

2Q FY2016 (Apr. 1, 2015 – Sep. 30, 2015) Financial Announcement

October 27, 2015

Agenda:

- Introduction
Tetsuro Higashi, Representative Director, President & CEO
- 2Q FY2016 Consolidated Financial Summary
Tetsuro Hori, Corporate Director, Senior Vice President & General Manager
- FY2016 Financial Estimates and Medium-term Business Plan
Toshiki Kawai, Representative Director, Senior Executive Vice President & COO



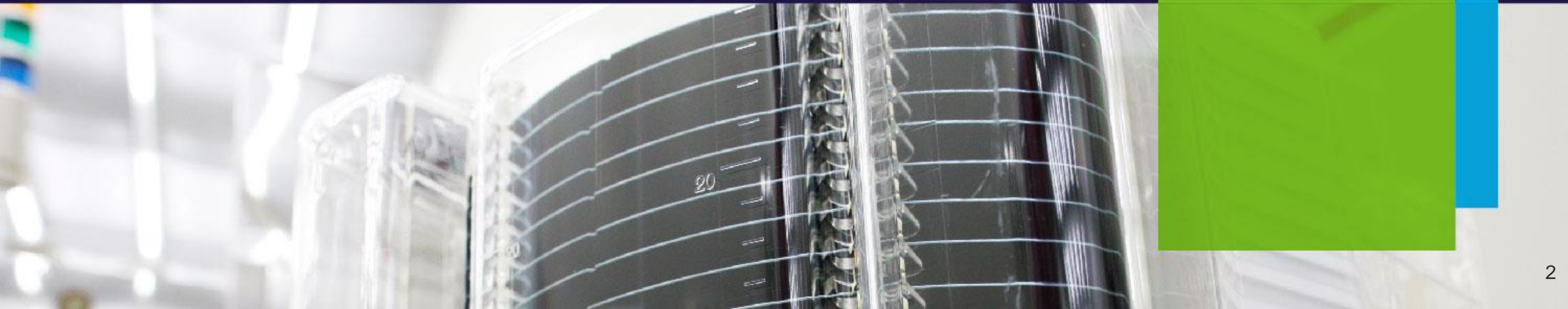
2Q FY2016 Consolidated Financial Summary

2Q FY2016: July 1, 2015 - September 30, 2015
FY2016: April 1, 2015 - March 31, 2016

October 27, 2015

Tetsuro Hori

Corporate Director, Senior Vice President & General Manager



FY2016: First Half Highlights

- Achieved near-record GP margin (40%) for second consecutive half year period due to improved profitability in SPE business
- First half operating profit doubled YonY, achieved OPM of 18% for second consecutive half year period
- FPD segment first half profit margin 13%

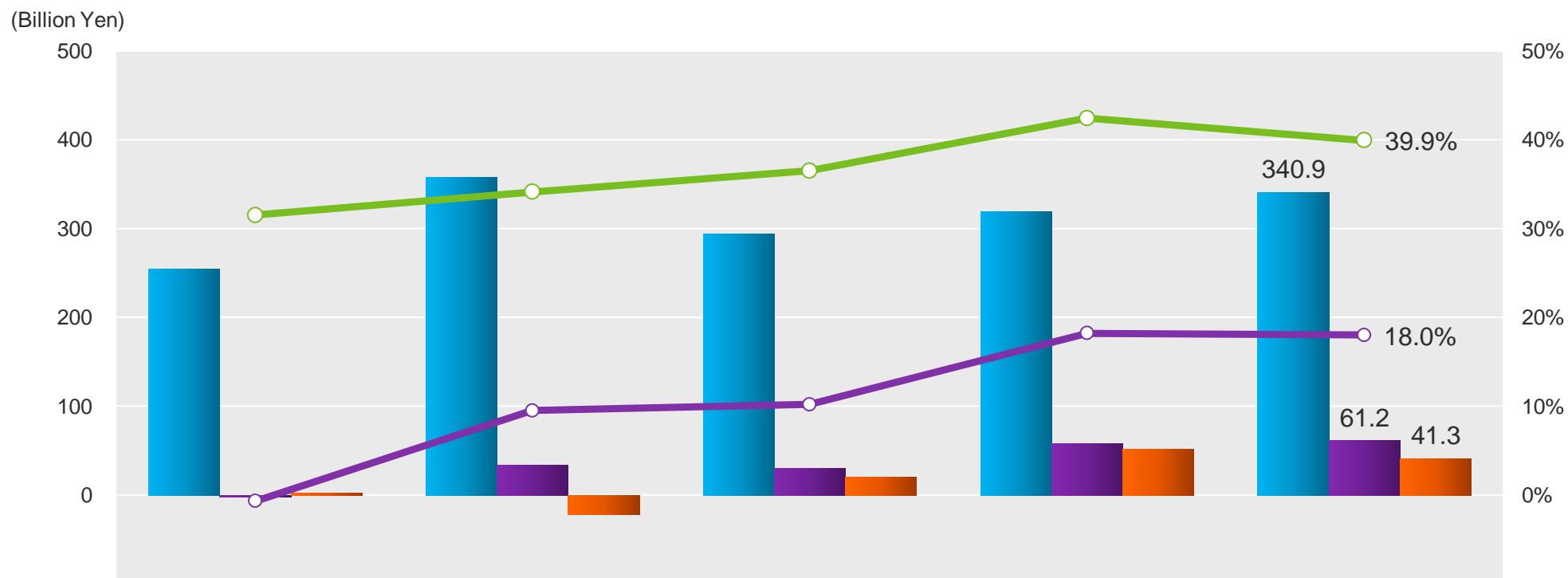
Financial Summary

(Billion Yen)

	FY2015		FY2016	YoY Change	(Reference) FY2016 1H estimates announced on July 28
	1H	2H	1H		
Net sales	294.2	318.8	340.9	+15.9%	338.5
Gross profit	107.4	135.3	136.0	+26.6%	
Gross profit margin	36.5%	42.4%	39.9%	+3.4pts	
SG&A expenses	77.3	77.3	74.7	-3.3%	
Operating income	30.1	57.9	61.2	+103.4%	53.5
Operating margin	10.2%	18.2%	18.0%	+7.8pts	15.8%
Income before income taxes	29.1	57.7	57.5	+97.7%	52.5
Net income attributable to owners of parent	20.0	51.8	41.3	+106.7%	37.0
R&D expenses	34.9	36.3	37.5	+7.5%	
Capital expenditures	7.2	5.9	4.8	-33.4%	
Depreciation and amortization	9.7	11.1	9.3	-3.7%	

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

Financial Performance

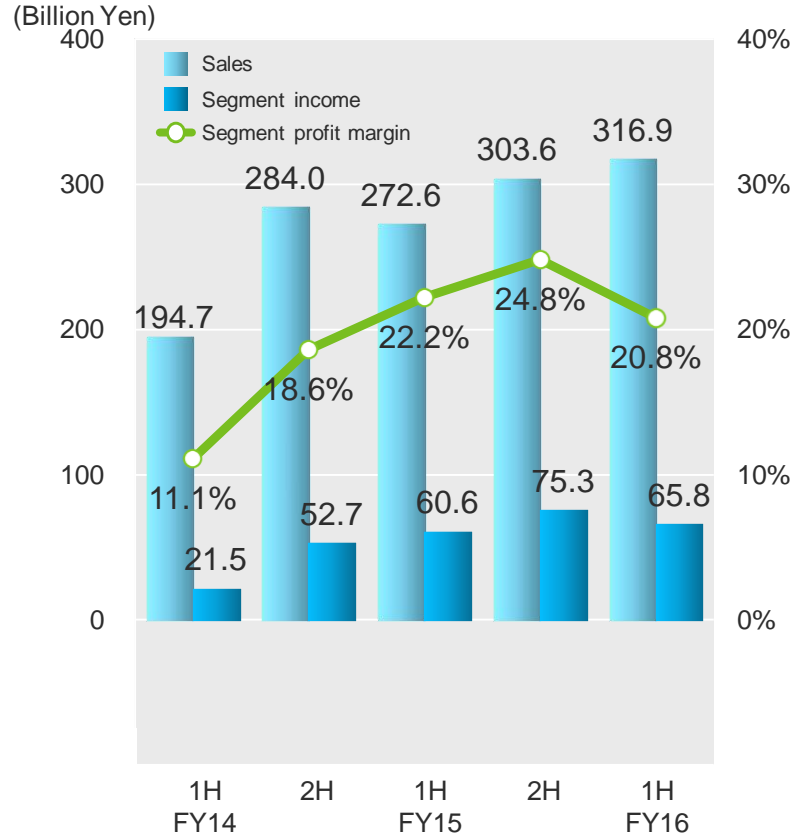


	1H FY14	2H	1H FY15	2H	1H FY16
Net sales	254.5	357.6	294.2	318.8	340.9
Operating income	-1.8	34.0	30.1	57.9	61.2
Net income attributable to owners of parent	2.4	-21.8	20.0	51.8	41.3
Gross profit margin	31.5%	34.1%	36.5%	42.4%	39.9%
Operating margin	-0.7%	9.5%	10.2%	18.2%	18.0%

Segment Information

SPE

(Semiconductor Production Equipment)

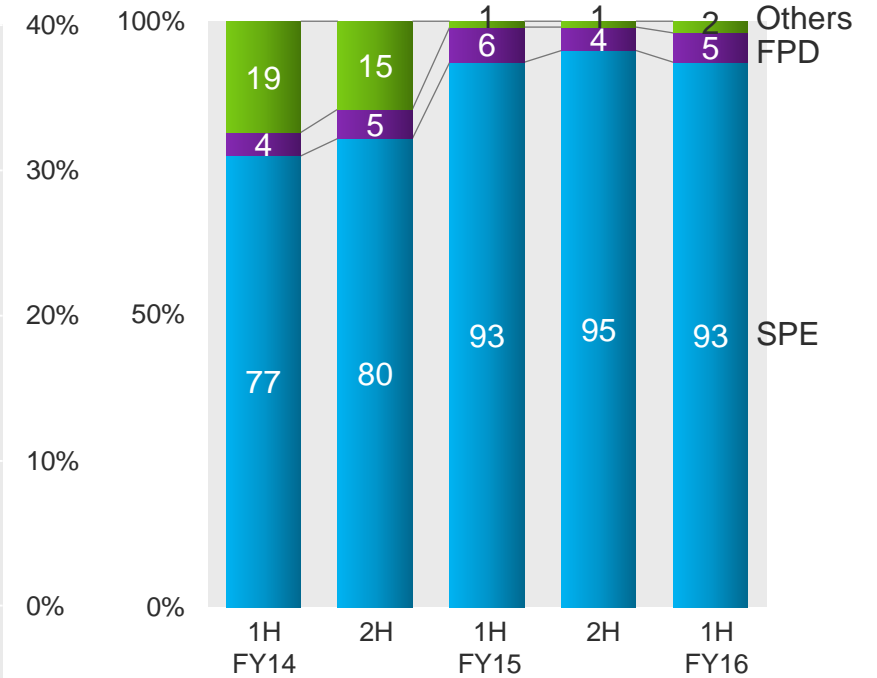


FPD

(Flat Panel Display Production Equipment)

