TEL TOKYO ELECTRON

Apr 26, 2016

Consolidated Financial Review for the Year Ended March 31, 2016

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, 2016

(1) Operating results

	Year ended	
	March 31, 2015	March 31, 2016
Net sales (Millions of yen)	613,124	663,948
Operating income (Millions of yen)	88,113	116,788
Ordinary income (Millions of yen)	92,949	119,399
Net income attributable to owners of parent (Millions of yen)	71,888	77,891
Net income per share (Yen)	401.08	461.10
Fully diluted net income per share (Yen)	400.15	460.00
Return on equity (%)	11.8	13.0
Ordinary income to total assets (%)	10.9	14.3
Operating income to net sales (%)	14.4	17.6

Comprehensive income: Year ended March 31, 2016: 60,984 million yen
Year ended March 31, 2015: 80,295 million yen
Profit/loss on equity method: Year ended March 31, 2016: 325 million yen
Year ended March 31, 2015: 250 million yen

(2) Financial position

	As of	
	March 31, 2015	March 31, 2016
Total assets (Millions of yen)	876,153	793,367
Net assets (Millions of yen)	641,162	564,239
Equity ratio (%)	73.0	70.9
Net assets per share (Yen)	3,567.23	3,428.37

Equity: 562,369 million yen (as of March 31, 2016)
639,483 million yen (as of March 31, 2015)

(3) Cash flow

(Millions of yen)

	Year ended	
	March 31, 2015	March 31, 2016
Cash flow from operating activities	71,806	69,398
Cash flow from investing activities	155,737	(150,013)
Cash flow from financing activities	(18,213)	(138,600)
Cash and cash equivalents at end of period	317,632	95,638

2. Dividends

	Year ended	
	March 31, 2015	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	112.00
Annual dividend per share (Yen)	143.00	237.00
Total dividend (Millions of yen)	25,633	39,194
Payout ratio (%)	35.7	51.4
Dividend on equity (%)	4.2	6.8

Note: Regarding the year-end dividend forecast for the fiscal year ended March 31, 2016, please refer to the press release "Announcement on Dividends Forecast Revision for the Fiscal Year Ended March 31, 2016" published today.

The dividend forecast for the fiscal year ending March 31, 2017, has yet to be determined as our financial forecast is currently being assessed. We expect to announce the dividend forecast on May 12, 2016 along with the announcement of our financial forecast.

3. Financial forecasts for the fiscal year ending March 31, 2017

Until the impact of the Kumamoto earthquake on the Group's consolidated results for the fiscal year ending March 31, 2017 can be evaluated, we will not be providing the consolidated financial forecasts at this time. We plan to make an announcement regarding the matter on May 12, 2016.

4. Others

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

(2) Changes in accounting principles, accounting estimation and restatement

1. Changes in accounting policies along with changes in accounting 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 March 31, 2016: 165,210,911 shares

   As of March 31, 2015: 180,610,911 shares

2. Number of shares of treasury stock

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

   As of March 31, 2015: 1,344,892 shares

3. Average number of shares outstanding

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

   As of March 31, 2015: 179,238,551 shares

(Reference) Non-consolidated finance review for the fiscal year ended March 31, 2016

(1) Operating results

Note: Percentages indicate changes from the previous fiscal year.

	Year ended			
	March 31, 2015		March 31, 2016	
		%		%
Net sales (Millions of yen)	555,092	20.1	582,623	5.0
Operating income (Millions of yen)	47,094	190.2	42,092	(10.6)
Ordinary income (Millions of yen)	86,502	210.7	74,861	(13.5)
Net income (Millions of yen)	63,267	-	63,549	0.4
Net income per share (Yen)	352.98	-	376.20	-
Fully diluted net income per share (Yen)	352.16	-	375.30	-

(2) Financial position

	As of	
	March 31, 2015	March 31, 2016
Total assets (Millions of yen)	671,759	625,968
Net assets (Millions of yen)	405,468	329,351
Equity ratio (%)	60.1	52.4
Net assets per share (Yen)	2,253.90	1,997.82

Equity: 327,709 million yen (as of March 31, 2016)
404,047 million yen (as of March 31, 2015)

***Notes on the status of auditing procedure execution:**

This Consolidated Financial Review meets the definition of unaudited as outlined in the Financial Instruments and Exchange Act as the year-end audit is not complete at the time of issuance of this report.

