

FY2018 (April 2017-March 2018) Financial Announcement

April 25, 2018

Agenda:

- FY2018 Consolidated Financial Summary
Ken Sasagawa, Vice President, Accounting Dept.
- 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 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.
- Disclaimer regarding Gartner data (Page 17)
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FPD: Flat panel display

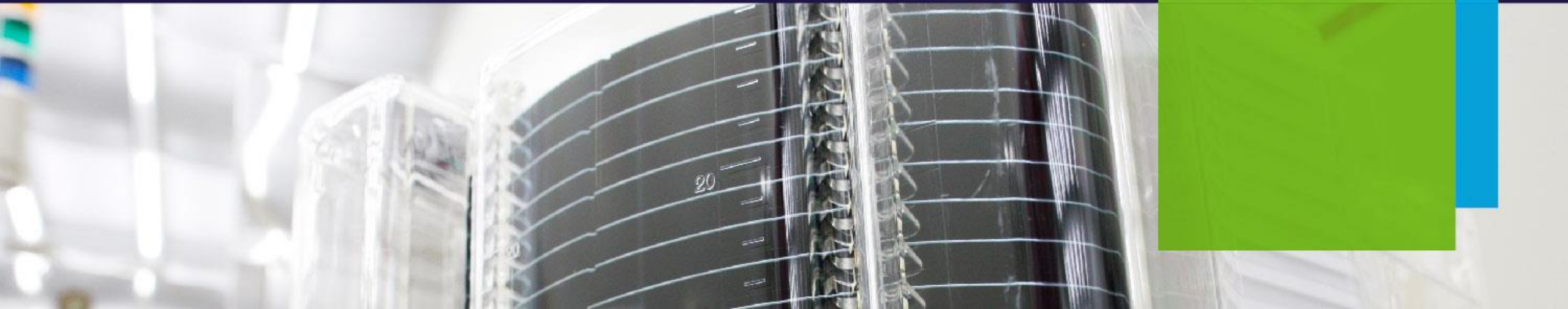


FY2018 Consolidated Financial Summary

(FY2018: April 1, 2017 - March 31, 2018)

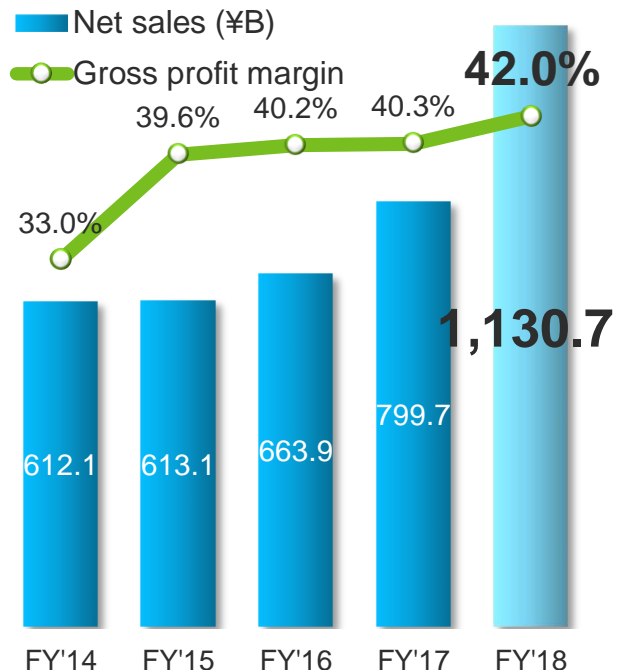
April 25, 2018

Ken Sasagawa
Vice President, Accounting Dept.

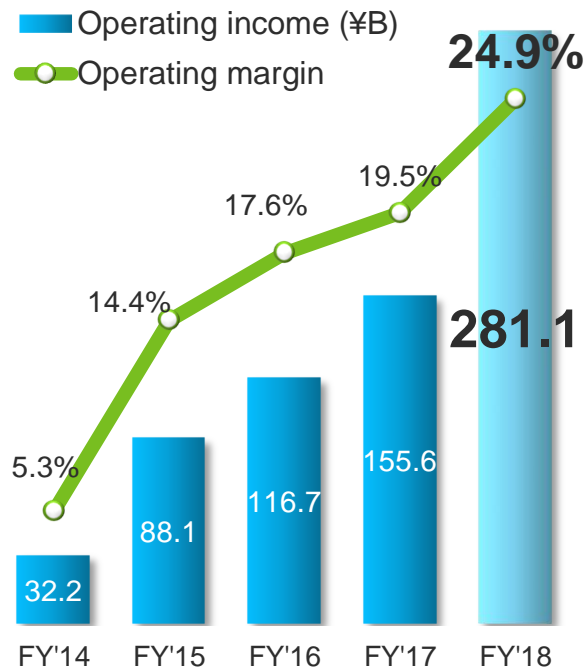


FY2018 (April 2017-March 2018) Highlights

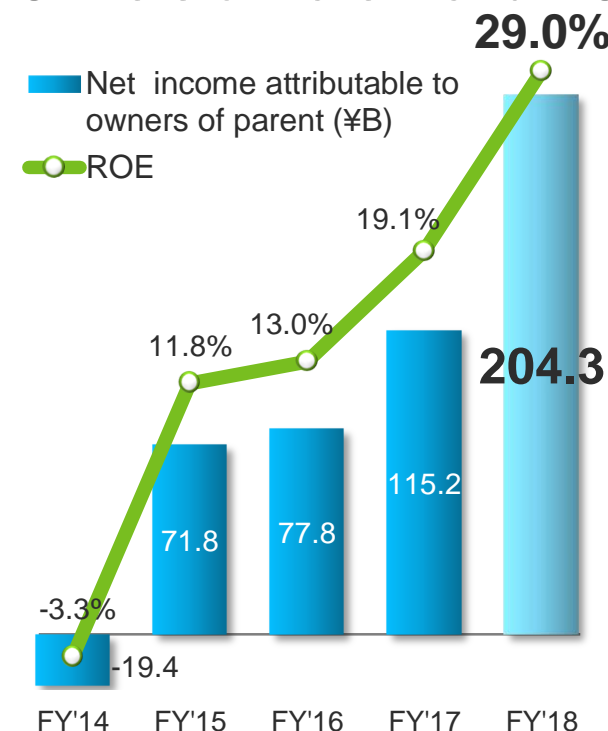
Net Sales and Gross Profit Margin



Operating Income and Operating Margin



Net Income Attributable to Owners of Parent and ROE



- Net sales +41% YoY driven by increase in SPE* demand and expansion of market share in focus areas
- Operating income and net income attributable to owners of parent reached new record highs

Financial Summary (Quarterly)

(Billion yen)

	FY2017	FY2018				vs. Q3 FY2018
	Q4	Q1	Q2	Q3	Q4	
Net sales	260.6	236.3	280.5	257.7	355.9	+38.1%
SPE	243.5	221.9	265.7	241.4	326.0	+35.1%
FPD	17.0	14.3	14.7	16.2	29.7	+83.1%
Gross profit	110.6	97.1	118.2	106.0	153.5	+44.8%
Gross profit margin	42.5%	41.1%	42.1%	41.1%	43.1%	+2.0pts
SG&A expenses	49.1	42.3	49.7	47.9	53.7	+12.1%
Operating income	61.5	54.7	68.5	58.0	99.7	+71.7%
Operating margin	23.6%	23.2%	24.4%	22.5%	28.0%	+5.5pts
Income before income taxes	61.4	55.1	67.1	57.3	95.6	+66.8%
Net income attributable to owners of parent	47.2	41.2	49.4	40.7	72.9	+79.3%
R&D expenses	24.8	21.1	24.8	23.9	27.0	+13.1%
Capital expenditures	7.1	8.1	11.7	13.7	12.0	-12.7%
Depreciation and amortization	5.0	4.2	4.7	5.5	6.0	+10.6%

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.

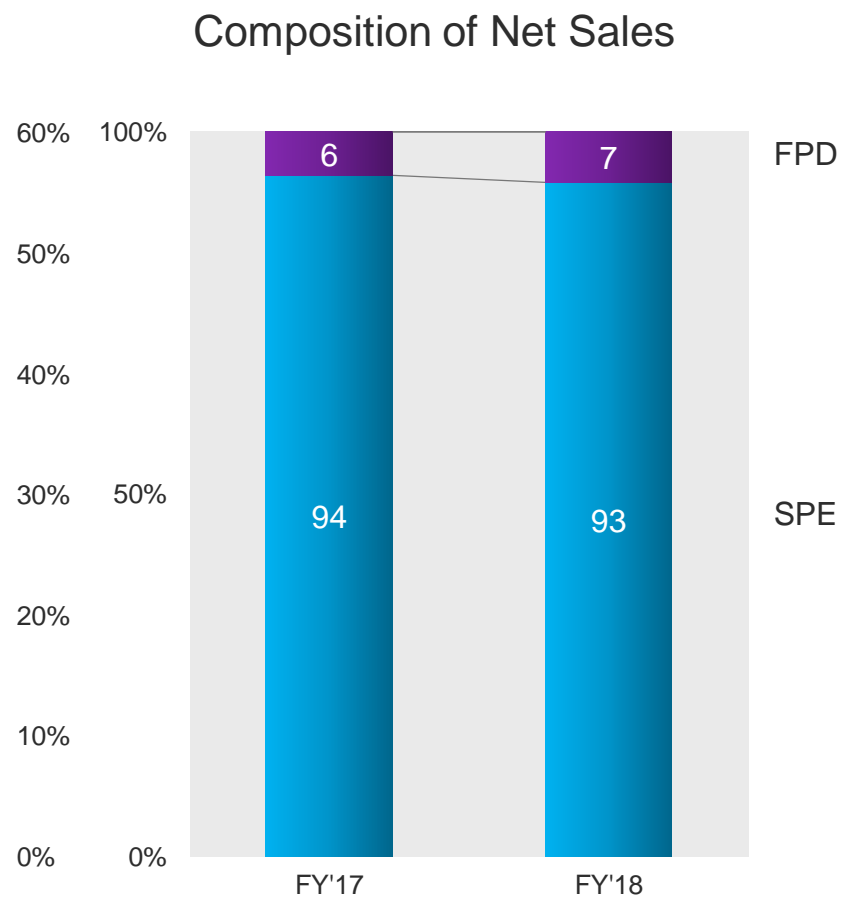
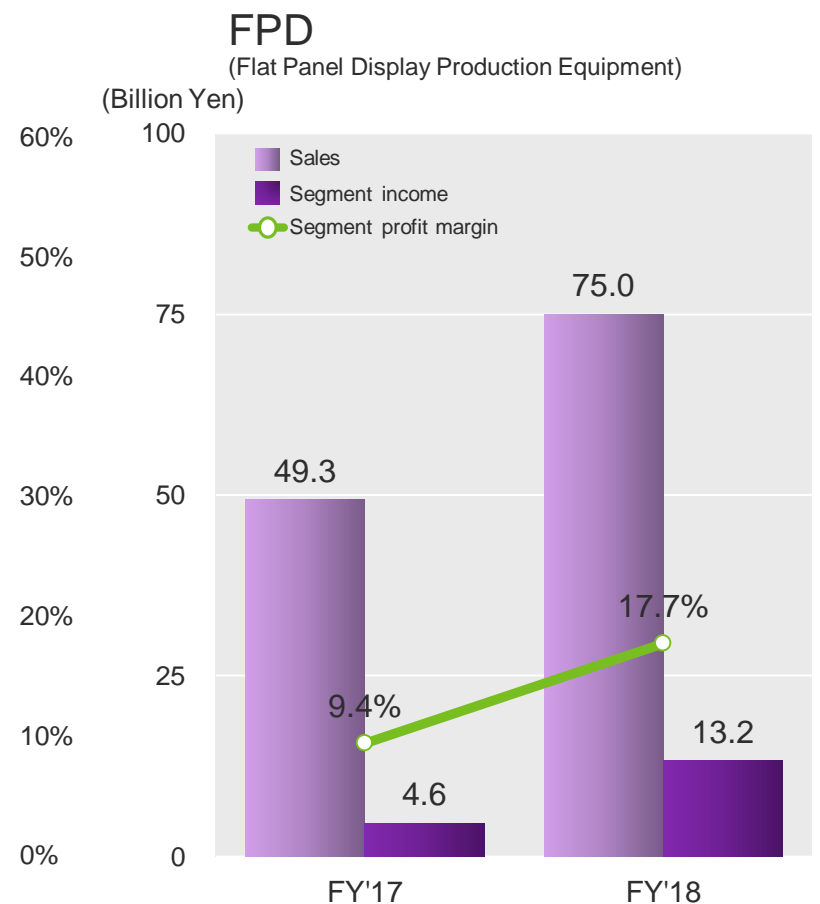
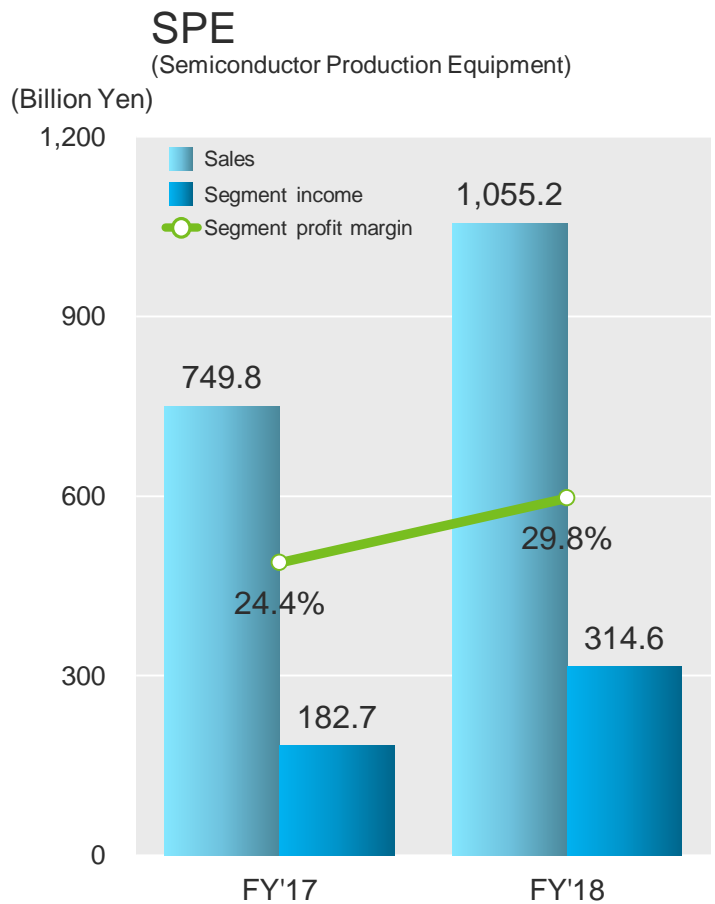
Financial Summary