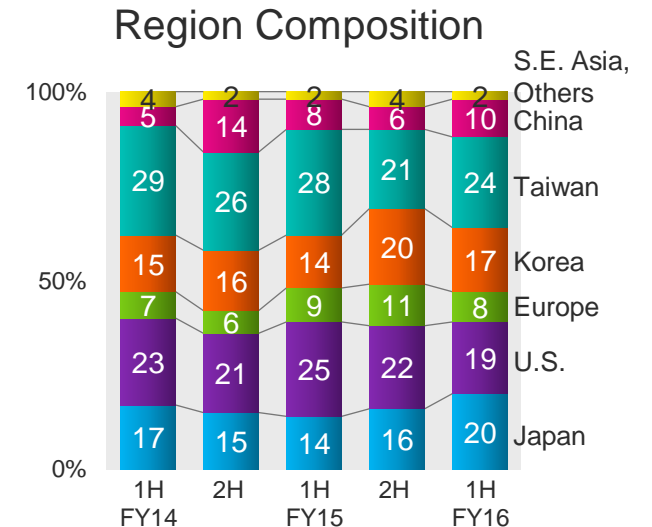
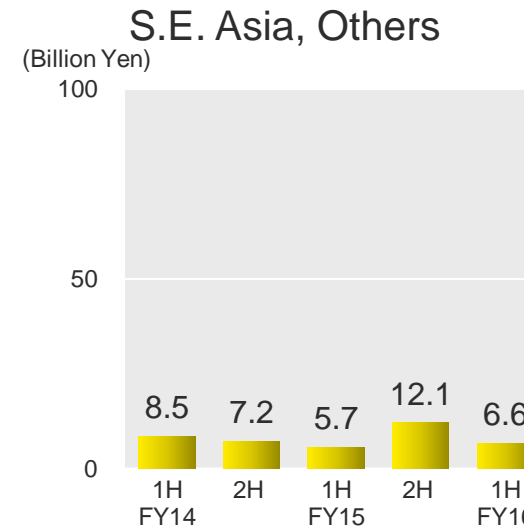
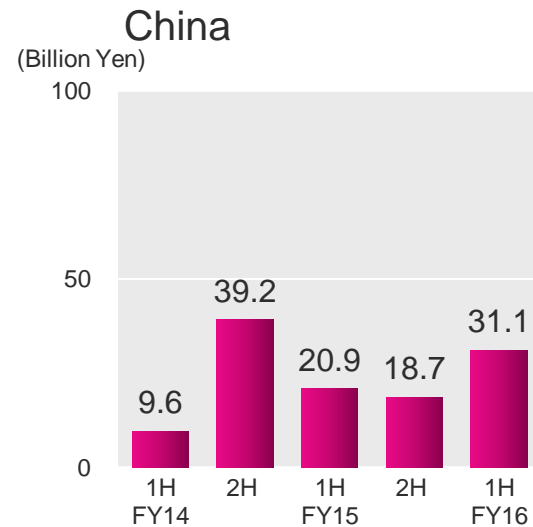
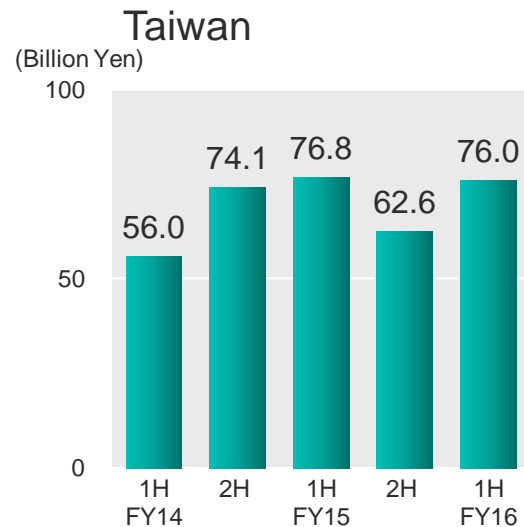
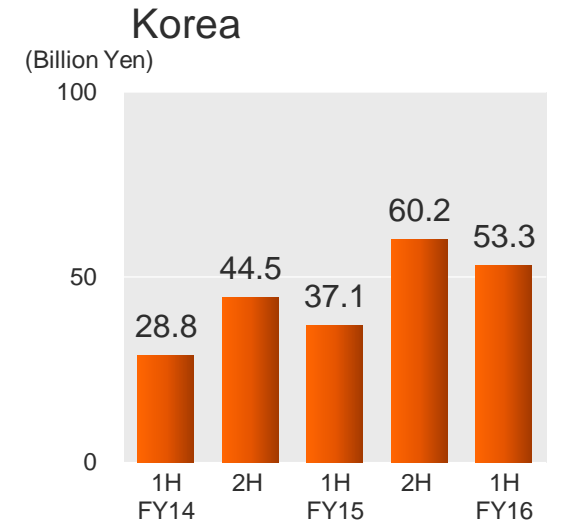
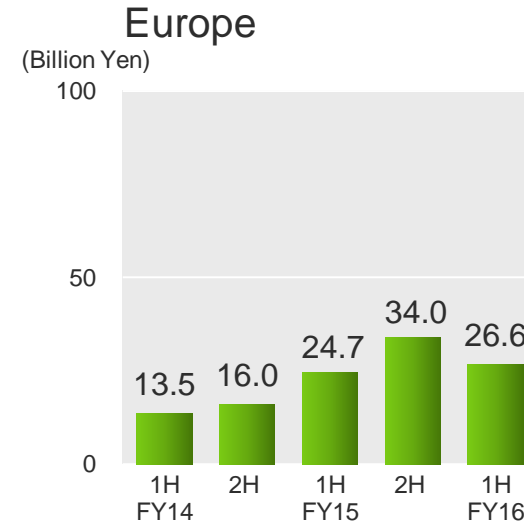
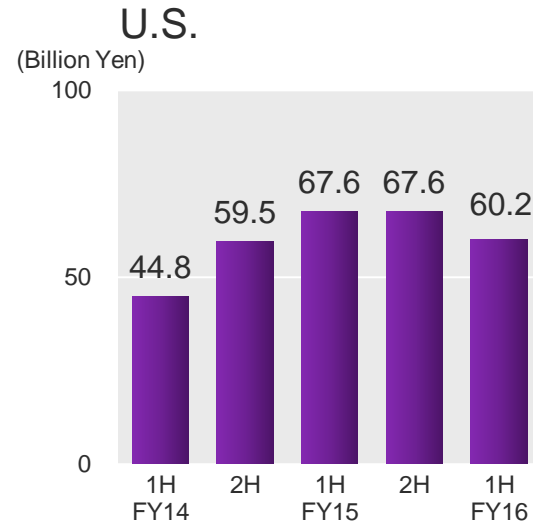
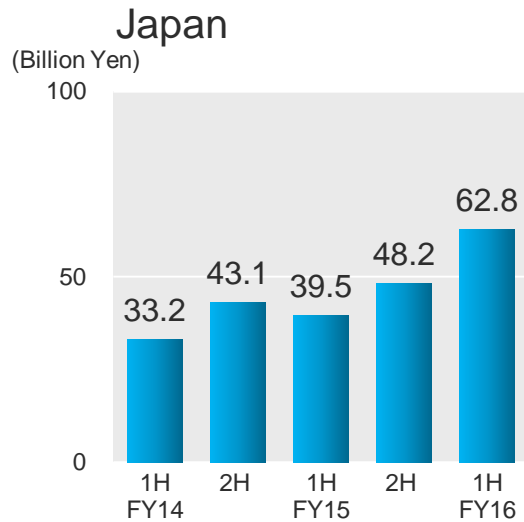


Composition of Net Sales



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. As of 1Q FY2016, the 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 excluded from segmental reporting.
4. In composition of net sales figures, the EC/CN business and PV production equipment business are included in Others.

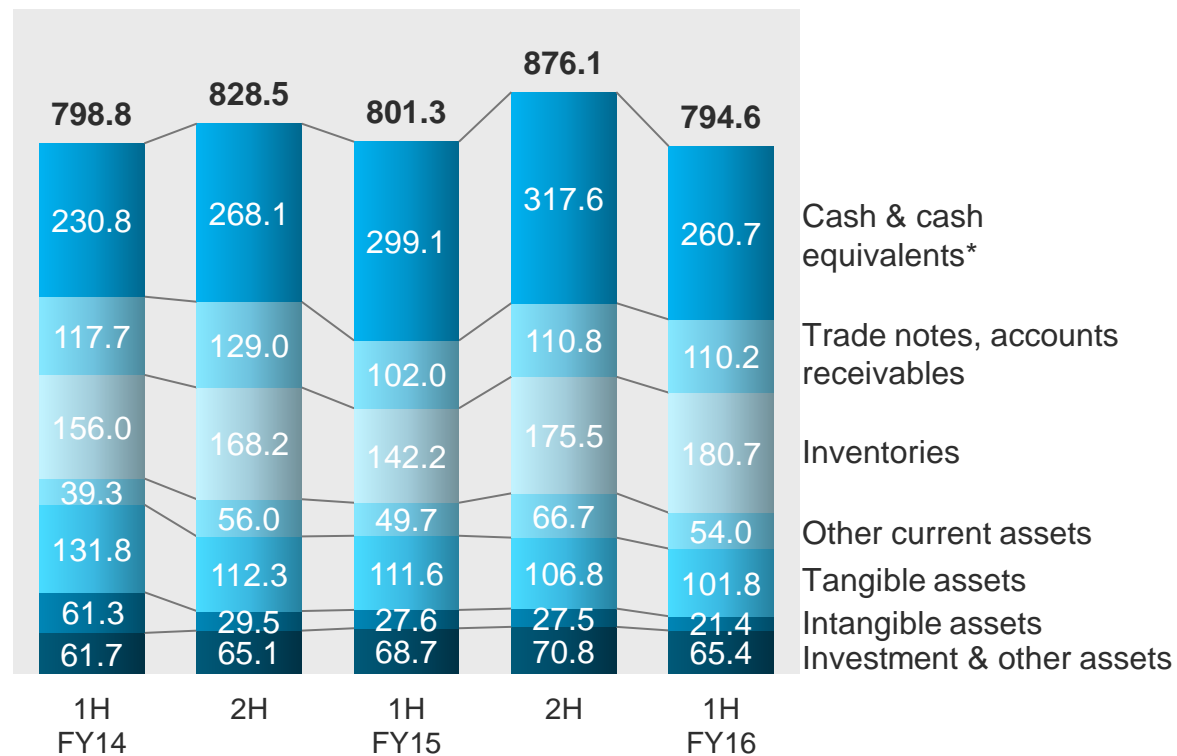
SPE Sales by Region



Balance Sheet

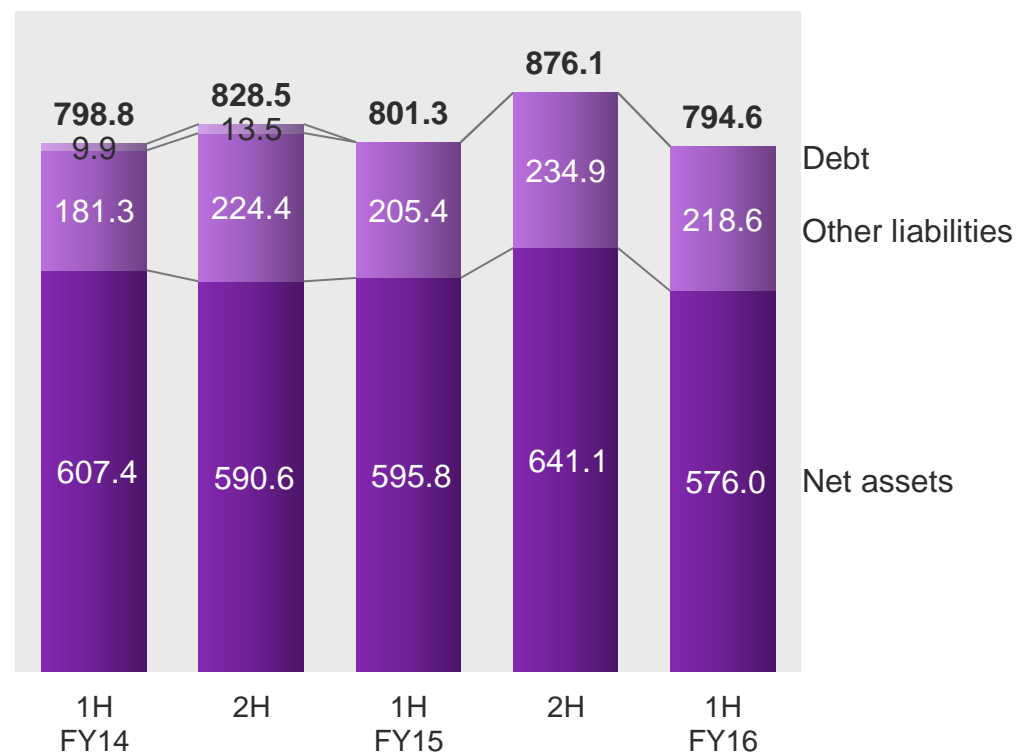
Assets

(Billion Yen)