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

The financial forecasts and estimates as provided in this Consolidated Financial Review are based on certain assumptions judged to be reasonable at time of report issuance and in light of currently available information. Consequently, actual operating results may differ substantially from the projections in this Consolidated Financial Review.

The company plans to hold a financial meeting for analysts and investors on April 26, 2016. Supplementary schedules and other information deemed relevant to these financial reports that will be handed out at this meeting and will be posted simultaneously on our company website.

1. Operating Results

(1) Analysis of Operating Results

(i) Business Environment during the Fiscal Year Ended March 31, 2016

In the fiscal year under review, there was an increasing sense of uncertainty about the future due to the impact of the economic slowdown in emerging countries in Asia including China, and low crude oil prices. While some areas of weakness are evident, the global economy is generally showing signs of a moderate recovery.

The electronics industry showed an increase in the number of chips per handset accompanying the enhancement of mobile handset functions and an increase in demand for servers used for data centers. On the other hand, demand lacked robustness due to sluggish growth in sales of smartphones and PCs, and the electronic components market showed little growth. In the semiconductor production equipment market, which the Tokyo Electron (TEL) Group is part of, forefront investment of semiconductor makers showed signs of recovery in the second half of the fiscal year, and performance on the whole was solid.

(ii) Overview of Profit and Losses during the Fiscal Year Ended March 31, 2016

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

Net sales for the fiscal year increased 8.3% from the previous fiscal year to 663,948 million yen. Domestic net sales increased 28.2% from the previous year to 121,807 million yen, while overseas net sales increased 4.6% to 542,140 million yen to account for 81.7% of net sales. Orders received during the fiscal year increased 2.8% to 679,320 million yen, but the orders backlog grew 5.2% to 311,143 million yen.

Cost of sales increased 7.1% to 396,738 million yen and gross profit increased 10.1% to 267,209 million yen. As a result, the gross profit margin widened by 0.6 points to 40.2%.

Selling, general and administrative (SG&A) expenses decreased 2.7% to 150,420 million yen, and the ratio to consolidated net sales decreased 2.6 points to 22.6%.

As a result of the foregoing, operating income increased 32.5% to 116,788 million yen and the operating margin increased 3.2 points to 17.6%. After adjustment of non-operating income of 3,798 million yen and non-operating expenses of 1,187 million yen, ordinary income increased 28.5% to 119,399 million yen.

Extraordinary losses totaled 12,932 million yen (compared to a loss of 6,121 million yen in the previous fiscal year), due mainly to the reporting of impairment losses on fixed assets following a review of the TEL FSI, Inc. business plan.

Income before income taxes was 106,466 million yen (year-on-year growth of 22.6%) and net income attributable to owners of parent was 77,891 million yen (year-on-year growth of 8.4%).

As a result of the foregoing, net income per share was 461.10 yen (compared to net income per share of 401.08 yen in the previous fiscal year).

(iii) Overview of Operations by Business Segment during the Fiscal Year Ended March 31, 2016

The overview of each business segment is as described below.

As 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.

Semiconductor Production Equipment

Demand for DRAM and NAND flash memory drives remained strong due to the increasing number of chips used in handsets as mobile device functions become more advanced and the growing demand for servers for data centers accompanying the growing use of big data. In this market environment, memory makers proceeded with investment to increase production. Capital investment in advanced technology for logic chips also continued due to robust demand for servers. As a result, the segment’s net sales to external customers during the fiscal year under review were 613,032 million yen (up 6.4% compared to the previous fiscal year).

A number of new products were released in this segment during this fiscal year. These include the CLEAN TRACK™ LITHIUS Pro™ AP, high reliability and productivity coater developer for advanced packaging and other applications; the Stratus P300, a high-efficiency electrochemical deposition (ECD) tool designed for volume production advanced packaging; and the Triase+™ EX-II™ TiN Plus HT, high temperature process single-wafer metallization system for advancing semiconductor scaling.

FPD (Flat Panel Display) Production Equipment

The market for FPD production equipment remained firm. In addition to capital investment for large flat panels in China, demand for small to medium-sized flat panel displays for mobile devices also grew. In this environment, the segment’s net sales to external customers during the fiscal year under review were 44,687 million yen (up 36.6% compared to the previous fiscal year).

The Impressio™ 1800 PICP™, the dry etch system for high resolution Flat Panel Displays was introduced to the market in this segment during this fiscal year.