(Billion yen)

	FY2017	FY2018	YoY Change	(Reference) FY2018 estimates announced on Oct. 31, 2017
Net sales	799.7	1,130.7	+41.4%	1,130.0
SPE	749.8	1,055.2	+40.7%	1,054.7
FPD	49.3	75.0	+52.0%	75.0
Gross profit	322.2	475.0	+47.4%	467.0
Gross profit margin	40.3%	42.0%	+1.7pts	41.3%
SG&A expenses	166.5	193.8	+16.4%	196.0
Operating income	155.6	281.1	+80.6%	271.0
Operating margin	19.5%	24.9%	+5.4pts	24.0%
Income before income taxes	149.1	275.2	+84.6%	267.0
Net income attributable to owners of parent	115.2	204.3	+77.4%	198.0
EPS (Yen)	702.26	1,245.48	+77.4%	1,206.66
R&D expenses	83.8	97.1	+15.9%	100.0
Capital expenditures	20.6	45.6	+120.3%	50.0
Depreciation and amortization	17.8	20.6	+15.4%	23.0

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.
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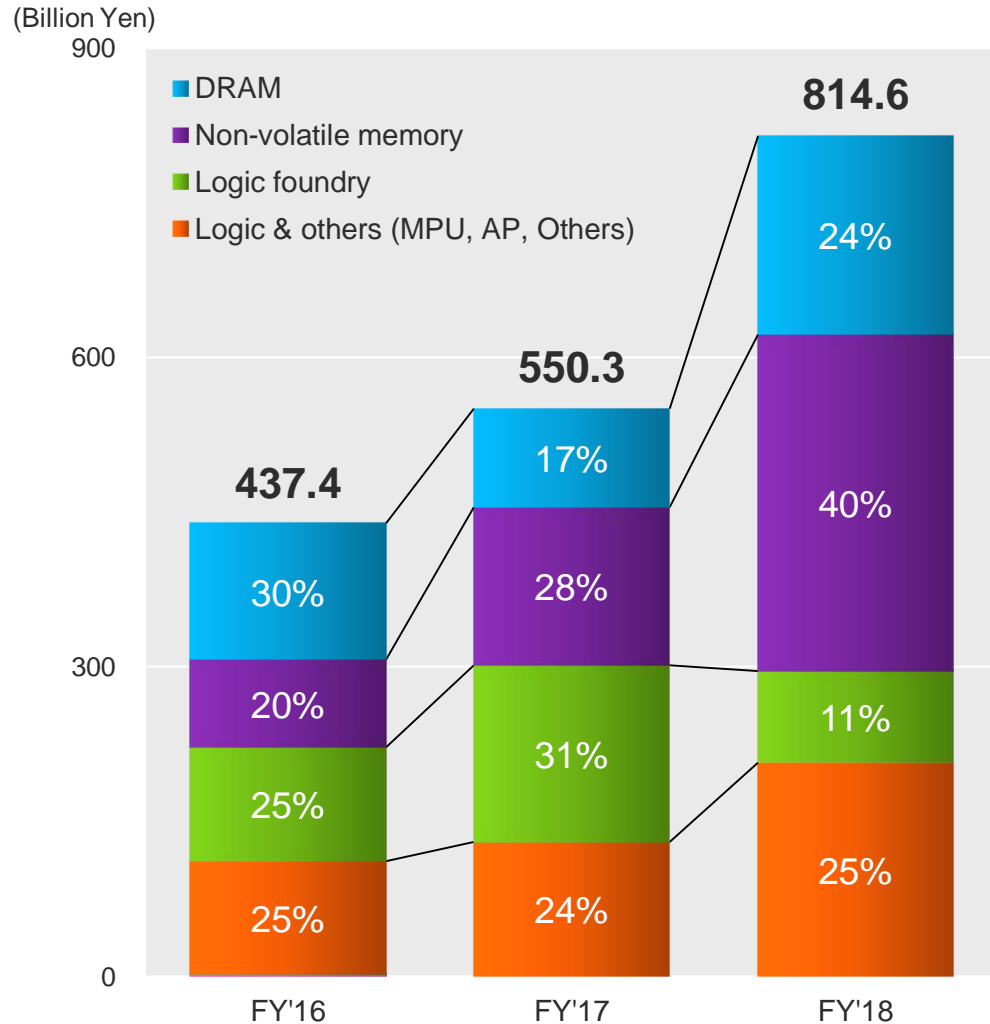
Segment Information



Significantly raised profitability in both SPE and FPD

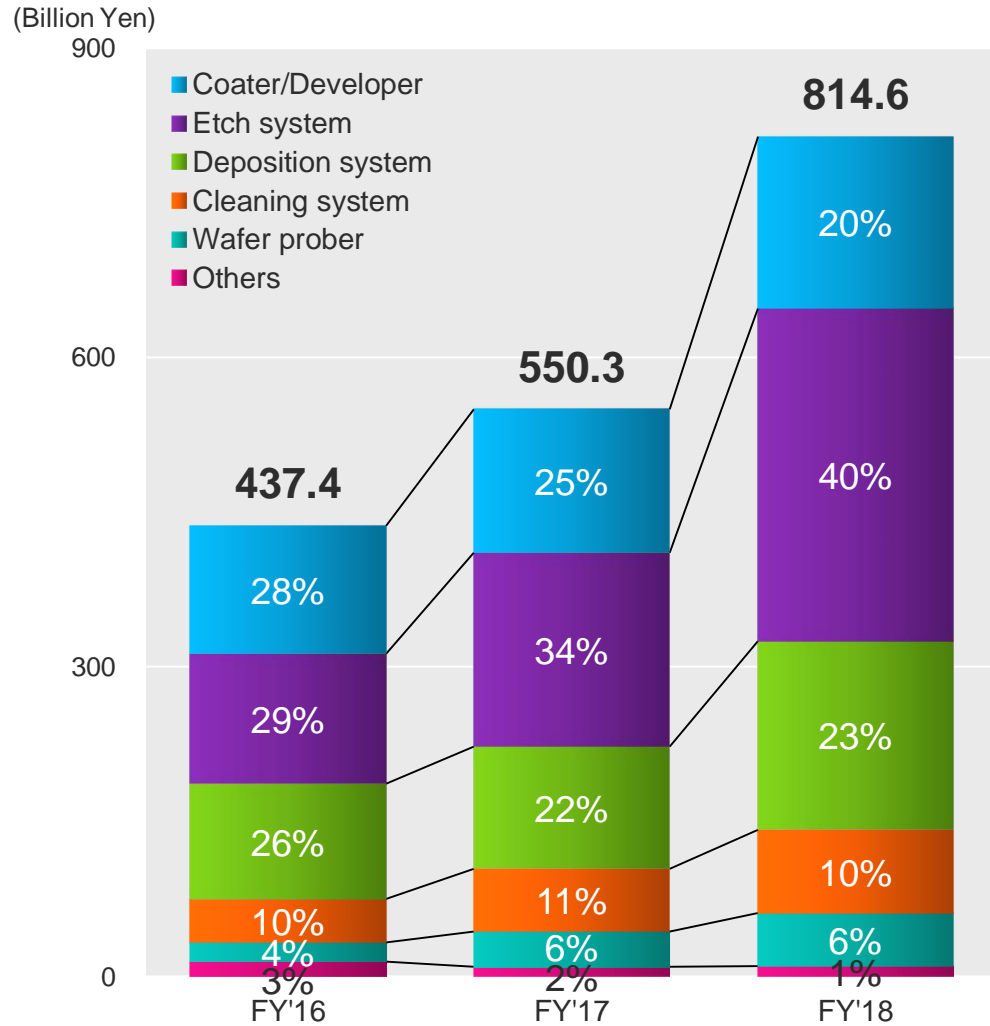
1. Segment income is based on income before income taxes.
2. R&D expenses such as fundamental research and element research are not included in above reportable segments.
3. Composition of net sales figures is based on the sales to customers.