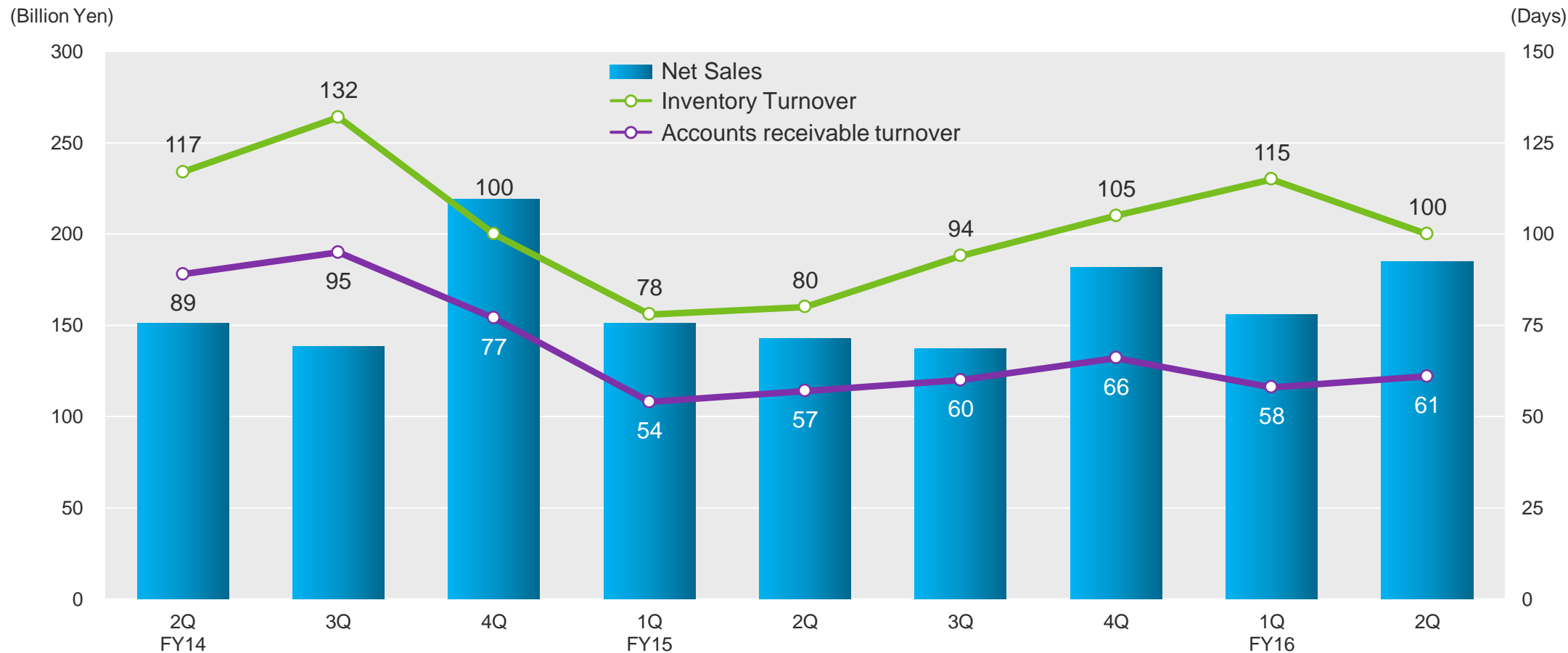
Liabilities & Net Assets

(Billion Yen)



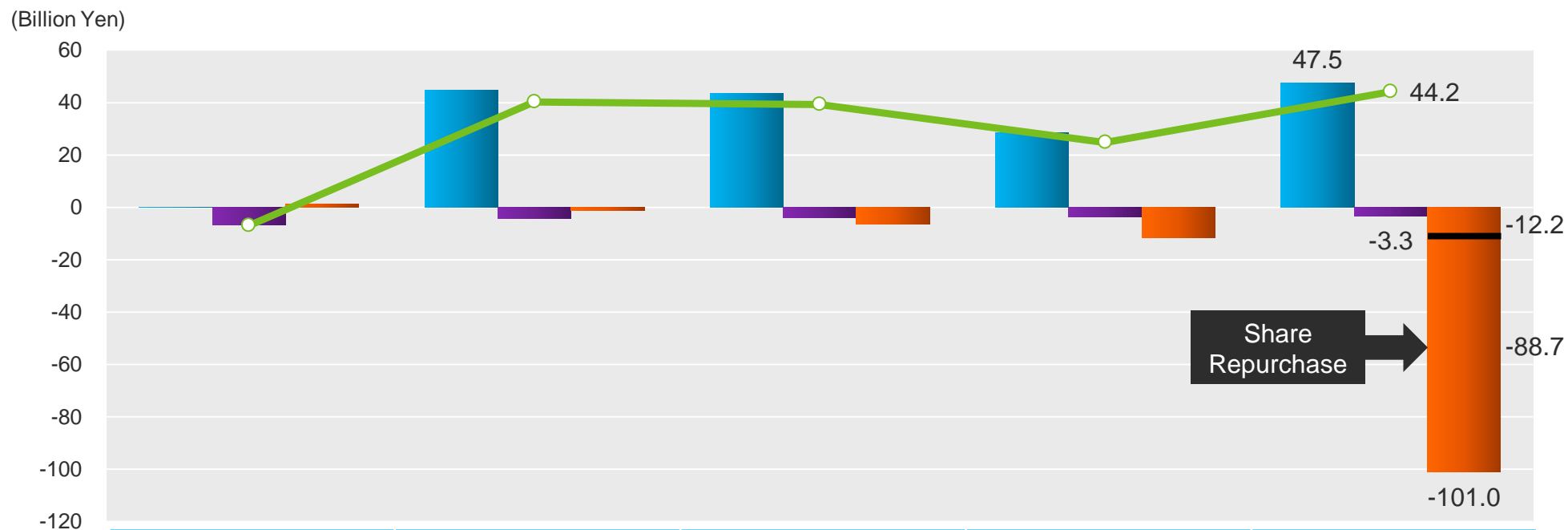
*Cash and cash equivalents: Cash and deposits + Short-term investments, etc. (Securities in B/S).

Inventory Turnover and Accounts Receivable Turnover



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

Cash Flow



	1H FY14	2H	1H FY15	2H	1H FY16
Cash flow from operating activities	-0.2	44.6	43.3	28.4	47.5
Cash flow from investing activities*	-6.7	-4.2	-3.9	-3.6	-3.3
Cash flow from financing activities	1.1	-1.2	-6.4	-11.7	-101.0
Free cash flow**	-7.0	40.3	39.3	24.8	44.2
Cash on hand***	230.8	268.1	299.1	317.6	260.7

*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.

Share Repurchase Status

Cumulative total of shares repurchased (as of September 30, 2015)

(1) Total number of shares acquired:	12,757,600 shares
(2) Total cost of acquisition:	88,752,003,369 yen

Details of announcement on April 27, 2015

- ❑ Type of shares to be acquired: Shares of common stock
- ❑ Total number of shares to be acquired: Up to 15.4 million shares
(Equivalent to 8.59% of outstanding shares excluding treasury stock)
- ❑ Total cost of acquisition: Up to 120 billion yen
- ❑ Period of acquisition: From May 14, 2015 to May 13, 2016

Supplement Data

Financial Summary

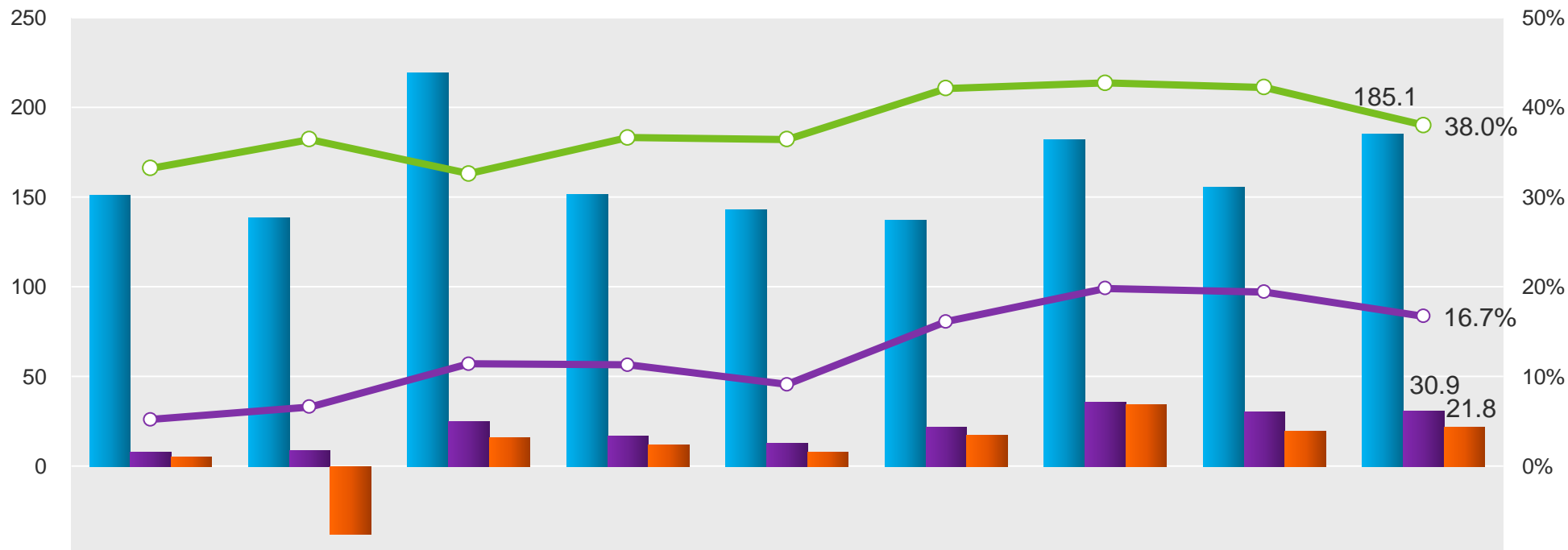
(Billion Yen)

	FY2015			FY2016		YonY Change
	2Q	3Q	4Q	1Q	2Q	
Net Sales	142.9	137.0	181.8	155.7	185.1	+29.5%
Gross Profit Gross profit margin	52.0 36.4%	57.6 42.1%	77.6 42.7%	65.7 42.2%	70.3 38.0%	+35.0% +1.6pts
SG&A expenses	39.0	35.5	41.7	35.4	39.3	+0.8%
Operating income Operating margin	13.0 9.1%	22.0 16.1%	35.9 19.8%	30.2 19.4%	30.9 16.7%	+137.4% +7.6pts
Income before income taxes	14.0	24.7	32.9	29.0	28.4	+101.9%
Net income attributable to owners of parent	8.1	17.4	34.4	19.4	21.8	+167.6%
R&D expenses	18.1	16.8	19.5	17.5	20.0	+9.9%
Capital expenditures	3.5	2.6	3.2	2.1	2.6	-24.7%
Depreciation and amortization	5.0	5.4	5.6	4.6	4.7	-5.3%

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

Financial Performance

(Billion Yen)

