss totaling 38,294 million yen includes corporate expenses not allocated to any reportable segments. The corporate expenses consist of research and development costs of 17,830 million yen, pertaining to fundamental research and element research, and loss on disaster of 7,521 million yen.

b) The main elements included in "Eliminations and Corporate" of segment assets worth 552,792 million yen are cash and deposit, securities, and buildings and structures which are not allocated to each reportable segment.

c) The main elements included in "Eliminations and Corporate" of tangible and intangible fixed assets worth 10,347 million yen are the investments in buildings and structures, machinery and carriers, Tools, furniture and fixtures which are not allocated to each reportable segment.

*3. Segment profit is adjusted against net income before taxes in Consolidated Statements of Income.

(iv) Impairment loss on fixed assets in reportable segments

Refer to (iii) Net sales, profit or loss, assets and other items in reportable segments.

(v) Amortization and balance of goodwill in reportable segments

Year ended March 31, 2017

(Millions of yen)

	Semiconductor Production Equipment	FPD Production Equipment	Total Segment
Amortization of goodwill	631	-	631
Balance at end of the period	3,376	-	3,376

(vi) Income related to negative goodwill in reportable segments

None

Per share information

	Year ended March 31, 2017
Net assets per share (Yen)	3,919.50
Net income per share (Yen)	702.26
Fully diluted net income per share (Yen)	700.35

Note: Net income per share and fully diluted net income per share are calculated based on the following elements.

Net income per share (Yen)	
Net income attributable to owners of parent (Millions of yen)	115,208
Net income not pertaining to owners of common stock (Millions of yen)	-
Net income attributable to owners of parent pertaining to common stock (Millions of yen)	115,208
The average number of common stock (Thousands of share)	164,054
Fully diluted net income per share (Yen)	
The adjustments to net income attributable to owners of parent (Millions of yen)	-
Increase in common stock (Thousands of share)	446
[Share subscription rights (Thousands of share)]	[446]
Details of dilutive shares, not included in the computation of fully diluted net income per share as there is no dilution effect.	-

Significant subsequent event

None

Other

(1) Production, Orders and Sales

(i) Production

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
	Production	Production
Semiconductor Production Equipment	592,230	758,348
FPD Production Equipment	50,944	45,344
Others	5,124	-
Total	648,299	803,693

(Notes) 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

(ii) Orders

	Year ended March 31, 2016		Year ended March 31, 2017	
	Orders received	Order backlog	Orders received	Order backlog
Semiconductor Production Equipment	622,935	263,288	950,784	464,179
FPD Production Equipment	50,503	37,428	85,657	73,698
Others	2,541	4	442	8
Total	675,980	300,721	1,036,883	537,885

(Notes) 1. Intersegment sales or transfers are eliminated.

2. The above amounts do not include consumption taxes.

(iii) Sales

	Year ended March 31, 2016	Year ended March 31, 2017
	Sales	Sales
Semiconductor Production Equipment	613,032	749,893
FPD Production Equipment	44,687	49,387
Others	6,228	438
Total	663,948	799,719

(Notes) 1. Intersegment sales or transfers are eliminated.

2. The above amounts do not include consumption taxes.