SPE Division: New Equipment Sales by Application



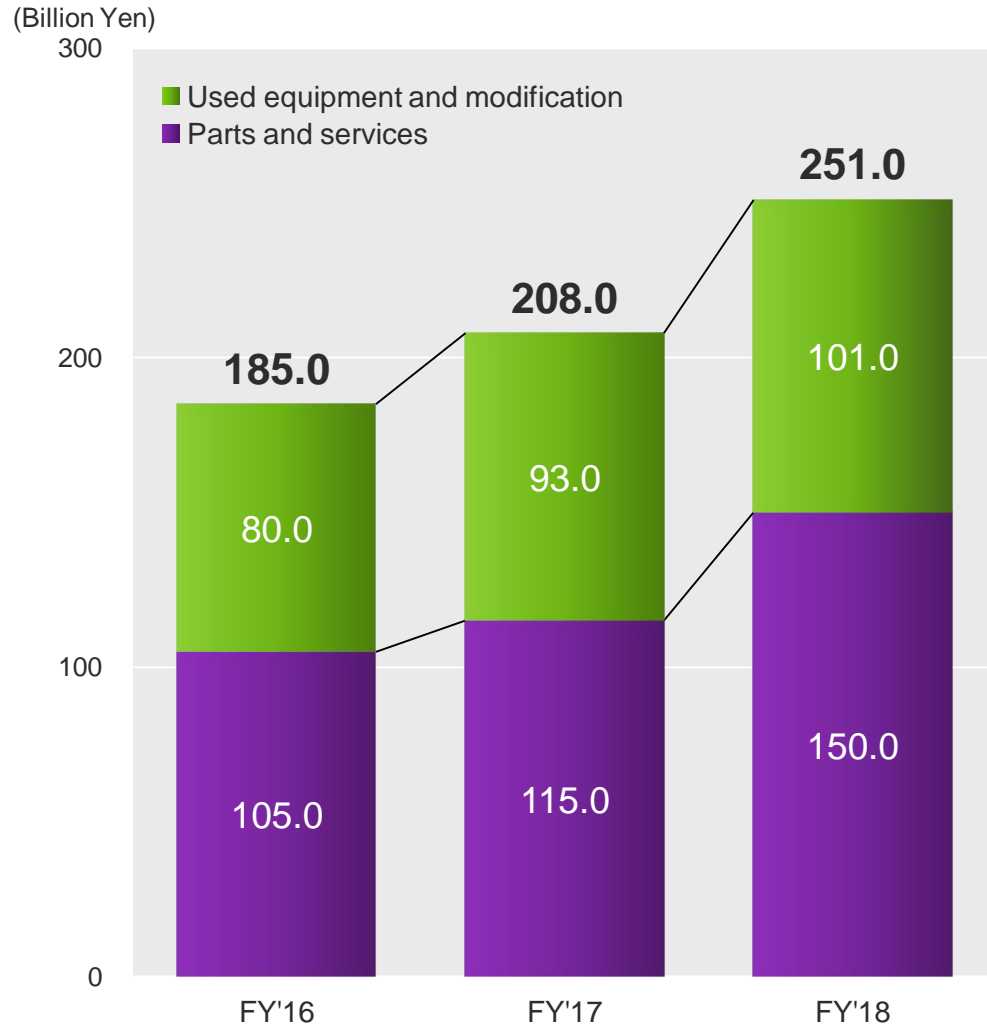
- Sales of DRAM and non-volatile memory more than doubled YoY driven by increase in demand for servers and proactive investment in next-generation technology
- In foundry/logic, investment in cutting-edge generations and 28nm and above continued

SPE Division: New Equipment Sales by Product



- Sales expanded in focus areas (etch, deposition, cleaning) driven by investment in non-volatile memory and miniaturization enabled by multiple patterning

Field Solutions Sales

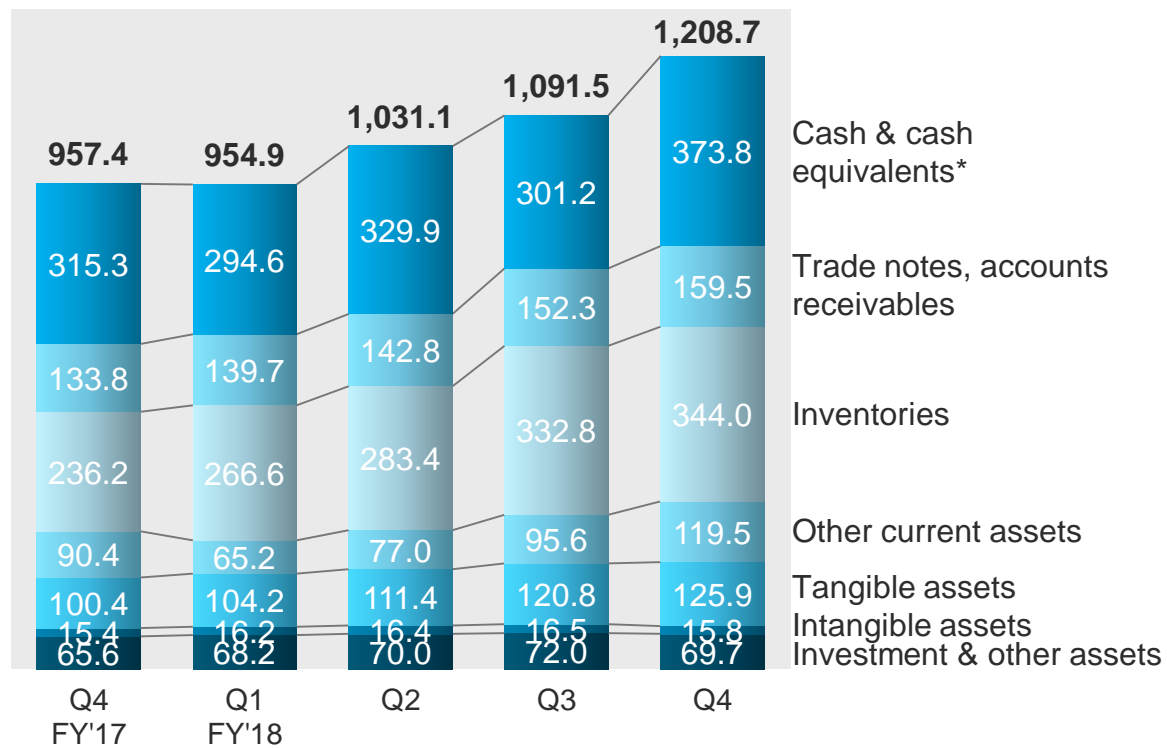


- Sales growth of +21% YoY, full-year sales reached ¥251.0B
- Parts sales increased strongly, especially in South Korea, due to rise in customers' equipment utilization

Balance Sheet

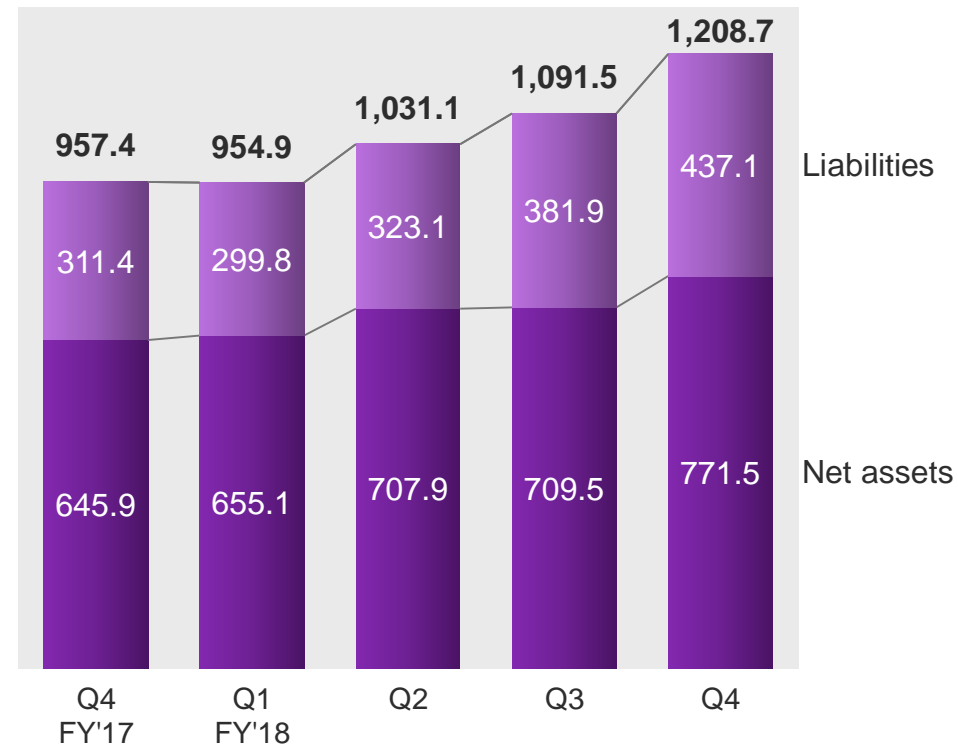
Assets

(Billion Yen)



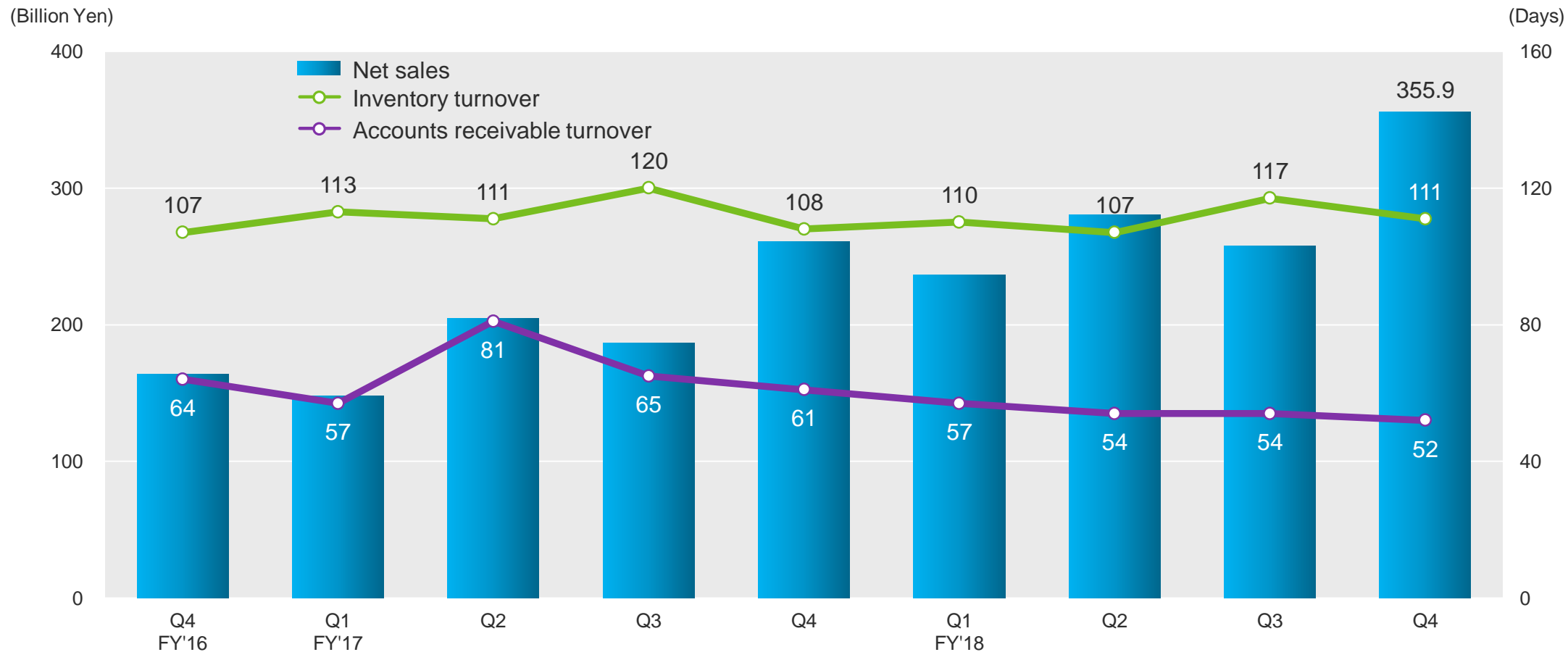
Liabilities & Net Assets

(Billion Yen)