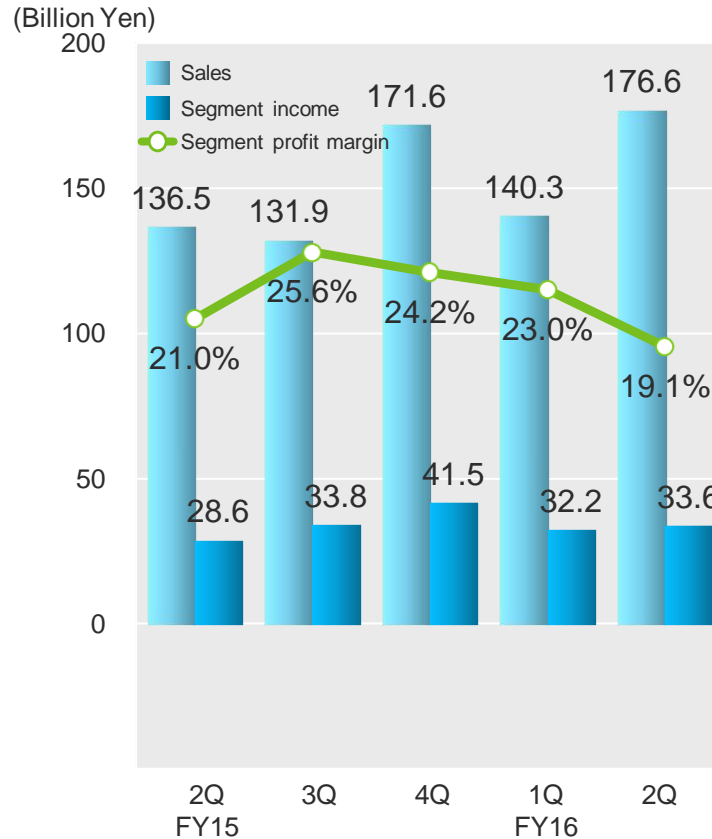


	2Q FY14	3Q	4Q	1Q FY15	2Q	3Q	4Q	1Q FY16	2Q
Net sales	151.0	138.4	219.2	151.3	142.9	137.0	181.8	155.7	185.1
Operating income	7.8	9.0	24.9	17.0	13.0	22.0	35.9	30.2	30.9
Net income attributable to owners of parent	5.4	-38.0	16.2	11.8	8.1	17.4	34.4	19.4	21.8
Gross profit margin	33.2%	36.4%	32.6%	36.6%	36.4%	42.1%	42.7%	42.2%	38.0%
Operating margin	5.2%	6.6%	11.4%	11.3%	9.1%	16.1%	19.8%	19.4%	16.7%

Segment Information

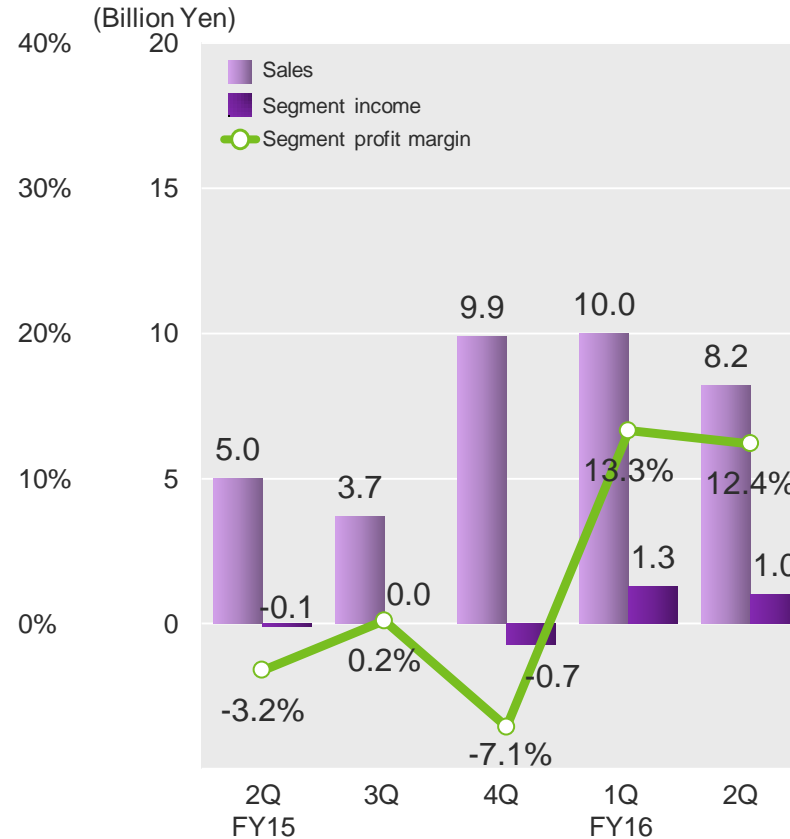
SPE

(Semiconductor Production Equipment)

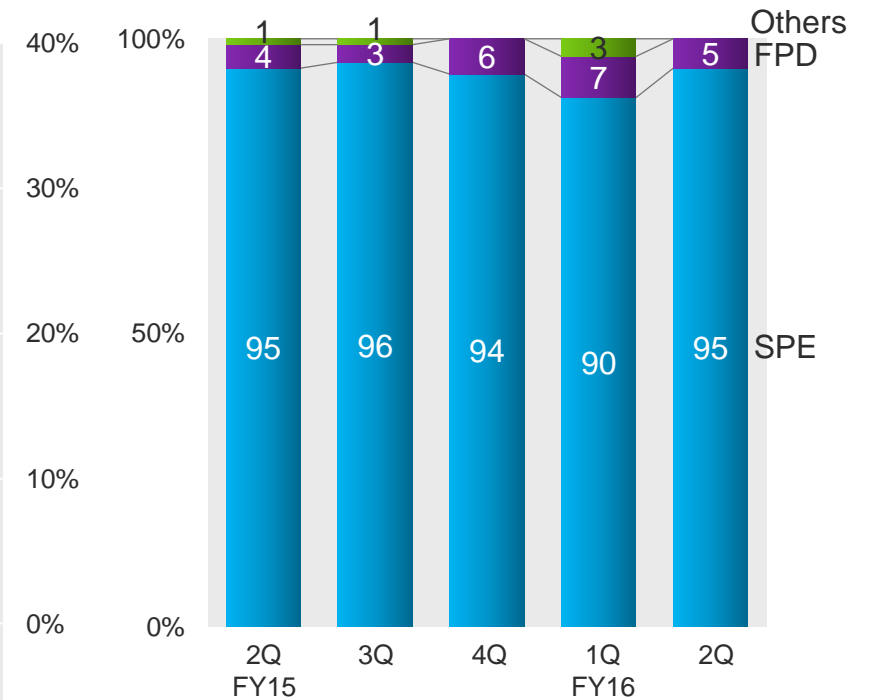


FPD

(Flat Panel Display Production Equipment)

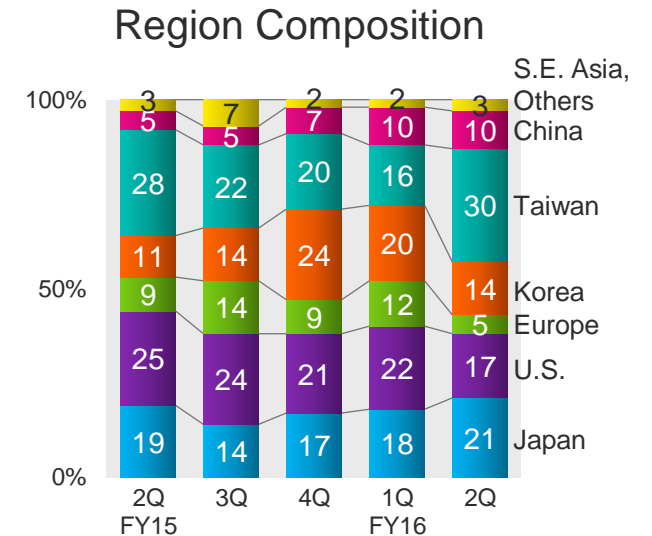
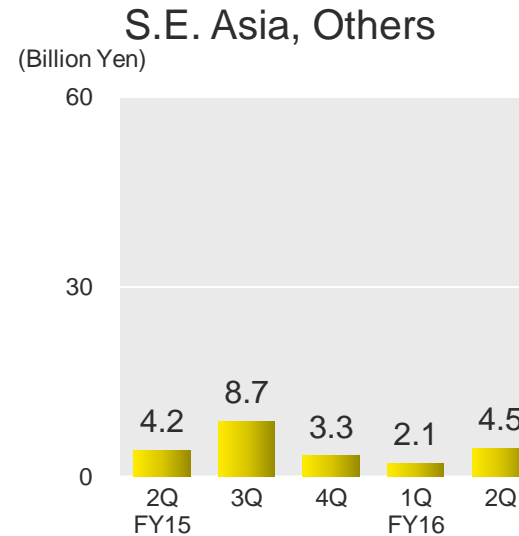
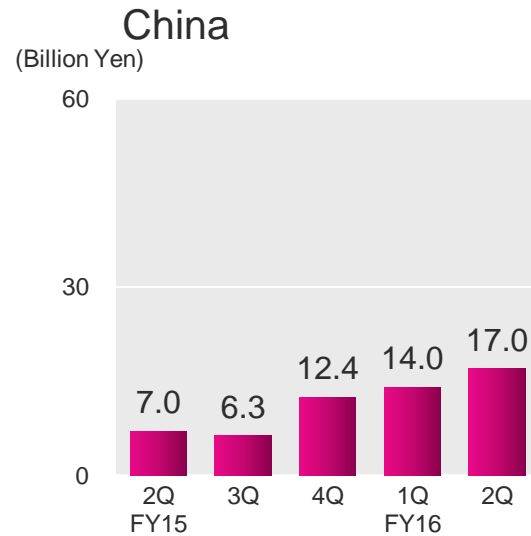
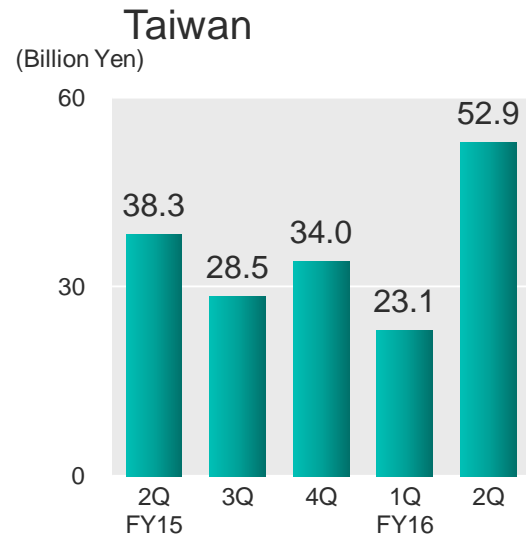
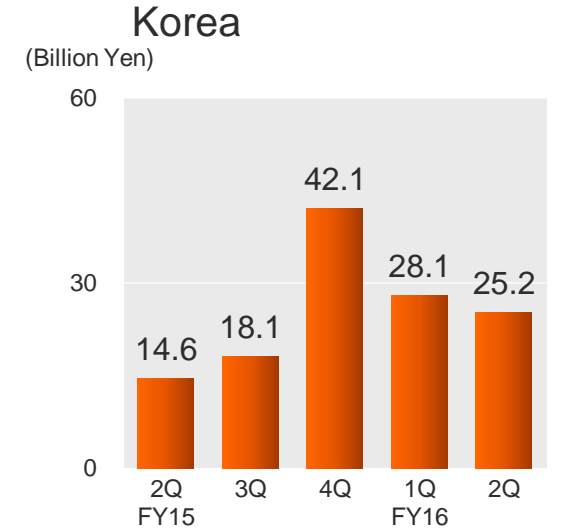
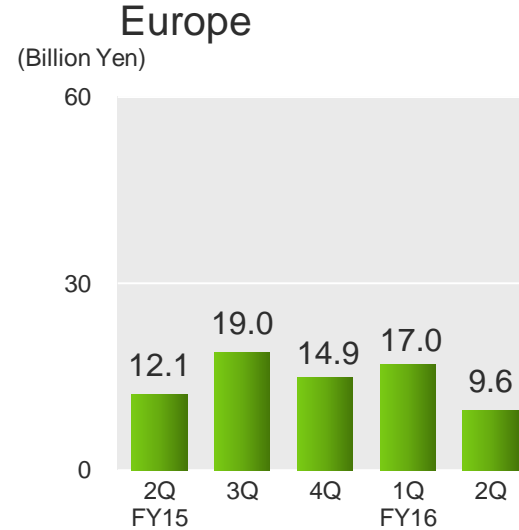
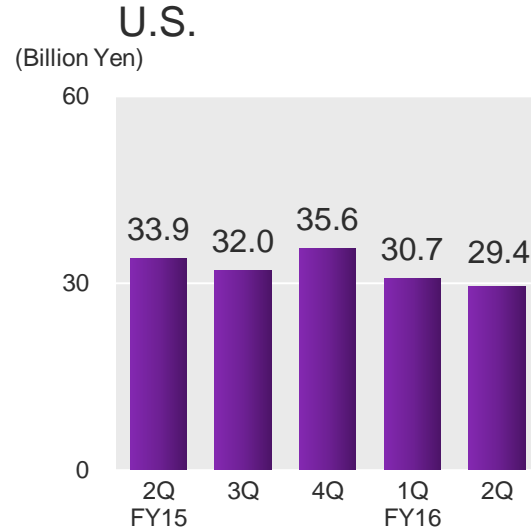
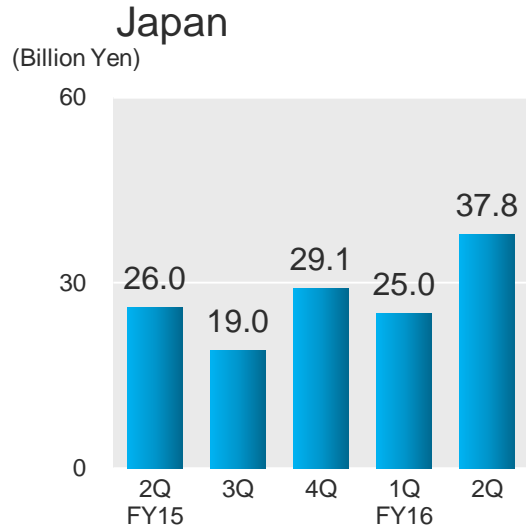


Composition of Net Sales



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. As of 1Q FY2016, the 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 excluded from segmental reporting.
4. In composition of net sales figures, the PV production equipment business is included in Others.