Others

The segment’s sales to external customers during the year under review totaled 6,228 million yen (up 49.3% from the previous fiscal year).

(For reference)

Consolidated

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016						
		1Q	2Q	First Half	3Q	4Q	Second Half	Full Year
Net Sales	613,124	155,762	185,189	340,951	158,771	164,225	322,997	663,948
Semiconductor Production Equipment	576,242	140,365	176,622	316,987	146,523	149,520	296,044	613,032
Japan	87,747	25,011	37,809	62,820	27,028	26,423	53,451	116,272
U.S.	135,341	30,776	29,491	60,267	23,428	19,765	43,193	103,460
Europe	58,768	17,053	9,620	26,674	14,856	9,557	24,414	51,088
Korea	97,364	28,140	25,211	53,351	15,257	30,965	46,223	99,574
Taiwan	139,423	23,130	52,928	76,058	43,354	42,517	85,871	161,930
China	39,713	14,084	17,041	31,125	17,219	15,260	32,480	63,605
S.E.Asia	17,883	2,169	4,520	6,689	5,379	5,030	10,410	17,099
FPD Production Equipment	32,709	10,070	8,205	18,275	11,724	14,686	26,411	44,687
Others	4,172	5,326	361	5,687	522	18	541	6,228
Operating Income	88,113	30,279	30,970	61,250	25,513	30,025	55,538	116,788
Ordinary Income	92,949	30,207	32,177	62,384	25,655	31,359	57,014	119,399
Net Income Attributable to Owners of Parent	71,888	19,481	21,895	41,376	17,858	18,656	36,514	77,891

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

(iv) Projected Operating Results for the Next Fiscal Year Ending March 31, 2017

Until the impact of the Kumamoto earthquake on the Group's consolidated results for the fiscal year ending March 31, 2017 can be evaluated, we will not be providing the consolidated financial forecasts at this time. We plan to make an announcement regarding the matter on May 12, 2016.

(2) Qualitative Information on Consolidated Financial Conditions

(i) Financial Conditions

Current assets at the end of the fiscal year totaled 617,416 million yen, a decrease of 53,466 million yen compared to the end of the previous fiscal year. This is mainly attributable to decreases of 77,301 million yen in short-term investments included in securities and 3,707 million yen in cash and deposit, and increases of 19,491 million yen in inventories and 5,658 million yen in trade notes and account receivable.

Tangible fixed assets decreased 10,579 million yen from the end of the previous fiscal year to 96,316 million yen.

Intangible fixed assets decreased 9,963 million yen from the end of the previous fiscal year to 17,603 million yen.

Investments and other assets decreased 8,775 million yen from the end of the previous fiscal year to 62,031 million yen.

As a result of the foregoing, total assets decreased 82,785 million yen from the end of the previous fiscal year to 793,367 million yen.

Current liabilities at the end of the fiscal year totaled 166,060 million yen, a decrease of 6,751 million yen compared to the end of the previous fiscal year. This was primarily due to decreases of 14,919 million yen in customer advances, 1,755 million yen in accrued warranty expenses, and 1,428 million yen in trade notes and accounts payable, and an increase of 16,263 million yen in income taxes payable.

Long-term liabilities increased 889 million yen from the end of the previous year to 63,067 million yen.

Net assets decreased 76,923 million yen from the end of the previous fiscal year to 564,239 million yen. The main factors were an increase due to recorded net income attributable to owners of parent of 77,891 million yen, a decrease of 105,809 million yen due to the purchase of treasury stock and a decrease as a result of the payment of 33,013 million yen in year-end dividends for the previous fiscal year and interim dividends for the current fiscal year. As a result of the foregoing, the equity ratio was 70.9%.

(ii) Cash Flow

Cash and cash equivalents at the end of the fiscal year under review were 95,638 million yen, a decrease of 221,993 million yen from the end of the previous fiscal year. The combined balance including deposits and short-term investments with periods to maturity or redemption of at least three months, which are not included within cash and cash equivalents, was 236,673 million yen, a decrease of 81,009 million yen from the end of the previous fiscal year. The various cash flows for the fiscal year under review are described below.

Cash flow from operating activities was 69,398 million yen in the fiscal year under review, a decrease of 2,408 million yen from the end of the previous fiscal year. This is mainly attributable to inflows of 106,466 million yen in net income before income taxes recorded for the fiscal year, 19,257 million yen in depreciation and amortization; and outflows of a 23,535 million yen increase in inventories, 15,356 million yen for payment of income taxes and a 15,003 million yen decrease in customer advances.