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

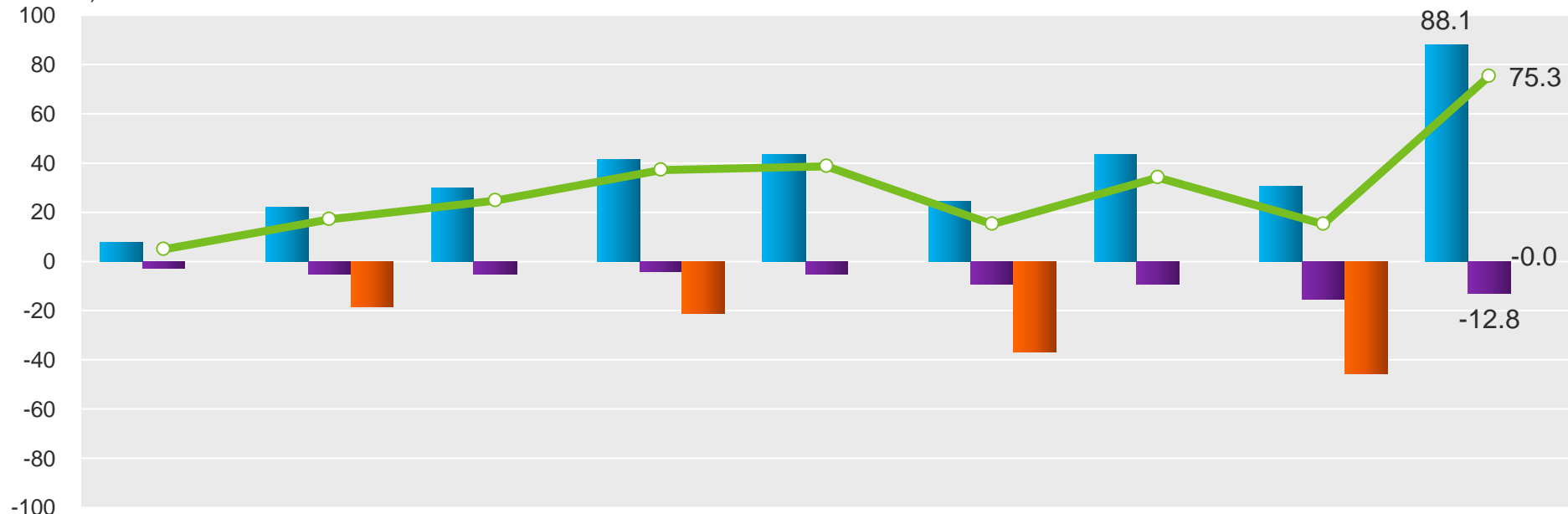
Inventory Turnover and Accounts Receivable Turnover (Quarterly)



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

Cash Flow (Quarterly)

(Billion Yen)



	Q4 FY'16	Q1 FY'17	Q2	Q3	Q4	Q1 FY'18	Q2	Q3	Q4
Cash flow from operating activities	7.9	22.1	29.8	41.3	43.6	24.4	43.4	30.4	88.1
Cash flow from investing activities*	-2.9	-4.9	-4.9	-4.1	-4.9	-9.3	-9.4	-15.2	-12.8
Cash flow from financing activities	0.0	-18.3	0.0	-21.0	-0.0	-36.8	-0.0	-45.7	-0.0
Free cash flow**	5.0	17.2	24.8	37.1	38.7	15.1	34.0	15.1	75.3
Cash on hand***	236.6	230.9	255.6	277.2	315.3	294.6	329.9	301.2	373.8

* 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.

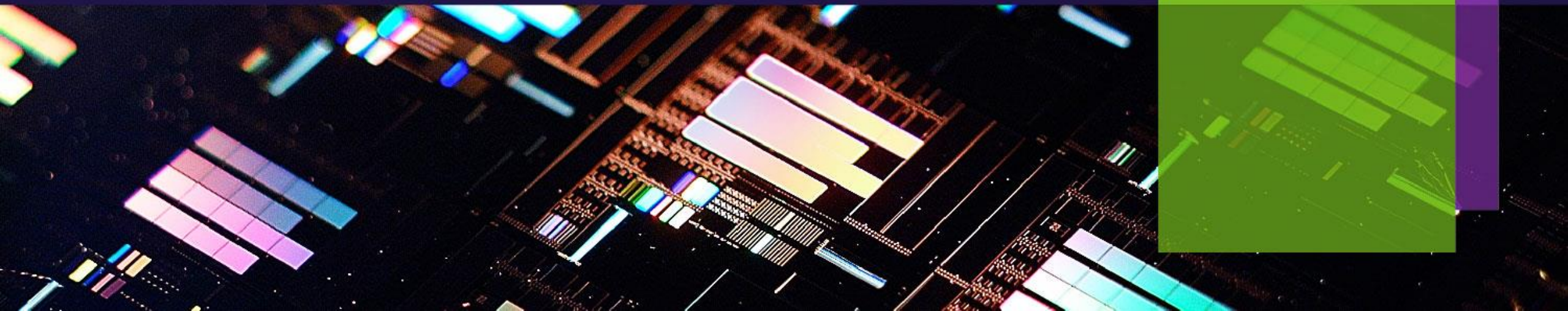
*** Cash on hand includes the total of cash + deposits with periods to maturity of over 3 months.



Business Environment and Financial Estimates

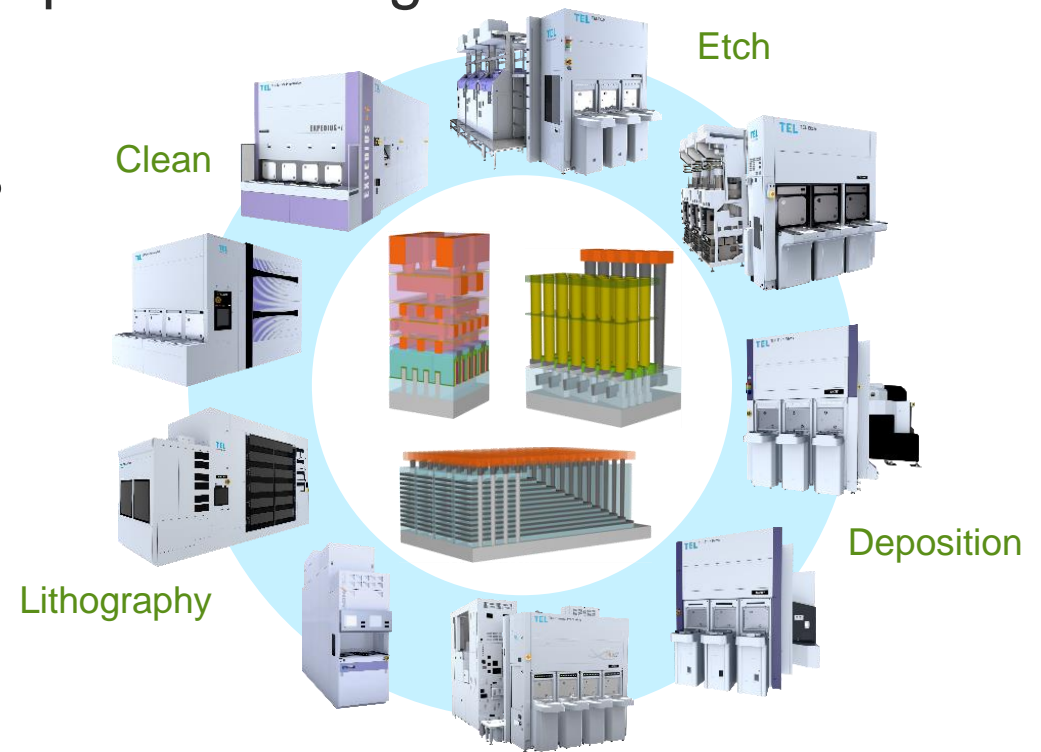
April 25, 2018

Toshiki Kawai
Representative Director, President & CEO



FY2018 SPE Business Highlights

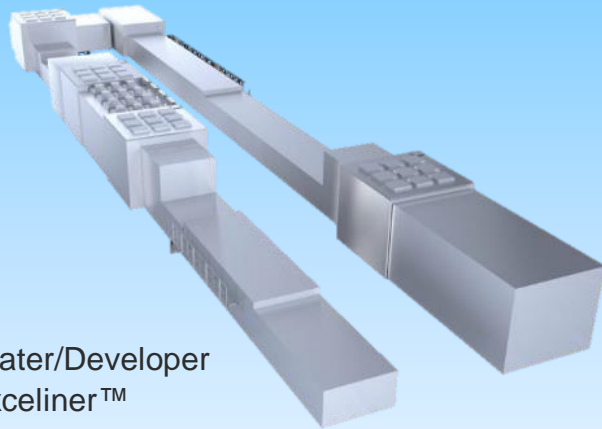
- Established Tokyo Electron Technology Solutions
- Accelerated development of solutions in process integration through collaboration with customers
- Increased profit from strategic products
- Miyagi plant expansion (etch system)
 - Began operations at new logistics building
 - Started construction of new development building (plan to complete by September)



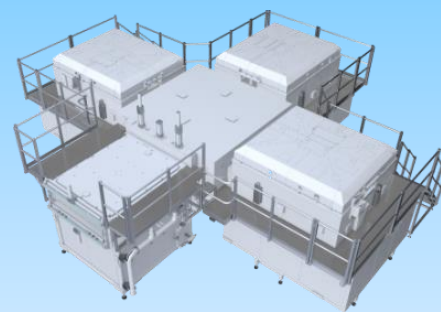
**SPE business strategy progressing as planned,
growing profit from next generation technology**

FY2018 FPD Business Highlights

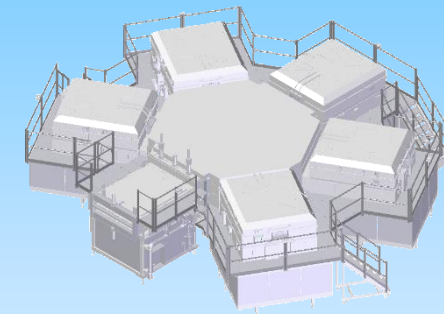
- Established our leading position in G10.5
- Introduced new Betelex™ platform etch system
- Expansion of PICP™* etch system going well



FPD Coater/Developer
Exceliner™



FPD Etch/Ash System
Impressio™

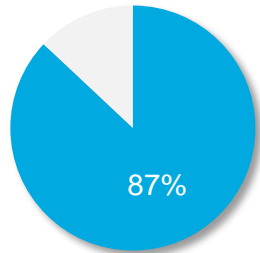


FPD Etch/Ash System
Betelex™

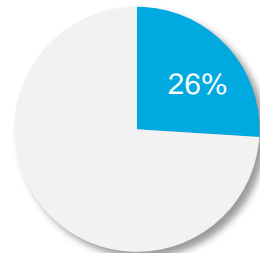
Progressing according to plan towards
operating margin medium-term target of 20%+