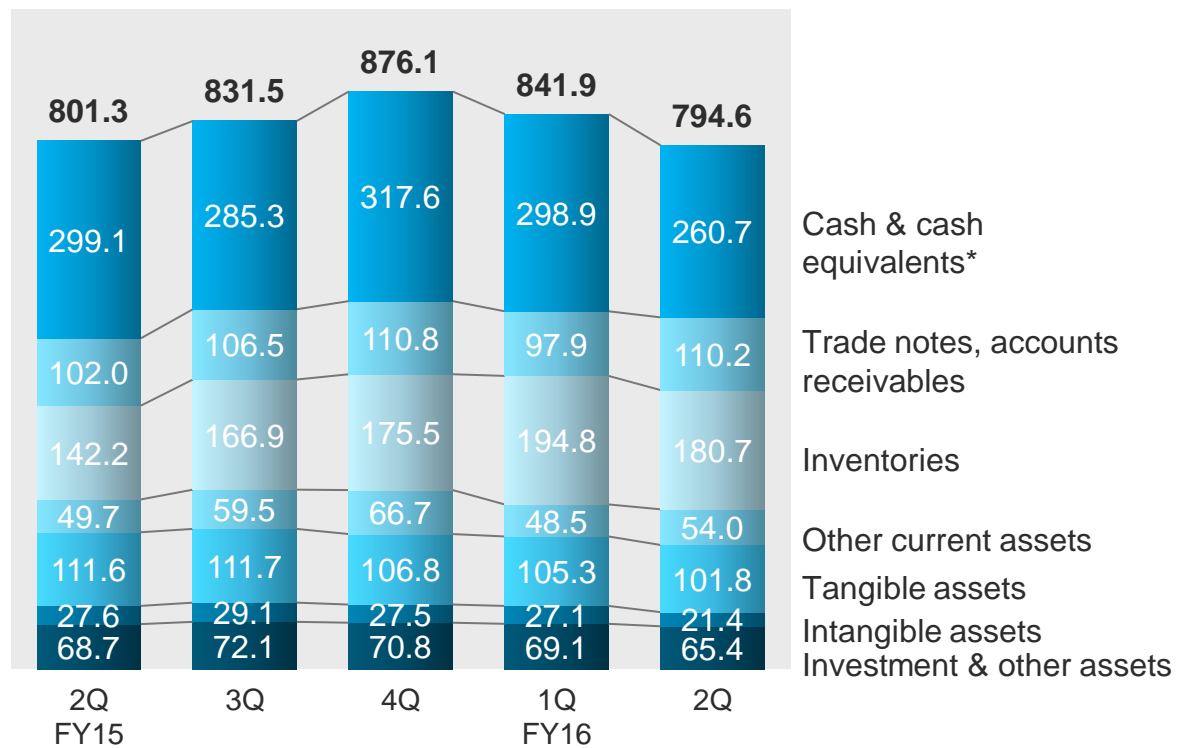
SPE Sales by Region



Balance Sheet

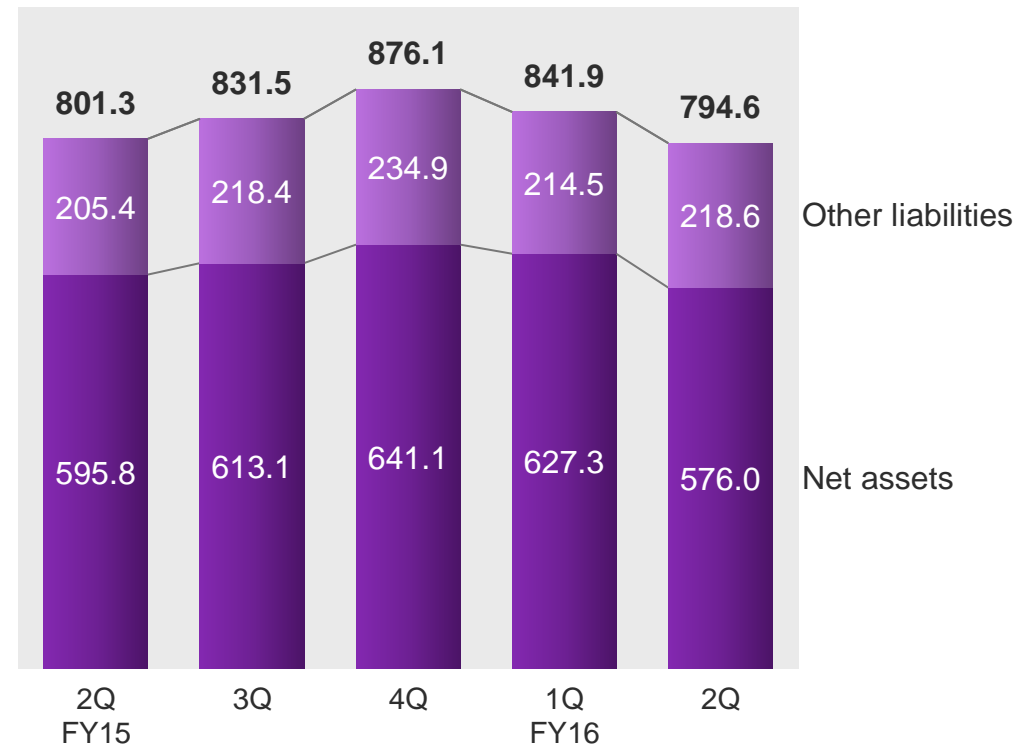
Assets

(Billion Yen)



Liabilities & Net Assets

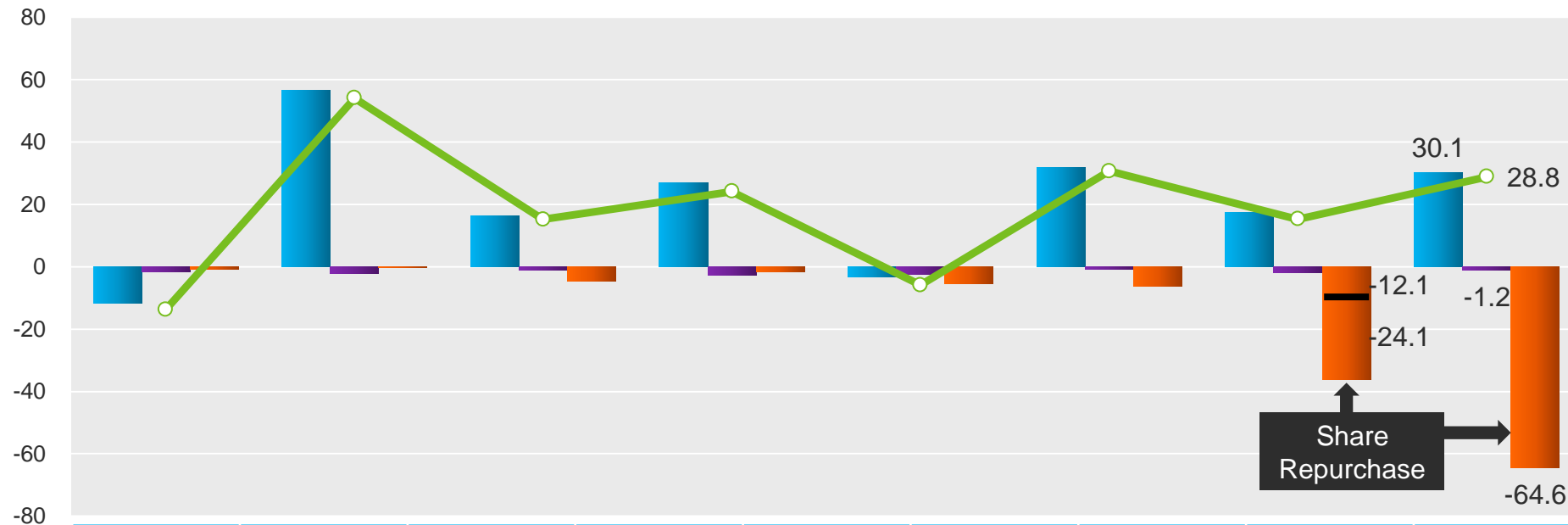
(Billion Yen)



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

Cash Flow

(Billion Yen)



	2Q FY14	3Q	4Q	1Q FY15	2Q	3Q	4Q	1Q FY16	2Q
Cash flow from operating activities	1.1	-11.8	56.5	16.4	26.8	-3.2	31.7	17.3	30.1
Cash flow from investing activities*	-2.3	-1.8	-2.3	-1.2	-2.7	-2.6	-0.9	-2.0	-1.2
Cash flow from financing activities	2.5	-0.8	-0.4	-4.6	-1.8	-5.4	-6.2	-36.3	-64.6
Free cash flow**	-1.1	-13.7	54.1	15.2	24.1	-5.9	30.7	15.3	28.8
Cash on hand***	230.8	212.5	268.1	280.0	299.1	285.3	317.6	298.9	260.7

*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.

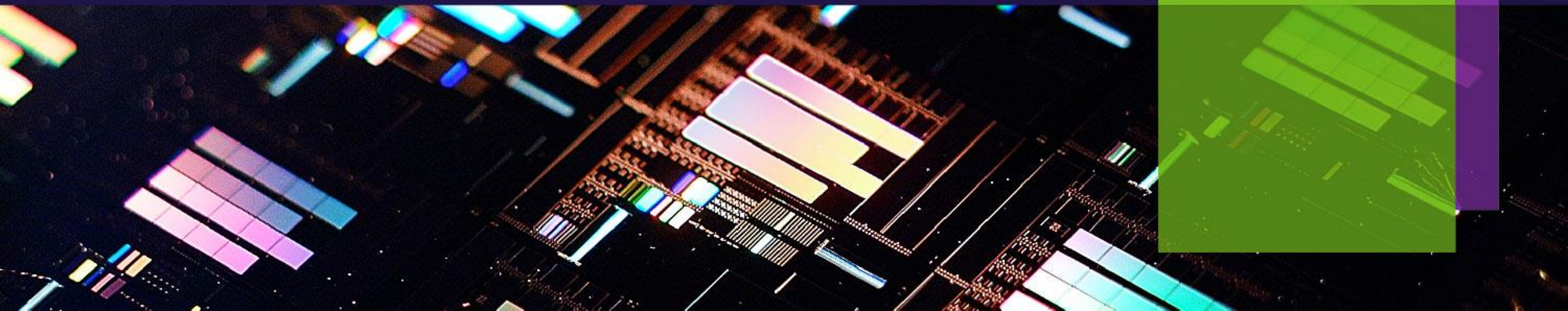


FY2016 Financial Estimates and Medium-term Business Plan

October 27, 2015

Toshiki Kawai

Representative Director, Senior Executive Vice President & COO



Business Environment

▶ SPE Capex

CY2015 WFE capex expected to be similar level to CY2014

- Memory: Up YonY due to investment to expand production
- Foundry: Down YonY due to mobile market slowdown
- Logic: Server and image sensor demand strong but PC demand weakening, overall logic expected to show YonY decline

▶ FPD Capex

CY2015 demand for LCD panel manufacturing equipment forecast to increase 20% YonY due to increase in capex for large panels and the start of investment in small/medium panels for mobile devices.