Cash flow from investing activities was negative 150,013 million yen in the fiscal year under review, compared to positive 155,737 million yen in the previous fiscal year. The main factors were outflows of 115,998 million yen associated with an increase in short-term investments and 11,294 million yen associated with the acquisition of tangible fixed assets.

Cash flow from financing activities was negative 138,600 million yen, compared to negative 18,213 million yen in the previous fiscal year. This was mainly the result of 105,532 million yen for the purchase of treasury stock and the payment of 33,013 million yen in dividends.

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity ratio (%)	73.0	70.9
Equity ratio at market value (%)	171.5	151.7
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 flow from operating activities

Interest coverage ratio: Cash flow 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 × Number of shares outstanding at fiscal year-end after deduction of treasury stock.

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

At the Board of Directors meeting held on July 10, 2015, the payout ratio based on consolidated net income attributable to owners of parent was raised from 35% to 50%, with an annual dividend per share of not less than 150 yen. TEL will review our dividend policy if the company does not generate net income for two consecutive fiscal years.

TEL has effectively used internal capital reserves to raise corporate value through earning growth and provided returns directly to shareholders by concentrating investment in high-growth areas and linking dividend payments to business performance.

TEL's ongoing policy to actively invest in research and development, capacity, and human resources related to high value-added business that serves as the basis for its future growth will remain unchanged, TEL has modified the basic policy as indicated above as a means to make returns to our shareholders more attractive.

With regard to the fiscal year ended March 31, 2016, we provided an interim dividend of 125 yen per share, and plan to apply the above new policy to the consolidated earnings of the second half of the fiscal year. As a result, we plan to provide a year-end dividend of 112 yen per share.

Therefore, the annual dividend for the year under review will be 237 yen per share, including the interim dividend.

The dividend forecast for the fiscal year ending March 31, 2017, has yet to be determined as our financial forecast is currently being assessed. We expect to announce the dividend forecast on May 12, 2016 along with the announcement of our financial forecast.

	Dividend per share		
	2Q-end	Year-end	Total
Current fiscal year (ended March, 2016)	125 yen	112 yen	237 yen

2. Management Policy

(1) Basic Management Policy

The basic management policy of the TEL Group is to raise its corporate value through profit-oriented operations by placing the highest priority on customers, enhancing product and technology development capabilities, and invigorating its workforce.

Under this fundamental policy, the TEL Group will engage in the development of vibrant and internationally competitive companies, with high growth potential and profitability that are attractive to investors.

(2) Management Tasks

① Long-term Business Policies

As a company that began as a trade company specializing in technology, TEL perceived at an early stage changes in the environment and made bold changes to adapt. This involved making the transition to becoming a manufacturer with development production functions and building a global sales and support framework. In this way, TEL has provided high added value in world markets. Moreover, TEL has maintained growth by taking the lead in original technology in semiconductor production equipment and related areas, among others, where innovations in technology will generate new value, and high earnings can be expected.

The driving forces of our company are comprised of the believe that the customer comes first, which has been part of our corporate culture since the founding of TEL, a high level of technical expertise capable of achieving technical innovation, and the challenging spirit of our employees, who are capable of flexibly and rapidly adapting to changes in the environment.

With the aim of becoming a leading world corporation, TEL will continue our efforts in the future in business creation where TEL will apply leading-edge technologies TEL has cultivated over the years in growth areas based on electronics technology including existing business areas where value creation through technical innovation can be expected.

② Medium-term Management Plan

Through contribution to both industry and society, we obtain profits and increase our corporate value. We believe that achieving this will enable us to provide returns to our shareholders who have trusted and invested in us and to enrich our employees and their families. On July 10, 2015, we announced our Medium-term Management Plan up until the fiscal year ending March 2020, which sets out specific targets and outcomes for achieving this goal.

Medium-term Vision

A real global company generating high added-value and profits in Semiconductor and FPD industries through innovative technologies and groundbreaking solutions with integrated diverse technologies.

Financial Model

TEL established a new financial model premised on a US$37 billion market for Wafer Fab equipment, and TEL aims to achieve this by the fiscal year ending March 2020.