TEL Main Products World Market Share (CY2017)

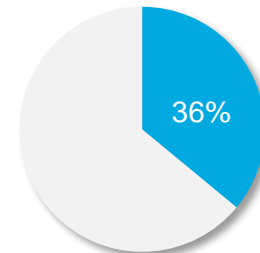
Semiconductor Production Equipment



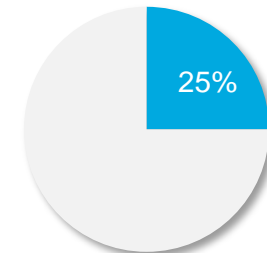
Coater/Developer



Dry Etch System

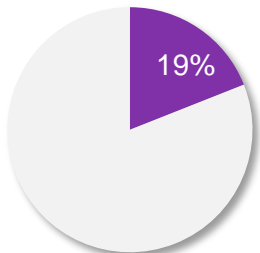


Deposition System

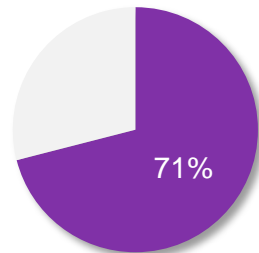


Cleaning System

FPD Production Equipment (FY2018)

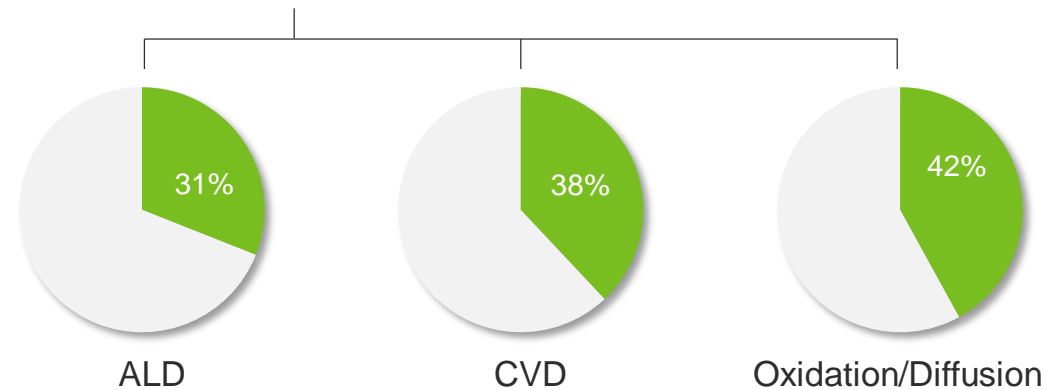


FPD Coater/Developer



FPD Etcher/Asher

Source (FPD): TEL survey



Source (SPE): Gartner, "Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2017", 18 April 2018,

Charts/graphics created by Tokyo Electron based on Gartner research.

Coater/Developer: Photoresist processing (Track), Dry Etch System: Dry etch, Deposition System: Tube CVD + Atomic layer deposition tools + Oxidation/diffusion furnaces + Nontube LPCVD, ALD: Atomic layer deposition tools, CVD: Tube CVD + Nontube LPCVD, Oxidation/Diffusion: Oxidation/diffusion, Cleaning System: Wet stations + Spray processors + Other clean process

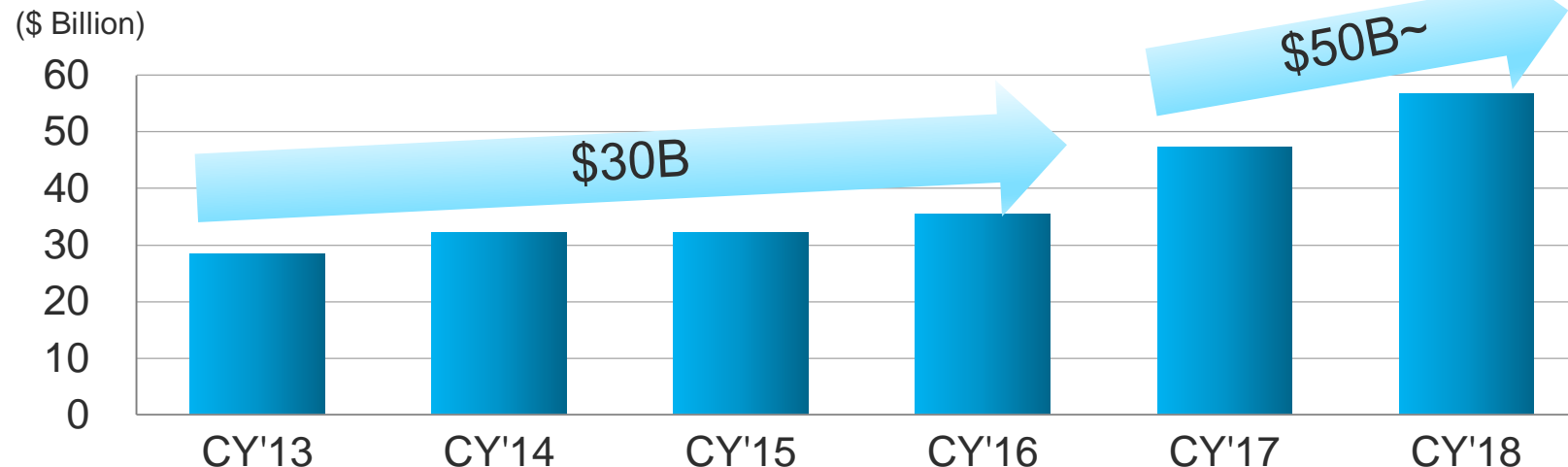
Wafer Fab Equipment (WFE) Market Outlook

Future growth drivers

PC, internet, mobile
+
VR/AR/MR*, IoT, AI, RPA**,
machine learning, big data,
autonomous driving, blockchain

WFE market growth accelerating.
Investment expanding to
\$50B+

* VR/AR/MR: Virtual reality/Augmented reality/Mixed reality ** RPA: Robotic process automation



Equipment market is moving to the next phase amid expanding applications for semiconductors

Business Environment (Outlook as of April 2018)

▶ WFE* capex

CY2018 investment driven by buoyant demand for memory, expect YoY growth of approx. 15%

▶ FPD production equipment capex for TFT array process**

We expect CY2018 investment in production equipment to increase approx. 10% YoY despite adjustments to investment in small/medium panels for mobile devices, with demand driven by significantly expanded investment in G10.5 on demand for large panels

Accelerating growth in the equipment market on active investment in IoT and next generation technologies

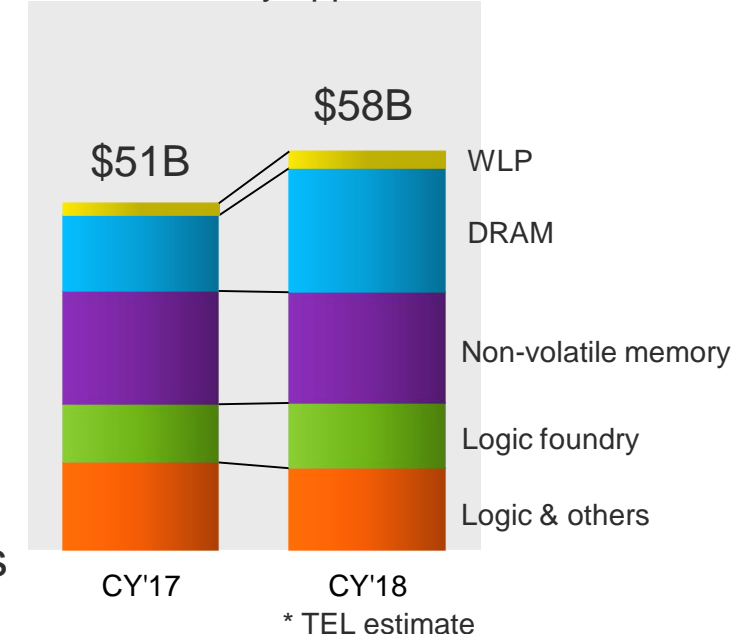
* WFE (Wafer fab equipment): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. Wafer fab equipment refers to the production equipment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

CY'18 WFE Market Growth and Business Opportunities by Application

- **DRAM: Market growth of 60% YoY forecast**
 - Capex: 70% of investment amount to be for new factories, and 1X/1Ynm generation to comprise 80%
 - Driving force: Average server capacity up 35%
 - Opportunities: Differentiation through combined patterning and our strength in interconnects
- **Non-volatile memory: Same level forecast**
 - Capex: 9X generations to comprise 50%
 - Driving force: Growth in SSD demand for data centers and PCs
 - Opportunities: Differentiation through high value-added etch and clean
- **Logic/Foundry: Same level forecast**
 - Capex: 10nm and beyond generation to comprise 50%
 - Driving force: Demand for higher performance, lower power consumption
 - Opportunities: Business expansion in more complex patterning processes

WFE market by application*



FY2019 Financial Estimates

FY2019 Financial Estimates

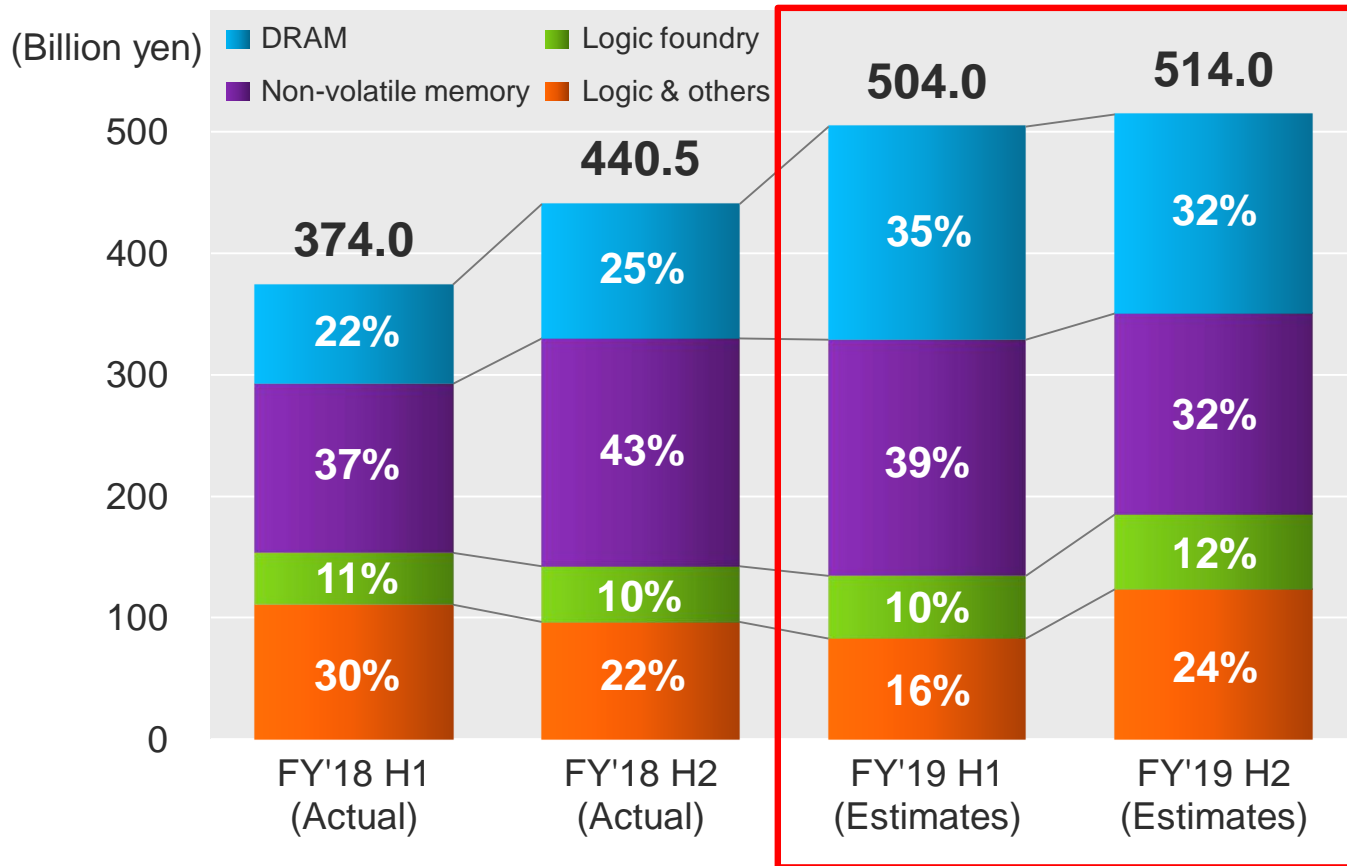
(Billion yen)