OLED TV market expected to develop from 2017

(Outlook as of October 2015)

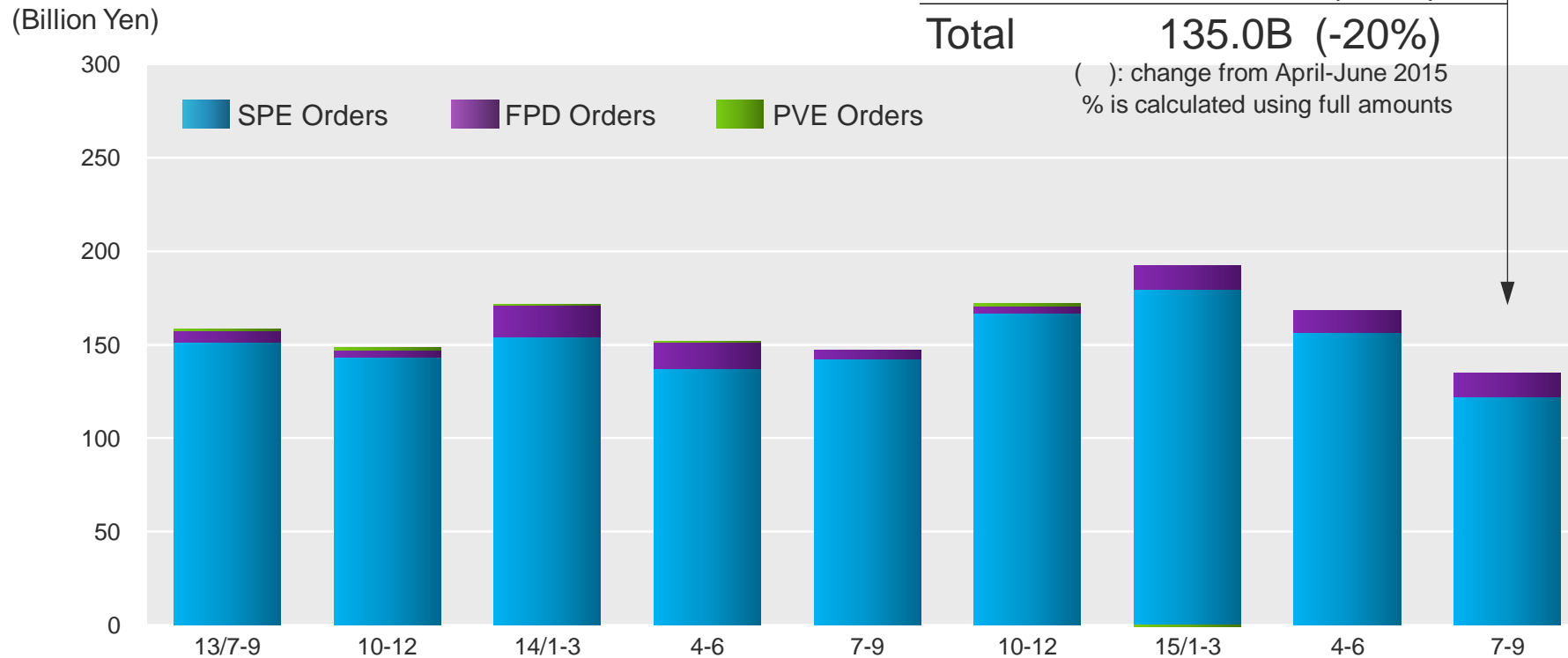
The semiconductor production process can be divided into two sequential sub-processes referred to as front-end (wafer fabrication) and back-end (assembly and test) production. WFE (wafer fabrication equipment) is used in the front-end production process.

Quarterly Orders

July-September 2015

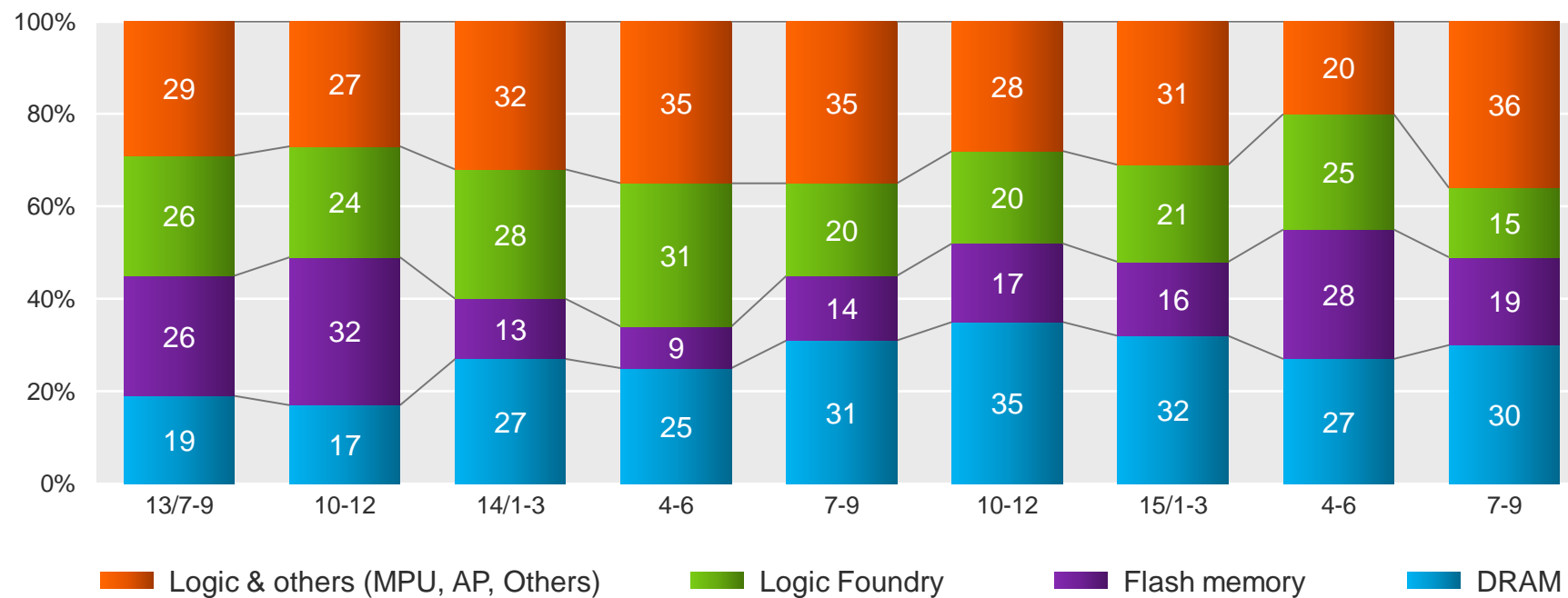
SPE	122.4B (-22%)
FPD	12.5B (+6%)
Total	135.0B (-20%)

(): change from April-June 2015
% is calculated using full amounts



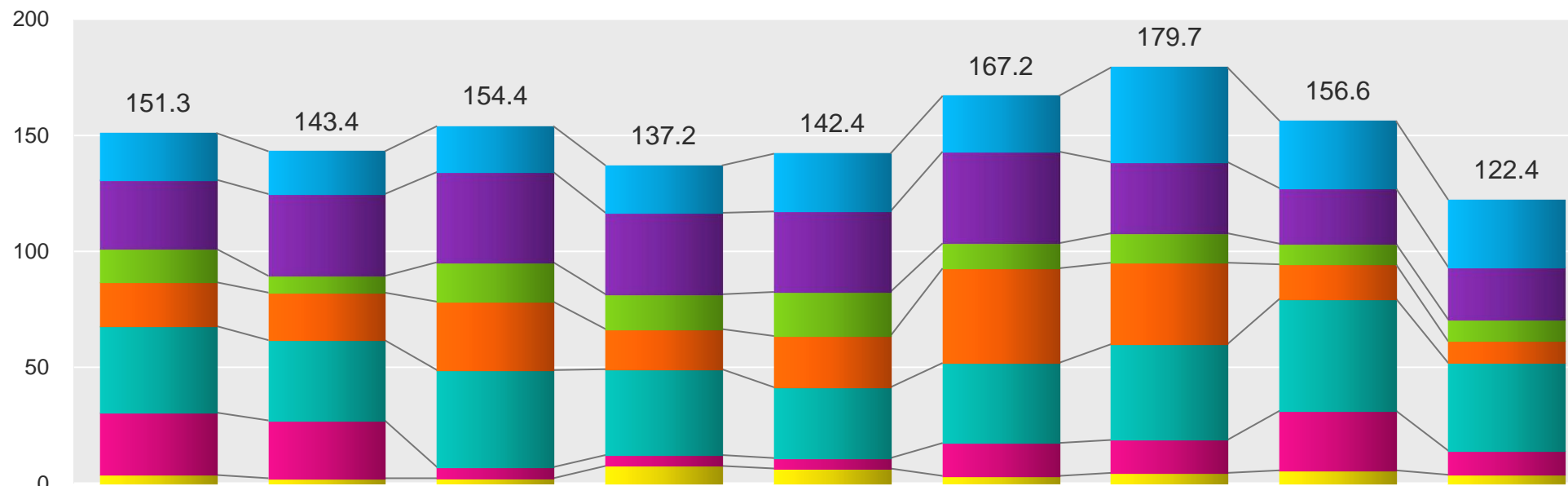
As of the April-June 2015 quarter, the PVE business was no longer material as stipulated in the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information. Therefore, it has been excluded from segmental reporting.

Composition of SPE Orders by Application: Equipment Only



SPE Orders by Region

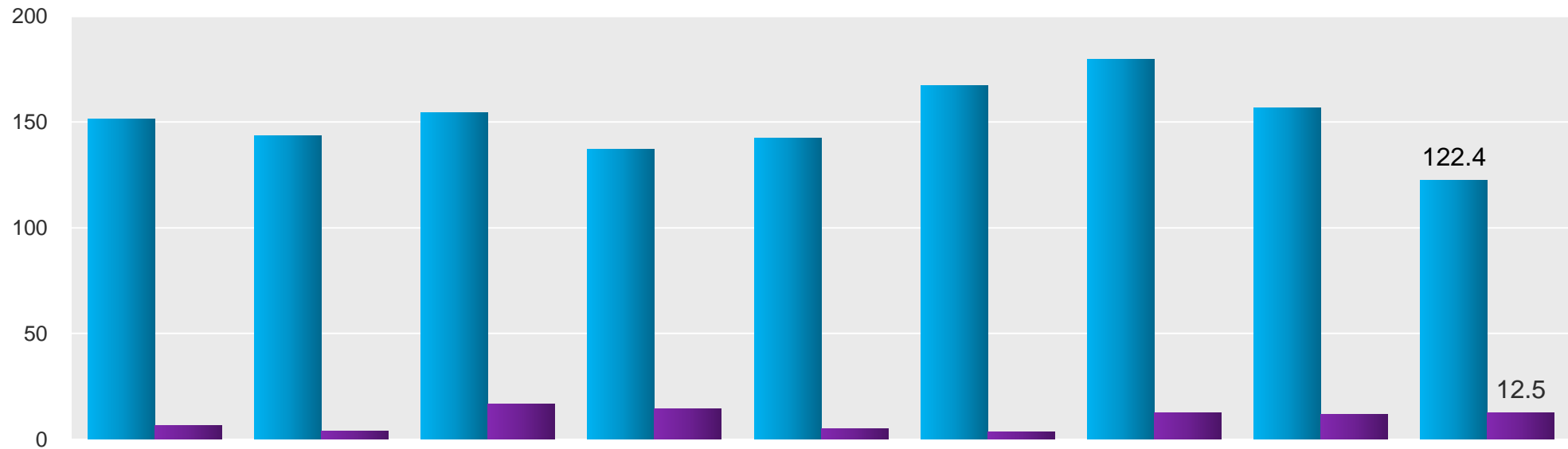
(Billion Yen)