Wafer Fab Equipment Market size	**$37B**
Sales	**¥900B**
Operating margin	**25%**
ROE (Return on Equity)	**20%**

Bearing in mind the market characteristics inherent in the semiconductor industry where the fluctuations in business cycles are significant, TEL intends to build a business structure capable of achieving net sales of 720 billion yen, operating margin of 20%, and ROE of 15%, even on the basis of a market scale of US$30 billion.

Issues in Realizing the Medium-term Management Plan

As we usher in the age of the Internet of Things (IoT) in the near future, we can assume that there will be an even greater demand for semiconductors. At the same time, miniaturization is placing these in an area of 10 nanometers or less, which is more minute than the DNA that makes up our genes. In addition to the challenges of extreme microfabrication, widely diverse new technologies will be adopted, further supporting the evolution of the semiconductors. For this reason, core discussions with customers are shifting from the performance of conventional single equipment to the optimization of a device structure including methods of optimizing manufacturing methods and processes. Therefore, it is no exaggeration to say that at this stage of the discussion the development assessment plan of the customer is determined, thus firming future shares and profits. At TEL, we view this rise in customer standards in technical requirements as an excellent opportunity for the TEL group, which has a diverse range of technologies, to expand its business.

In this environment, New Tokyo Electron, focusing on the semiconductor and FPD production equipment businesses, is making efforts at strengthening the following three areas.

3 areas to strengthen

- Strengthening product competitiveness
- Strengthening responses to customers
- Strengthening profit structure

We believe that the creation of strong next-generation products is essential for us to respond to customer needs for cutting-edge technology. The development task forces which formed the axis of the business units comprising each product have been centralized and unified under the General Manager, Development and Production Division to amalgamate the individual products and diverse technologies of each business unit and enhance capability in development and technological proposals. Further, by allocating human resources in a concentrated way to areas that require accelerated development, we are able to optimize development costs and resources. In this way, we are casting our sights not only on markets we have already entered, but on the market as a whole, which we believe will offer increasing opportunities for our engineers to demonstrate their capabilities without restraint and investigate the launch of new products. In this way, we will be able to achieve growth.

Moreover, as customer oligopolization progresses, we have established a general contact point respectively for sales and technology for each customer. By increasing the density of communication with customers, the speed and accuracy of our customer response will also increase. Furthermore, enhanced communication increases understanding of changes in the market environment and real customer needs, and by breaking these down into our development strategies, we can embrace customer need creation-based technology marketing. In this way, we can work, in particular, for major growth and to increase our share in fields in which high growth is expected, such as etching, deposition and the cleaning business through added value in our products.

Further, as we enter the age of the Internet of Things (IoT), the use of semiconductors will greatly widen, and demand for commodity devices will rapidly increase. In this environment, the world's greatest delivery equipment track record that our group has will be the foundation for the field solution businesses undertaken by our company such as remodeling, the parts business and qualified second-hand equipment marketing, and major business growth is also expected in these fields.

In addition, to strengthen the profit structure of the group, we are promoting the strengthening and visibility of our IT systems, one-stop management of people, objects and money resources, as well as business progress, removing all types of resource duplication and waste. Further, by making the progress of our medium term business plan transparent, we can execute necessary measures at appropriate times, and provide tight controls through investment, restraint and efficiency.

TEL Group aims to be a company that excites its employees into activity with dreams and vitality. By sharing the vision of growth for the company and where the company wants to be with the employees, we can be a company that continues to challenge new ways of achieving growth and provides fair compensation when performance is favorable. We believe that this is the form of a company that has both dreams and vitality. The foundations for achieving this are the realization of a fluid, borderless workforce and the framing of a new remuneration scheme based on roles and responsibilities.

③ Basic Strategy for Capital Policy

Based on the business strategy and business plans stated above, TEL's objective in our capital policy is as follows.

View regarding Capital Efficiency

While securing resources necessary for growth investment, TEL will make positive efforts to provide returns to shareholders based on appropriate balance sheet management. Furthermore, to achieve the financial model TEL has committed to under the Medium-term Management Plan stated above,

TEL will endeavor to improve return on equity (ROE) by focusing mainly on operating income to sales and total asset turnover.

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 consolidated net income attributable to owners of parent. But with an annual dividend per share of not less than 150 yen.

Note: TEL will review our dividend policy if TEL does not generate net income for two consecutive fiscal years.

· TEL will flexibly consider share buybacks.