	FY2018 (Actual)	FY2019 (Estimates)			
		H1	H2	Full year	Full year YoY change
Net sales	1,130.7	690.0	710.0	1,400.0	+23.8%
SPE	1,055.2	634.0	654.0	1,288.0	+22.1%
FPD	75.0	56.0	56.0	112.0	+49.2%
Gross profit	475.0	288.0	310.0	598.0	+122.9
Gross profit margin	42.0%	41.7%	43.7%	42.7%	+0.7pts
SG&A expenses	193.8	115.0	117.0	232.0	+38.1
Operating income	281.1	173.0	193.0	366.0	+84.8
Operating margin	24.9%	25.1%	27.2%	26.1%	+1.2pts
Income before income taxes	275.2	173.0	193.0	366.0	+90.7
Net income attributable to owners of parent	204.3	128.0	142.0	270.0	+65.6
Net income per share (Yen)	1,245.48	779.95	-	1,645.20	+399.72

Expect sales growth to exceed market growth, generating record high profits for third consecutive year

FY2019 SPE Division New Equipment Sales Forecast

Sales by application



- DRAM
 - investment growth driven by tight supply
- 3D NAND
 - Continued strong investment on sustained SSD demand for data centers and PCs
- Logic/Foundry
 - Continued investment in 10/7nm generations
 - Also firm investment in 28nm and prior generations

Percentages on the graph show the composition ratio of new equipment sales. Field solutions sales are not included.

FY2019 R&D Expenses, Capex Plan

- R&D Expenses ¥120.0B
 - Continue investing based on focus areas and sustainable growth
- Capex ¥51.0B
 - Actively invest in advanced technologies R&D and to meet increasing production
- Depreciation ¥26.0B

New production buildings

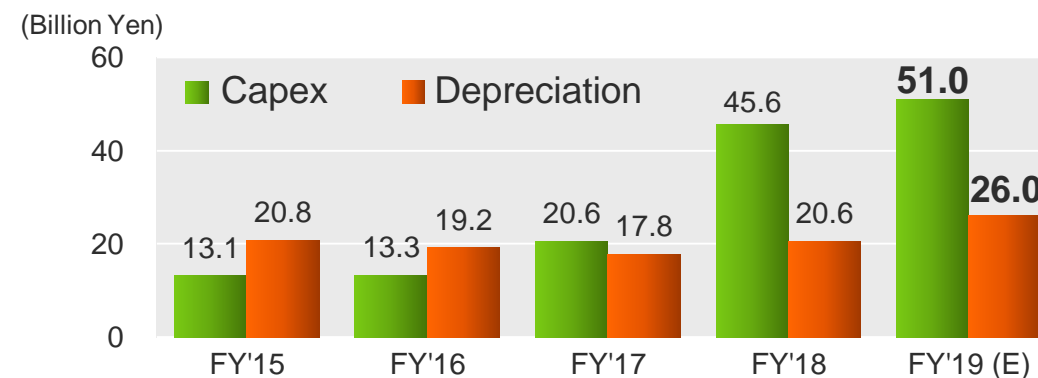
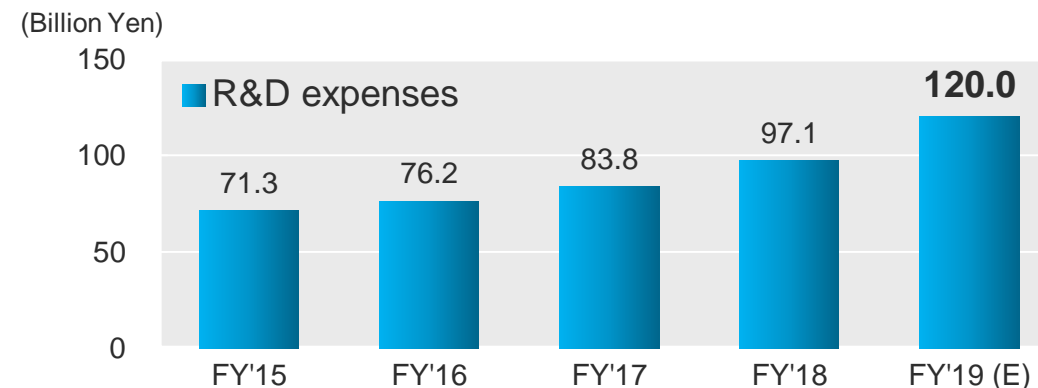
(deposition systems, gas chemical etch systems, test systems)



Nirasaki City, Yamanashi Prefecture:
approx. ¥13.0B construction cost
(Begin construction in January 2019,
completion scheduled for April 2020)

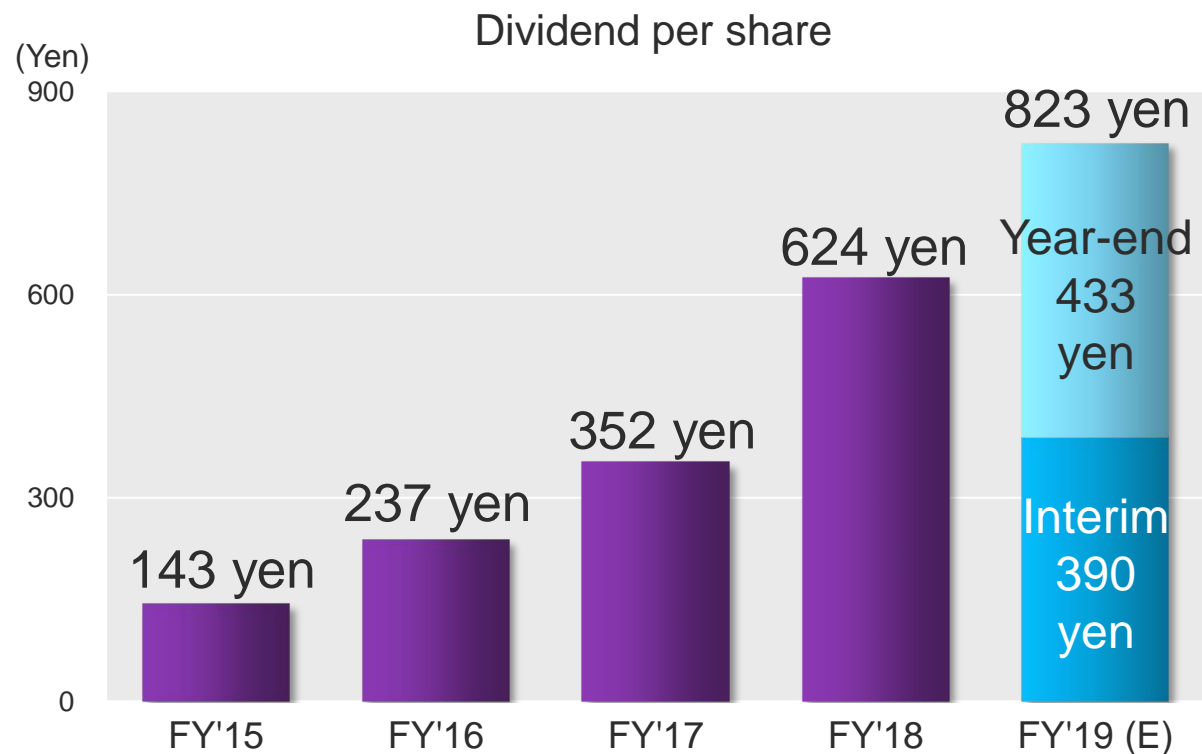


Oshu City, Iwate Prefecture:
approx. ¥13.0B construction cost
(Begin construction in October 2018,
completion scheduled for September 2019)



Maximize business opportunities while equipment market is
in a growth phase

FY2019 Dividend Forecast



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

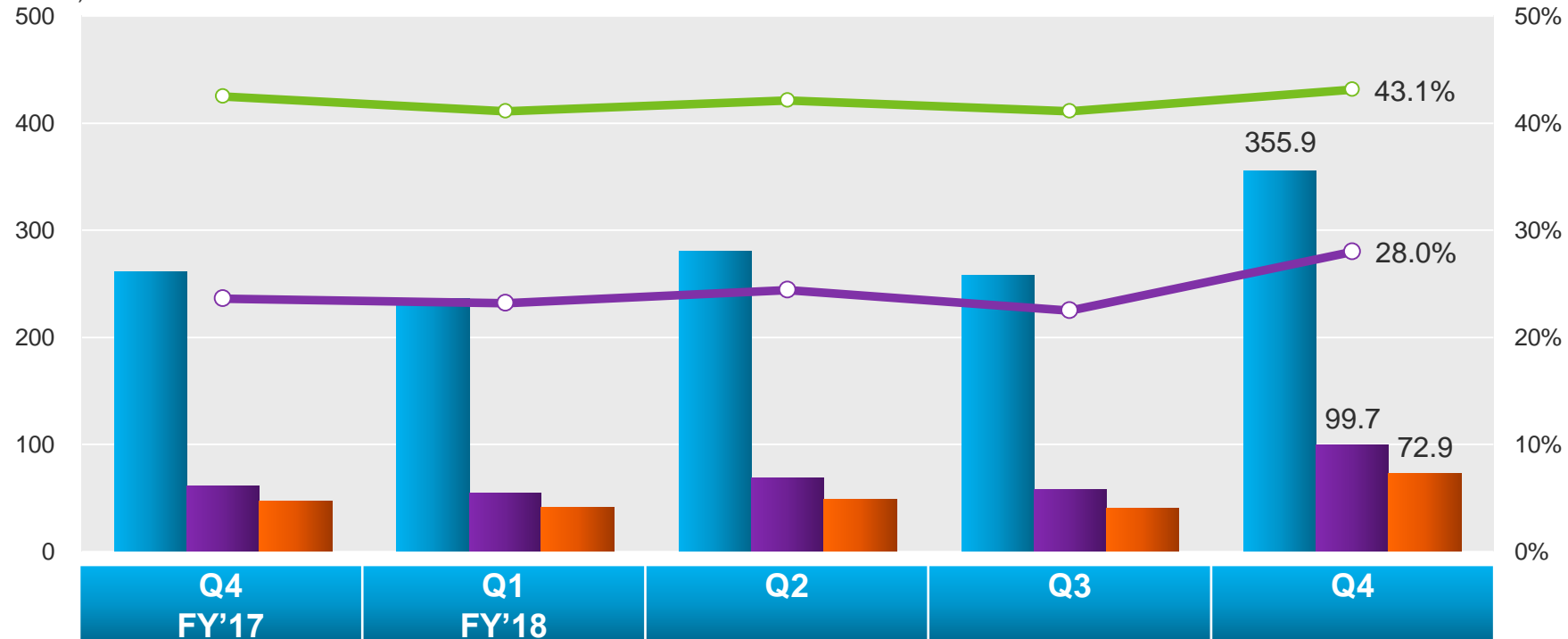
We will flexibly consider share buybacks