	13/7-9	10-12	14/1-3	4-6	7-9	10-12	15/1-3	4-6	7-9
Japan	20.1	18.4	19.8	20.4	24.9	24.0	40.8	29.0	29.0
U.S.	29.8	35.3	38.9	35.1	34.7	39.5	30.7	23.9	22.6
Europe	14.4	7.2	17.0	15.0	19.0	10.8	12.7	8.9	9.4
Korea	18.9	20.5	29.5	17.3	22.1	40.8	35.1	14.8	9.3
Taiwan	37.3	34.6	41.8	37.0	30.5	34.5	41.3	48.3	37.8
China	26.9	24.9	4.8	4.7	4.5	14.2	14.2	25.7	10.4
S.E. Asia, Others	3.6	2.2	2.2	7.5	6.4	3.2	4.5	5.6	3.7

Orders, Order Backlog

(Billion Yen)



	13/7-9	10-12	14/1-3	4-6	7-9	10-12	15/1-3	4-6	7-9
SPE Orders	151.3	143.4	154.4	137.2	142.4	167.2	179.7	156.6	122.4
FPD Orders	6.3	3.8	16.6	14.2	4.8	3.4	12.6	11.8	12.5
SPE Order backlog	196.0	237.2	209.9	211.0	217.0	252.3	260.4	276.7	222.6
FPD Order backlog	27.4	22.5	29.0	29.3	29.1	28.8	31.6	33.3	37.6

As of the April-June 2015 quarter, the PVE 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 excluded from segmental reporting.

Revision of FY2016 Financial Estimates

Revision of FY2016 Financial Estimates

- Full-year operating profit of over 100.0 billion yen and OPM of 16% expected due to further increases in profitability

(Billion Yen)

	FY2015 (Actual)	FY2016 (Estimate)					YoY change
		1 st half	2 nd half		Full year		
		Actual	New estimates	Adjustments*	New estimates	Adjustments*	
Net Sales	613.1	340.9	319.1	+12.6	660.0	+15.0	+8%
SPE	576.2	316.9	293.1	+14.1	610.0	+16.0	+6%
FPD	32.7	18.2	25.8	-1.2	44.0	-1.0	+35%
Operating income	88.1	61.2	43.8	+2.3	105.0	+10.0	+16.8
Lower line: OP margin	14.4%	18.0%	13.7%	+0.2pts	15.9%	+1.2pts	+1.5pts
Income before income taxes	86.8	57.5	42.5	+1.0	100.0	+6.0	+13.1
Net income attributable to owners of parent	71.8	41.3	30.7	+1.7	72.0	+6.0	+0.1

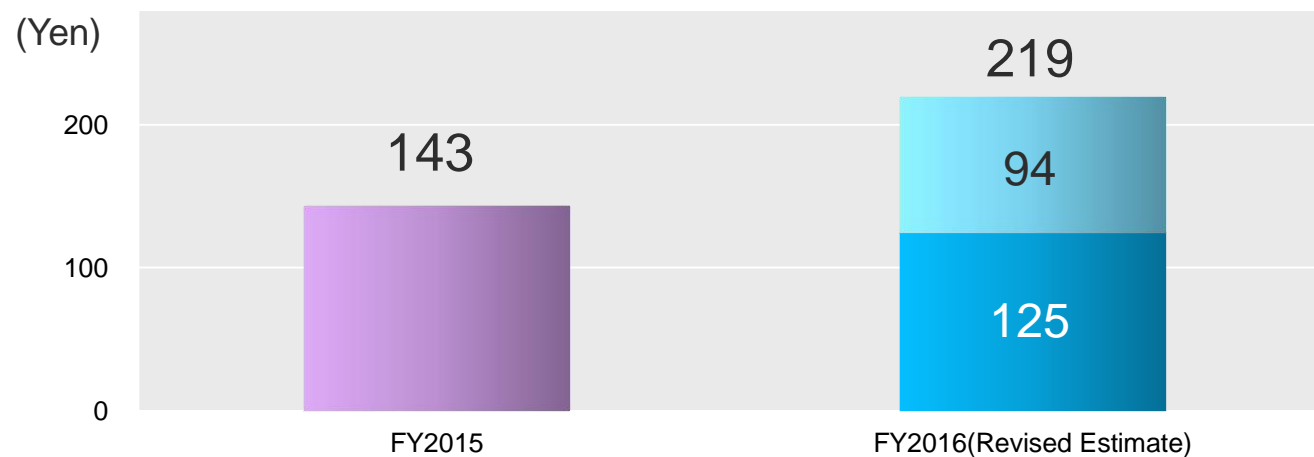
*Adjustments : changes from the figures announced on July 28, 2015.

SPE: semiconductor production equipment FPD: flat panel display production equipment

FY2016 Dividend Forecast

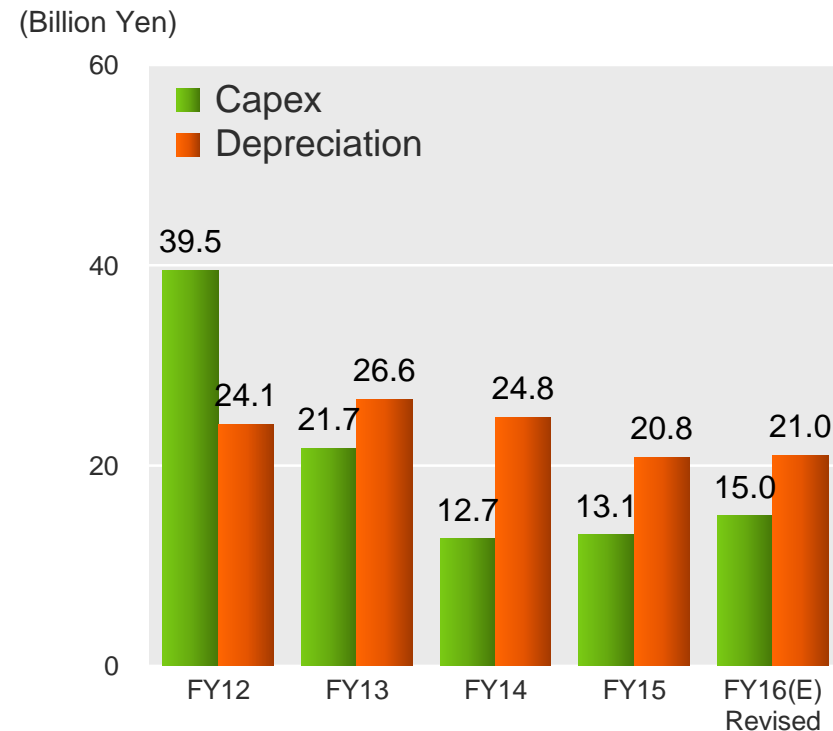
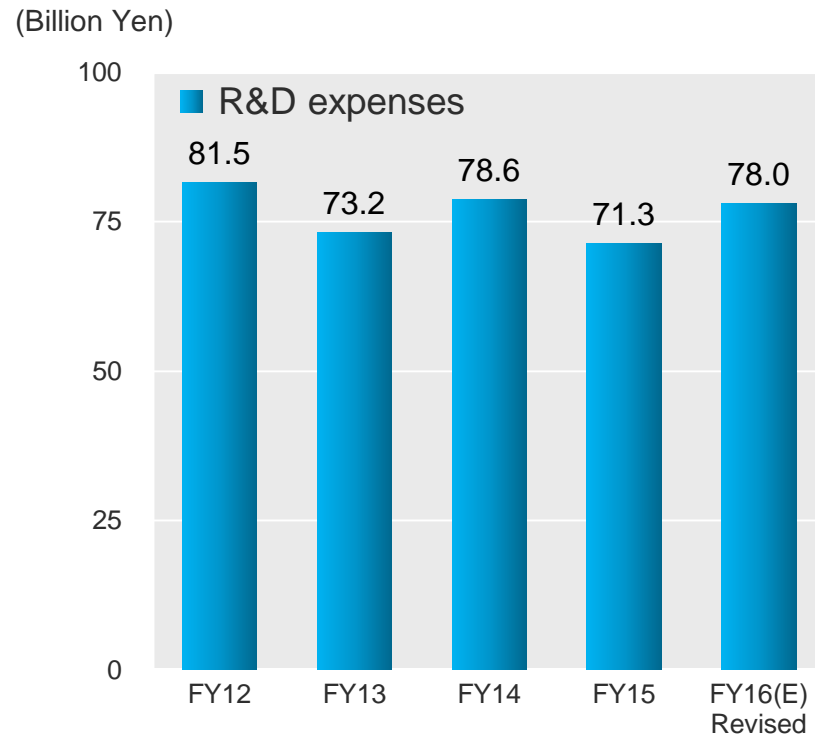
- A dividend of 219 yen is expected based on the new shareholder return policy announced in July (payout ratio of 50%)

Dividend per share (Estimate)		
Interim	Year-end	Year Total
125 yen	94 yen	219 yen



Our previous dividend policy since FY2011 year-end dividend was performance-linked payout ratio of around 35%.

R&D Expense, Capex Plans



R&D expenses: 74.0 billion yen → Revised up to 78.0 billion yen

Capex: 12.0 billion yen → Revised up to 15.0 billion yen

Approaches to achieve medium-term plan targets

Financial Model (toward FY2020)

Aiming for global-level profitability

(Billion Yen)

	FY2016 (Estimate)	FY2020 (Medium-term plan)	
	WFE \$32B	WFE \$30B	WFE \$37B
Net Sales	660.0	720.0	900.0
Gross profit margin	39%	42%	44%
SG&A expenses SG&A expense ratio	152.0 23%	160.0 22%	170.0 19%
Operating margin	16%	20%	25%
ROE		15%	20%

- Outperform market growth
 - Focus on SPE growth areas: Etching, Deposition and Cleaning
 - Strengthen Field Solutions business
- Enhance operational efficiency
 - Raise efficiency of development and manufacturing
 - Reduce SG&A/Sales ratio

The semiconductor production process can be divided into two sequential sub-processes referred to as front-end (wafer fabrication) and back-end (assembly and test) production. WFE (wafer fabrication equipment) is used in the front-end production process.