④ Approach to corporate social responsibility

TEL Group recognizes that it has a social responsibility to its stakeholders including shareholders, customers, trading partners, and regional companies to generate sustainable growth and medium- to long-term corporate value, and based on the CSR policy introduced in 2013, our dedicated organizations identify materiality and monitor progress.

Furthermore, in June 2015, we joined the Electronic Industry Citizenship Coalition (EICC), a CSR alliance that establishes a code of conduct for labor, safety, the environment and ethics in the electronic industry supply chain. By joining the EICC, we aim to renew our efforts at actively promoting and spreading this code of conduct within the TEL Group, and jointly promoting CSR with our partners in the industry as a whole.

Additionally, to reduce the impact of our products on the environment when they are in use at customer plants, we are moving ahead with efforts to make our products more energy efficient. In fiscal 2014, we set a goal to reduce the use of energy and pure water by 10% over the next five years and we are working toward this reduction.

TEL Group will continue its efforts to increase corporate value to become a truly global company that generates high added value and profits in the semiconductor and FPD industries through original proposals that integrate innovative technical know-how and diverse technologies under profit-oriented management.

3. 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 trends in its introduction and respond accordingly.

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
ASSETS		
Current assets		
Cash and deposit	79,382	75,674
Trade notes and accounts receivable	110,845	116,503
Securities	238,532	160,999
Merchandise and finished goods	112,301	130,478
Work in process	41,483	41,556
Raw materials and supplies	21,803	23,044
Deferred income taxes	27,671	31,203
Others	39,241	38,003
Allowance for doubtful accounts	(378)	(48)
Total current assets	670,882	617,416
Long-term assets		
Tangible fixed assets		
Buildings and structures	152,979	147,653
Accumulated depreciation	(97,910)	(99,794)
Buildings and structures, net	55,068	47,859
Machinery and carriers	102,295	99,976
Accumulated depreciation	(82,420)	(83,172)
Machinery and carriers, net	19,874	16,803
Land	25,021	23,867
Others	32,539	32,966
Accumulated depreciation	(25,608)	(25,180)
Others, net	6,931	7,786
Total tangible fixed assets	106,896	96,316
Intangible fixed assets		
Others	27,566	17,603
Total intangible fixed assets	27,566	17,603
Investments and other assets		
Investment securities	23,934	19,914
Deferred income taxes	18,347	20,781
Net defined benefit asset	8,817	1,623
Others	21,591	21,537
Allowance for doubtful accounts	(1,884)	(1,825)
Total investments and other assets	70,807	62,031
Total long-term assets	205,271	175,951
Total assets	876,153	793,367

Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	56,478	55,050
Income taxes payable	6,196	22,460
Accrued employees' bonuses	12,111	11,623
Accrued warranty expenses	10,441	8,686
Others	87,583	68,239
Total current liabilities	172,812	166,060
Long-term liabilities		
Net defined benefit liability	51,104	55,302
Others	11,074	7,765
Total long-term liabilities	62,178	63,067
Total liabilities	234,991	229,128
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	488,816	427,618
Treasury stock	(9,064)	(8,050)
Total shareholders' equity	612,736	552,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,463	7,902
Deferred gains or losses on hedges	122	50
Translation adjustments	12,481	6,742
Remeasurements of defined benefit plans	4,681	(4,877)
Total accumulated other comprehensive income	26,747	9,817
Subscription rights to shares	1,420	1,641
Non-controlling interests	257	228
Total net assets	641,162	564,239
Total liabilities and net assets	876,153	793,367

Consolidated Statement of Income

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Net sales	613,124	663,948
Cost of sales	370,351	396,738
Gross profit	242,773	267,209
Selling, general & administrative expenses		
Salaries and allowances	24,297	24,210
Research and development expenses	71,349	76,286
Others	59,013	49,923
Total selling, general & administrative expenses	154,660	150,420
Operating income	88,113	116,788
Non-operating income		
Interest income	901	547
Foreign currency translation income	1,575	886
Revenue from grants	629	400
Others	1,880	1,964
Total non-operating income	4,985	3,798
Non-operating expenses		
Expenses for purchase of treasury stock	-	662
Maintenance and operation cost of closed business bases	47	147
Others	102	378
Total non-operating expenses	149	1,187
Ordinary income	92,949	119,399
Unusual or infrequent profit		
Gain on sale of fixed assets	1,839	1,025
Gain on sale of investment securities	54	445
Total unusual or infrequent profit	1,894	1,470
Unusual or infrequent loss		
Loss on impairment	2,505	9,727
Loss from restructuring	-	2,235
Loss on liquidation of subsidiaries and affiliates	1,069	-
Expenses for restructuring of business bases	1,046	-
Additional payment of custom tax	1,003	-
Others	2,390	2,441
Total unusual or infrequent loss	8,015	14,403
Income before income taxes	86,827	106,466
Provision for income taxes and enterprise taxes	14,726	32,559
Deferred income taxes	172	(4,029)
Total income taxes	14,898	28,530
Net income	71,928	77,936
Net income attributable to non-controlling interests	40	44
Net income attributable to owners of parent	71,888	77,891