Expect to raise DPS 32% YoY

Appendix

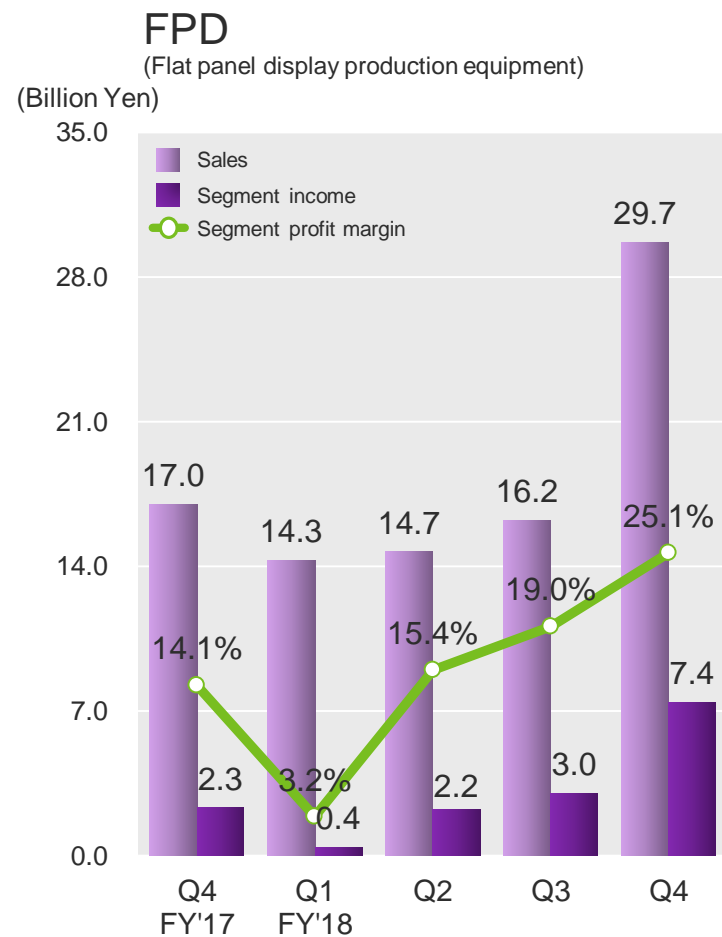
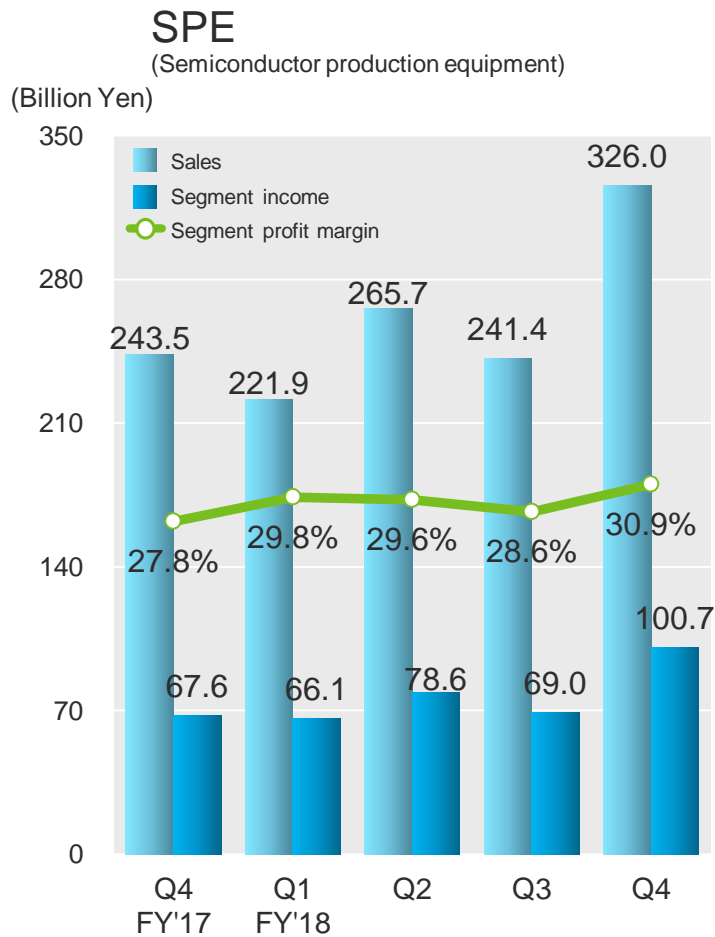
Financial Performance (Quarterly)

(Billion Yen)



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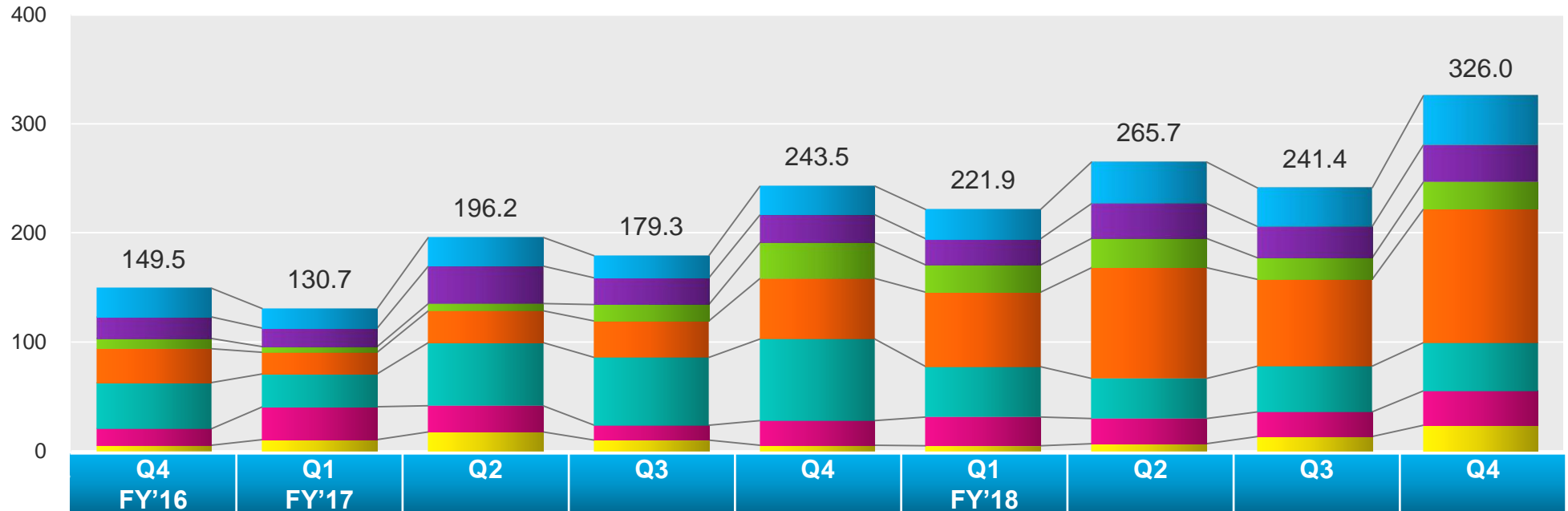
Segment Information (Quarterly)