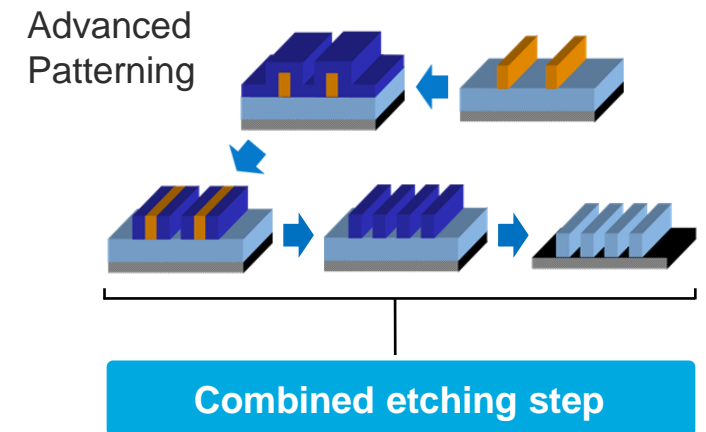
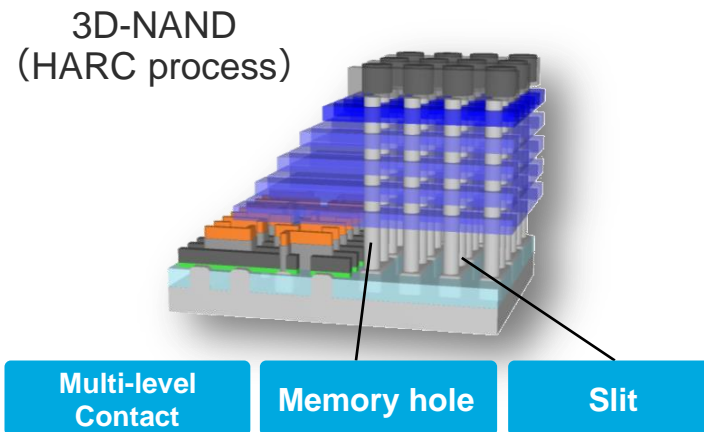
SPE Business Strategy: Etching System

Targeting increased share in the expanding markets for patterning process and memory HARC process

- Further enhance TEL's strengths in HARC technology, use our clear lead in productivity and processing precision to contribute to 3D-NAND/DRAM technology inflection and improve customer productivity
- Make a major contribution to lower customer costs through combining multiple etching steps into one in advanced patterning processes

Market Share Plan

	CY2014 (Actual)	CY2019 (Plan)
Etching system	26%	>36%
Oxide etch	62%	>70%
Conductor etch	7%	>20%



HARC (High Aspect Ratio Contact) process : Advanced processing technology required for deep hole etching

SPE Business Strategy: Thermal Processing System

Targeting increased share in ALD market with its growing demand and in DRAM applications

- Establish a leading position in ALD market. Achieve both high quality film formation and high productivity needed for miniaturization and for 3D structure with the NT333 semi-batch ALD system
- Differentiation through our clear lead in productivity for next generation DRAM

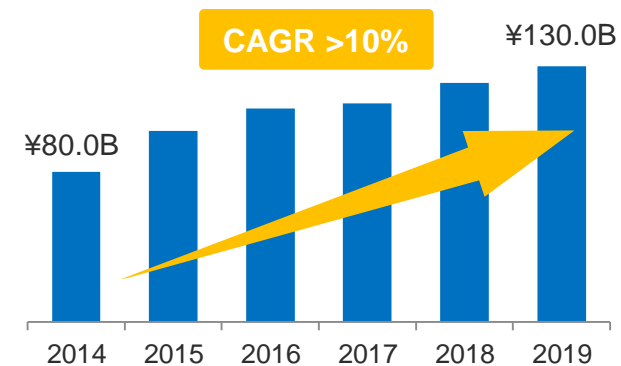
Market Share Plan

	CY2014 (Actual)	CY2019 (Plan)
Thermal Processing System	55%	>65%



Semi-batch ALD system
NT333™

ALD system SAM*



*SAM: Served Available Market
Source: TEL estimate

SPE Business Strategy: Cleaning System

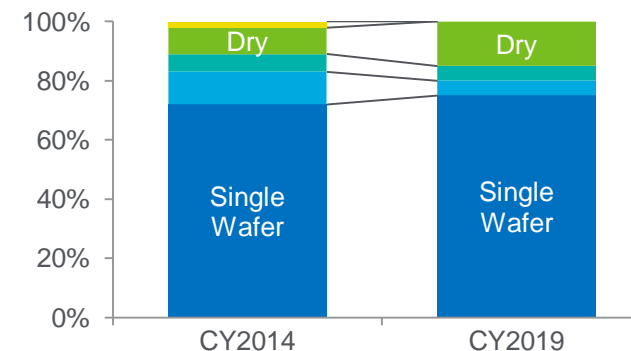
Targeting increased share in single wafer clean and dry clean through expanding applications with our proprietary technologies

- Single wafer wet cleaning system will contribute to improved yield for customers through TEL's strengths in areas including pattern collapse prevention technology, BEOL polymer removal/metal loss reduction, and high precision back-side bevel cleaning
- Fulfill high technological needs with dry cleaning

Market Share Plan

	CY2014 (Actual)	CY2019 (Plan)
Cleaning System	25%	>35%
Wet	19%	>30%
Dry	68%	>75%

Cleaning Market Breakdown

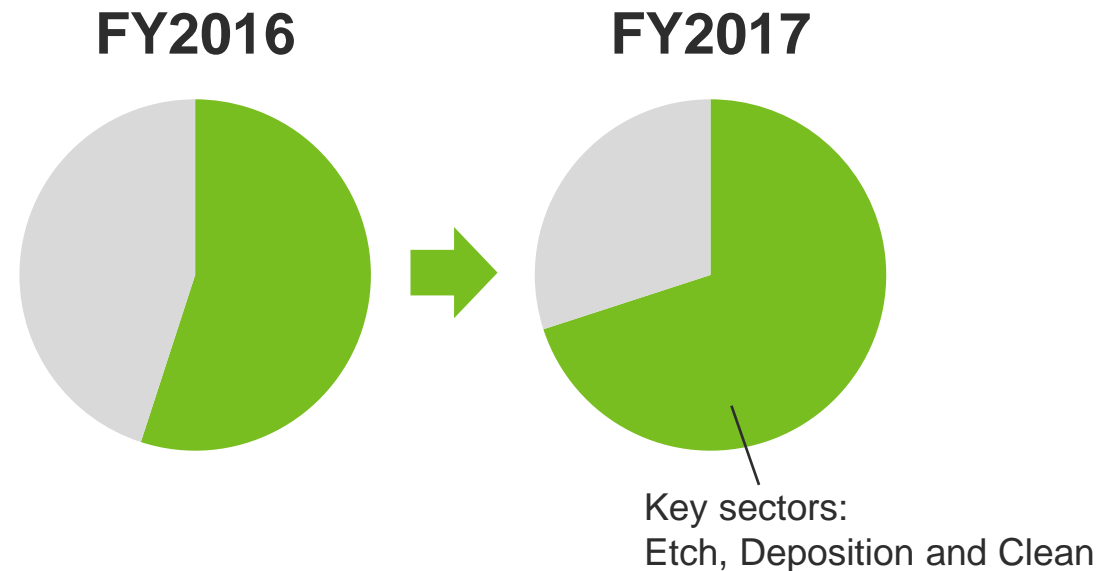


Creation of Strong Next Generation Products

Strengthen development of key sectors under direct control of COO

- Direct engagement in customer development from earlier stages
 - Present proposals for next generation technology faster
- Unified management of development resources
 - Development organization across our BUs
 - Patterning solution projects
 - Allocation of resources to strategic products
 - Reallocate 10 billion yen of R&D costs to key sectors

Composition of R&D expense



Reinforce proposal ability for next generation technologies with new development structure

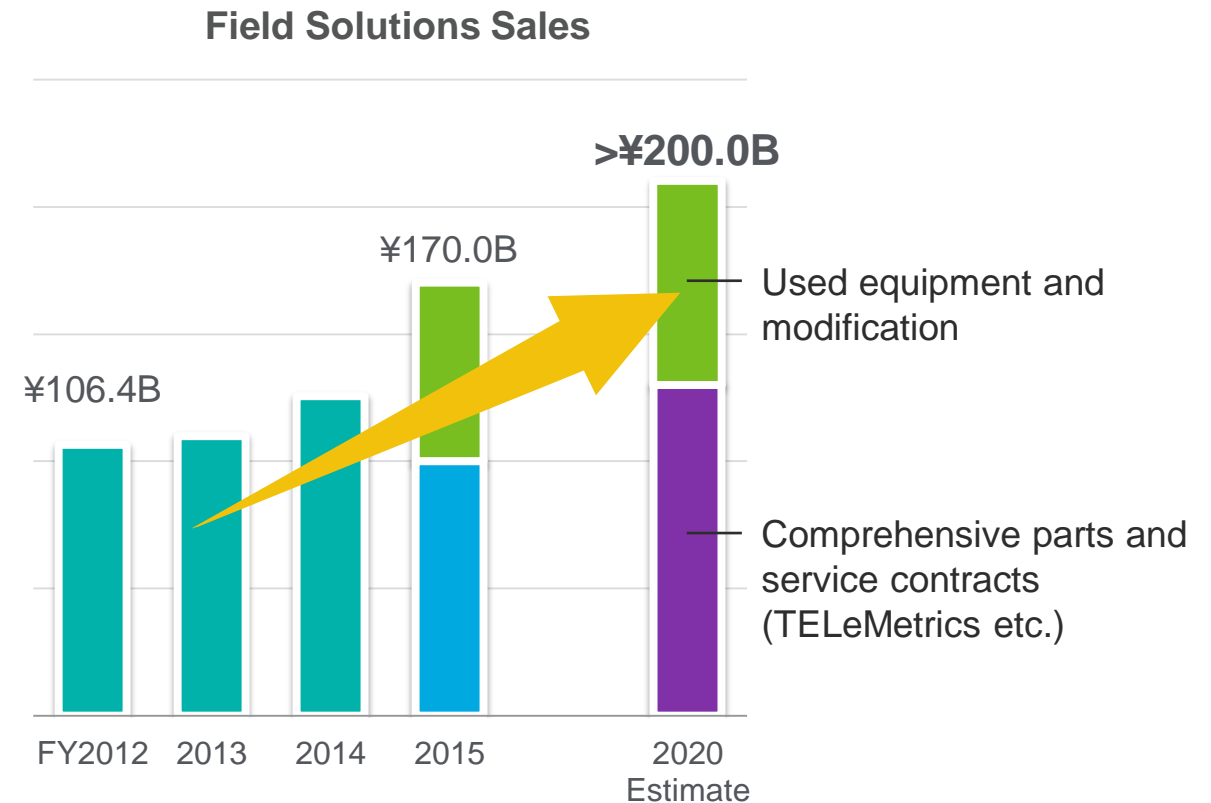
Initiatives to Expand Field Solutions Business

Grow business opportunities

- Expanding semiconductor demand led by IoT
- Advancing and diversifying technological needs
- TEL's install base: 57,000 units

FS 1st Dept.
Used equipment
and modification

FS 2nd Dept.
Comprehensive
parts and service
contracts
(TELeMetrics etc.)



Large role for used equipment and comprehensive parts and service contracts in maximizing profit

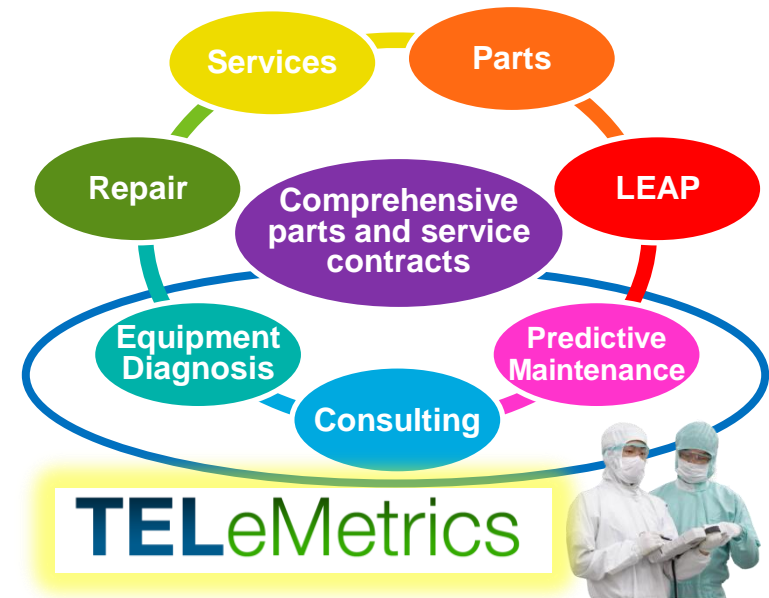
Initiatives to Expand Field Solutions Business

Used equipment and modification

- Supply maker-certified used equipment to expanding 200mm equipment market due to IoT

Comprehensive parts and service contracts

- Propose service packages to meet customer needs (comprehensive contracts)
 - Supply new “TELeMetrics” service
 - Contribute to increased productivity for customers through remote connection of customer equipment to TEL service centers to realize stable operation of equipment



LEAP: Life cycle Extension Availability Program

Increase sales by over 30.0 billion yen thorough supporting customers' productivity improvement

- 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/PV 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/PV panel production equipment are denominated in yen. While some settlements are denominated in dollars, exchange risk is hedged as forward exchange contracts are made individually at the time of booking. Accordingly, the effect of exchange rates on profits is negligible.

FPD/PV: Flat panel display/Photovoltaic

TEL™

TOKYO ELECTRON