Consolidated Statement of Comprehensive Income

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Net income	71,928	77,936
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	3,868	(1,555)
Deferred gains or losses on hedges	69	(111)
Translation adjustments	6,642	(5,705)
Remeasurements of defined benefit plans	(2,269)	(9,233)
Share of other comprehensive income of associates accounted for using equity method	56	(345)
Total other comprehensive income (loss)	8,366	(16,951)
Comprehensive income	80,295	60,984
(Breakdown)		
Comprehensive income attributable to owners of parent	80,224	60,961
Comprehensive income attributable to non-controlling interests	70	22

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015 (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	436,174	(9,478)	559,679
Cumulative effect of changes in accounting policies			(1,102)		(1,102)
Restated balance	54,961	78,023	435,072	(9,478)	558,577
Changes of items during the period					
Cash dividends			(17,923)		(17,923)
Net income attributable to owners of parent			71,888		71,888
Repurchase of treasury stock				(183)	(183)
Disposal of treasury stock			(220)	598	377
Net change except shareholders' equity					
Total changes of items during the period	-	-	53,744	414	54,158
Balance at end of period	54,961	78,023	488,816	(9,064)	612,736

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	5,592	60	5,777	6,981	18,411	1,643	10,878	590,613
Cumulative effect of changes in accounting policies							(210)	(1,312)
Restated balance	5,592	60	5,777	6,981	18,411	1,643	10,668	589,301
Changes of items during the period								
Cash dividends								(17,923)
Net income attributable to owners of parent								71,888
Repurchase of treasury stock								(183)
Disposal of treasury stock								377
Net change except shareholders' equity	3,870	62	6,703	(2,300)	8,336	(223)	(10,410)	(2,297)
Total changes of items during the period	3,870	62	6,703	(2,300)	8,336	(223)	(10,410)	51,861
Balance at end of period	9,463	122	12,481	4,681	26,747	1,420	257	641,162

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					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
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 Cash Flow

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Cash flow from operating activities		
Income before income taxes	86,827	106,466
Depreciation and amortization	20,878	19,257
Loss on impairment	2,505	9,727
Amortization of goodwill	1,150	970
Increase (decrease) in accrued warranty expenses	259	(1,685)
Interest and dividend revenue	(1,280)	(855)
Loss (gain) on sales of property, plant and equipment	(1,820)	(899)
Loss (gain) on sales of shares of subsidiaries and affiliates	1,609	1,110
Decrease (increase) in trade notes and accounts receivable	(1,318)	(8,649)
Decrease (increase) in inventories	(26,849)	(23,535)
Increase (decrease) in accounts payable	9,432	31
Decrease (increase) in prepaid consumption tax	(11,383)	(1,910)
Increase (decrease) in accrued consumption tax	2,706	(1,022)
Increase (decrease) in customer advances	12,911	(15,003)
Others	(1,203)	(202)
Subtotal	94,424	83,797
Receipts from interest and dividends	1,621	956
Income taxes paid or refund (paid)	(24,239)	(15,356)
Net cash generated by operating activities	71,806	69,398
Cash flow from investing activities		
Payment into time deposits	-	(25,000)
Proceeds from time deposits	5	12
Payment for purchase of short-term investments	(24,996)	(184,490)
Proceeds from redemption of short-term investments	188,296	68,492
Payment for purchase of tangible fixed assets	(11,898)	(11,294)
Proceeds from sales of tangible fixed assets	2,548	2,150
Payment for purchase of intangible fixed assets	(422)	(707)
Proceeds from sales of investment securities	1,093	1,330
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,726	-
Others	(615)	(506)
Net cash used in investing activities	155,737	(150,013)
Cash flow from financing activities		
Payment for purchase of treasury stock	(183)	(105,532)
Dividends paid	(17,923)	(33,013)
Others	(106)	(55)
Net cash generated by financing activities	(18,213)	(138,600)
Effect of exchange rate changes on cash and cash equivalents	3,505	(2,776)
Net increase (decrease) in cash and cash equivalents	212,835	(221,993)
Cash and cash equivalents at beginning of period	104,797	317,632
Cash and cash equivalents at end of period	317,632	95,638

Loss on impairment

The Tokyo Electron Group aggregates its similar business assets into units that generate independent cash flow. During the fiscal year ended March 31, 2016, we posted a loss on impairment of the following asset groups.