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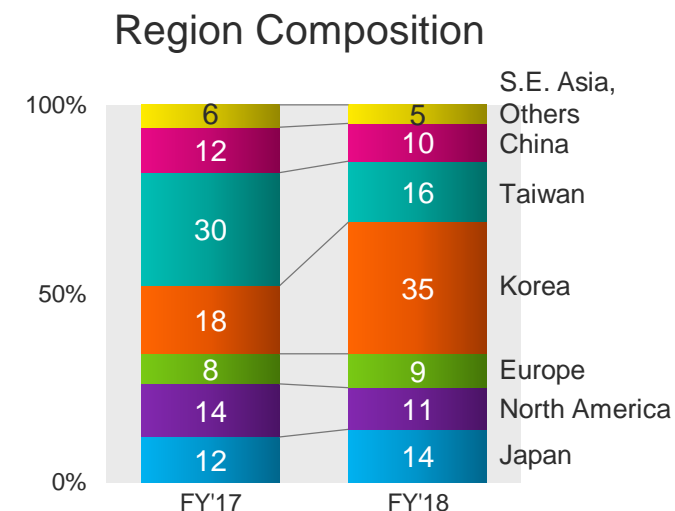
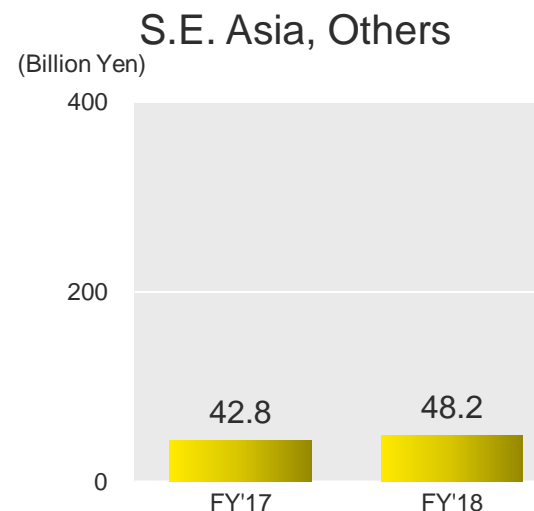
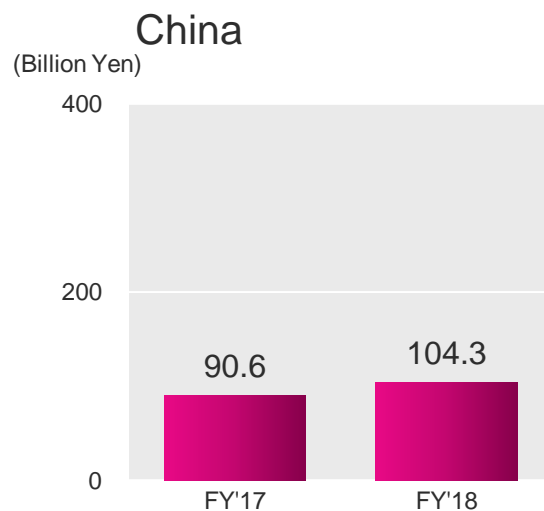
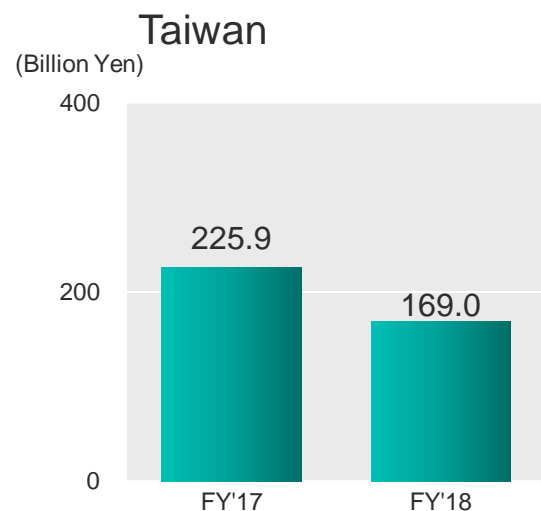
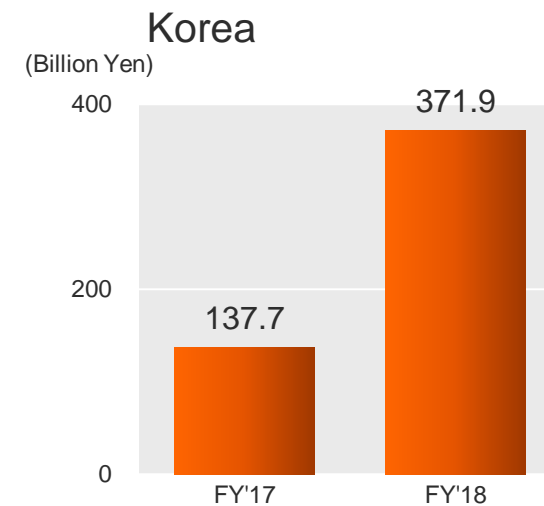
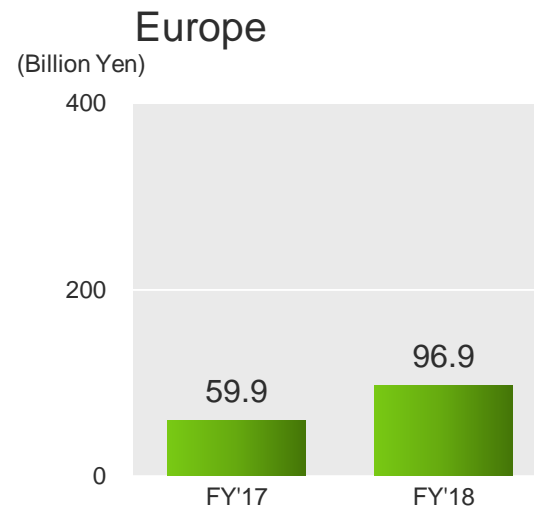
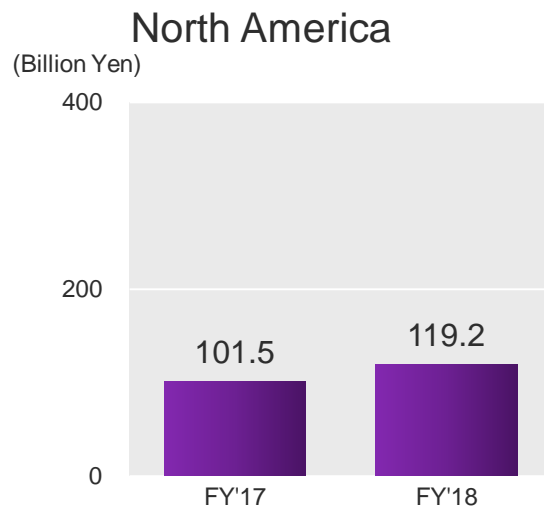
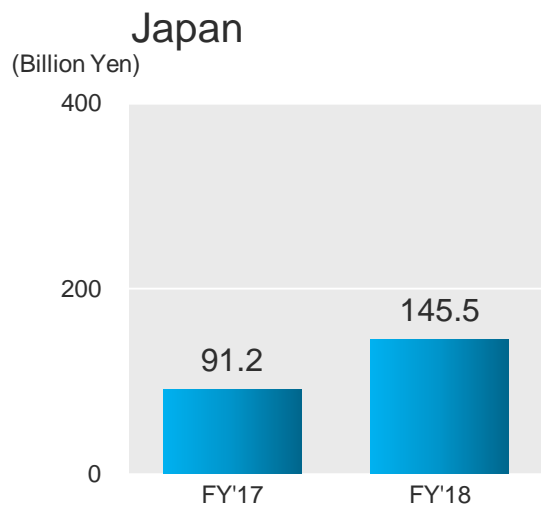
SPE Division: Sales by Region (Quarterly)

(Billion Yen)

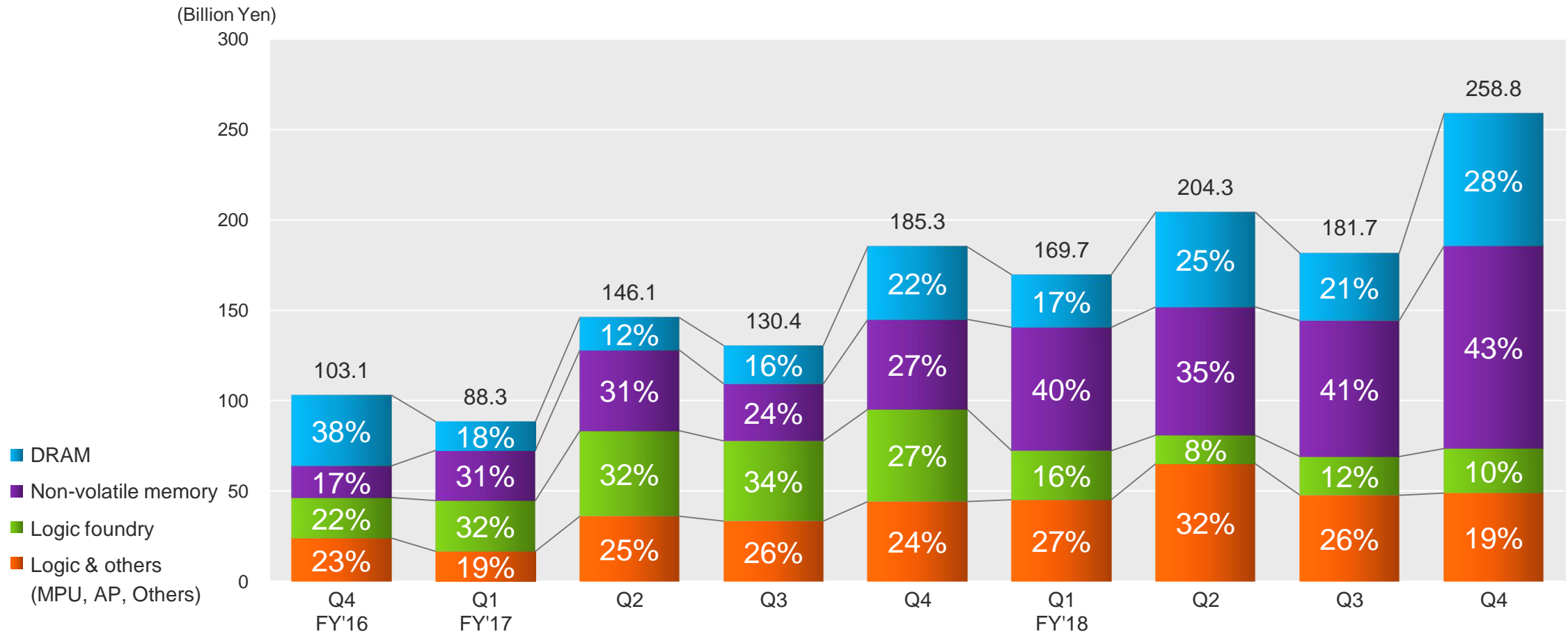


	Q4 FY'16	Q1 FY'17	Q2	Q3	Q4	Q1 FY'18	Q2	Q3	Q4
Japan	26.4	17.8	26.4	20.3	26.6	26.7	38.4	35.1	45.1
North America	19.7	17.0	34.4	24.6	25.4	24.0	32.0	29.1	33.9
Europe	9.5	5.2	6.6	15.0	32.9	25.3	26.9	19.6	25.0
South Korea	30.9	19.8	29.0	33.3	55.5	68.3	101.7	79.4	122.3
Taiwan	42.5	30.5	58.2	62.3	74.7	45.8	36.6	42.1	44.3
China	15.2	30.0	24.0	13.7	22.7	26.7	23.0	22.6	31.8
S. E. Asia, Others	5.0	10.3	17.3	9.8	5.3	4.6	6.7	13.2	23.4

SPE Sales by Region

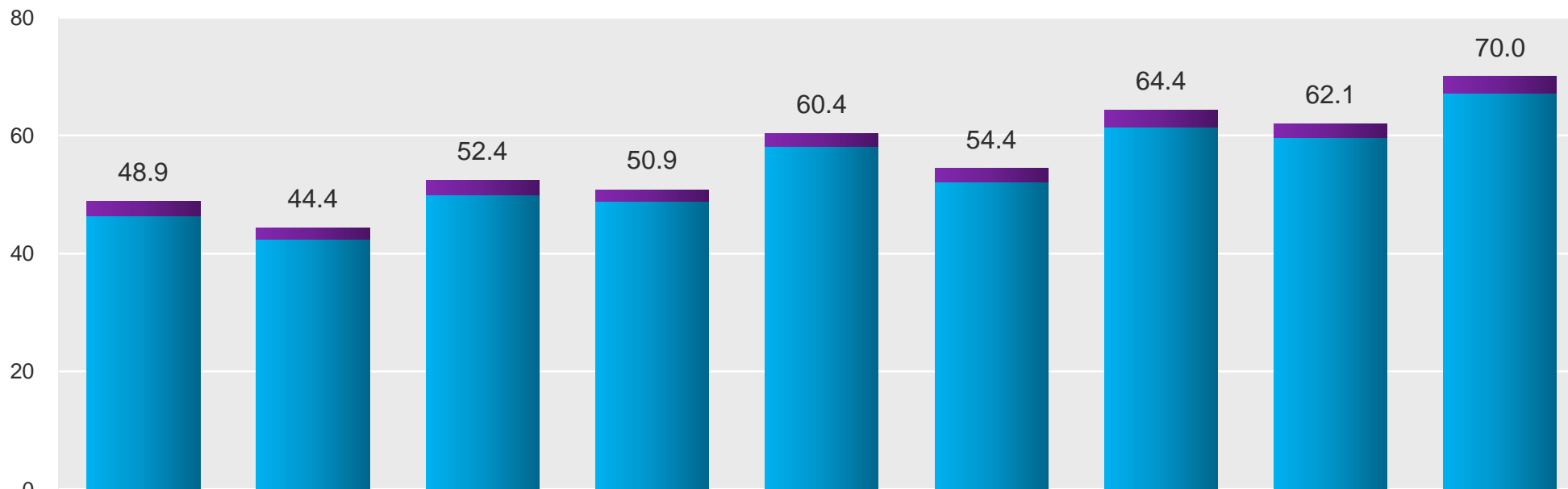


SPE Division: New Equipment Sales by Application (Quarterly)



Field Solutions Sales (Quarterly)

(Billion Yen)



	Q4 FY'16	Q1 FY'17	Q2	Q3	Q4	Q1 FY'18	Q2	Q3	Q4
SPE Sales	46.4	42.4	50.0	48.8	58.1	52.2	61.4	59.7	67.2
FPD Sales	2.4	2.0	2.4	2.0	2.2	2.2	2.9	2.4	2.8

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