Location	Use	Type of asset	Loss on impairment (Millions of yen)
Chaska, Minnesota, U. S. A.	Business assets	Goodwill	3,825
		Buildings	2,755
		Other intangible fixed assets, etc.	2,879
Total			9,460

The business plan of TEL FSI, Inc., which is one of the divisions of the semiconductor production equipment segment, has changed significantly since we acquired them. During the fiscal year, we completed our impairment testing and accordingly recorded write downs of goodwill, buildings, other intangibles and fixed assets, which are reflected at unusual or infrequent loss on the Consolidated Statement of Income. These write downs were based upon the continued use of these assets and various financial models including future discounted cash flows utilizing discount rates of 14 to 14.5%.

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In the others grouping, we posted a 266 million yen to unusual or infrequent loss as a loss on impairment.

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 coater/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, surface preparation 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 coater/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) Changes in reportable segment

From the first quarter of the fiscal year ended March 31, 2016, 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.”

(iii) Means of estimating net sales, profits or losses, assets, and other amounts in reportable segment

The methods used to account for each reportable segment is similar to the methods used to prepare consolidated financial statements. Inter-segment revenues or transfers are based on prevailing market prices.

Moreover, shared assets have not been allotted to each reportable segment, but associated costs have been distributed among them according to equitable and reasonable standards.

(iv) Net sales, profits or losses, assets, and other items in reportable segment

Year ended March 31, 2016 (Millions of yen)

	Reportable Segments		Others*1	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Sales to external customers	613,032	44,687	6,228	663,948
Inter-segment sales or transfers	-	-	11,591	11,591
Net sales	613,032	44,687	17,820	675,540
Segment income	123,162	4,747	2,035	129,945
Segment assets	321,099	25,186	2,133	348,419
Depreciation and amortization	8,792	423	45	9,261
Amortization of goodwill	970	-	-	970
Loss on impairment	9,710	-	-	9,710
Increase in the amount of tangible fixed assets and intangible fixed assets	8,499	284	13	8,797

	Eliminations *2	Consolidated Total *3
Sales to external customers	-	663,948
Inter-segment sales or transfers	(11,591)	-
Net sales	(11,591)	663,948
Segment income	(23,479)	106,466
Segment assets	444,948	793,367
Depreciation and amortization	9,995	19,257
Amortization of goodwill	-	970
Loss on impairment	16	9,727
Increase in the amount of tangible fixed assets and intangible fixed assets	5,952	14,750

Notes:

*1. The "Others" segment is all other businesses which are not included in the reportable segments, such as the PV Production Equipment business, the transportation of products of the Tokyo Electron Group companies, and facilities management and insurance, etc.

*2. a) The elimination of segment income amounting to 23,479 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 13,582 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.

b) The main constituents of the eliminations of segment assets worth 444,948 million yen are cash, savings, securities, buildings and structures, etc. unallocated to each reportable segment.

c) The main constituent of the eliminations of tangible fixed assets and intangible fixed assets worth 5,952 million yen is capital investments in buildings, structures, machinery and carriers unallocated to each reportable segment.

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

(v) Impairment loss on fixed assets in reportable segments

Refer to (iv) Net sales, profits or losses, assets, and other amounts in reportable segment.

(vi) Amortization and balance of goodwill in reportable segments

Year ended March 31, 2016 (Millions of yen)

	Semiconductor Production Equipment	FPD Production Equipment	Total Segment
Amortization of goodwill	970	-	970
Balance at end of period	4,095	-	4,095

(vii) Income related to negative goodwill in reportable segments

None

Significant subsequent events

Regarding the ongoing Kumamoto earthquake occurring since April 14, 2016, Tokyo Electron Kyushu Limited, which is one of our main plants, suffered minor damage to the buildings and production facilities. We are taking the necessary steps to return plant operations, including supply chain, to normal.