

Summary of Consolidated Financial Results

For the Third Quarter Ended December 31, 2016

[Japanese GAAP]

January 27, 2017

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 Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 2760)
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(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Highlights for the Third Quarter Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (cumulative)

(% indicates changes from the same period of previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The Third Quarter ended December 31, 2016	93,818	8.7	428	(59.5)	459	(46.5)	360	(34.7)
The Third Quarter ended December 31, 2015	86,296	7.4	1,058	(31.8)	858	57.6	552	48.5

(Note) Comprehensive income: The Third Quarter ended December 31, 2016 257 million yen [(46.3)%]
 The Third Quarter ended December 31, 2015 478 million yen [23.2%]

	Basic net income per share	Diluted net income per share
	Yen	Yen
The Third Quarter ended December 31, 2016	35.93	—
The Third Quarter ended December 31, 2015	55.29	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	71,429	21,872	30.6
As of March 31, 2016	64,284	22,174	34.5

(Reference) Equity: As of December 31, 2016 21,870 million yen As of March 31, 2016 22,171 million yen

2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	30.00	—	30.00	60.00
Fiscal year ending March 31, 2017	—	30.00			
Fiscal year ending March 31, 2017 (Forecast)			—	30.00	60.00

(Note) Revision of dividends forecast: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the same period of previous fiscal year.)

	Net sales		Ordinary income		Net income attributable to owners of parent		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2017	125,200	6.3	1,300	(20.2)	900	(2.7)	89.81

(Note) Revision of financial forecasts: No

*Notes

- (1) Changes of significant subsidiaries during the period : None
- (2) Changes in accounting policies, accounting estimates, and restatements
 - 1) Changes due to revision of accounting standards : Yes
 - 2) Changes in accounting standards other than 1) : None
 - 3) Changes in accounting estimates : None
 - 4) Restatements : None

(Note) For details, please refer to “Issues on Summary Information (Notes)” on page 3 of the Appendix.

- (3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding at the end of the period (including treasury shares):

December 31, 2016	10,445,500 shares
March 31, 2016	10,445,500 shares

- 2) Number of treasury shares at the end of the period:

December 31, 2016	377,819 shares
March 31, 2016	423,819 shares

- 3) Average number of shares outstanding during the period:

The Third Quarter ended December 31, 2016	10,044,948 shares
The Third Quarter ended December 31, 2015	9,992,201 shares

(Note) The Company has adopted the Directors’ Compensation BIP (Board Incentive Plan) Trust and the Employee Shareholding Association ESOP (Employee Stock Ownership Plan) Trust, and has included the number of the Company’s shares held by both Trusts accordingly in the number of treasury shares.

* Notification of the status of the quarterly review procedures

This quarterly financial report is exempt from the quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this report, review procedures for the quarterly consolidated financial statements have not been completed.

* Explanation of the appropriate use of finance forecasts and other special notes

The financial forecasts and other estimates herein are based on currently available information and certain assumptions deemed reasonable at time of report issuance. The Company does not guarantee the achievement of these forecasts. Actual operating results may differ significantly from these forecasts due to various factors. For information concerning financial forecasts, please refer to “Explanation of Financial Estimates Information such as Consolidated Financial Forecasts” on page 3 of the Appendix.

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1. Qualitative Information on Financial Results for the Period

(1) Explanation of Operating Results

During the period, the Japanese economy started to recover slightly as corporate sentiment and production trends mainly in large corporations revived despite remaining weakness in some areas including capital investments. Meanwhile, the overseas market outlook remains cautious due to factors such as the direction of the new U.S. administration and the prospect of Brexit negotiation.

Consolidated financial results for the period were net sales of 93,818 million yen (a year-on-year increase of 8.7%). The Company recorded operating income of 428 million yen (a year-on-year decrease of 59.5%) due to changes in the sales mix in the Electronic Components Business and the fluctuations in foreign exchange rates. The Company recorded ordinary income of 459 million yen (a year-on-year decrease of 46.5%), and net income attributable to owners of parent of 360 million yen (a year-on-year decrease of 34.7%).

Operating results report for each business segment is as follows.

(Electronic Components Business)

The semiconductor market remains strong as a whole, owing not only to a trend of increasing number of semiconductors installed in automobiles in line with adoption of sensors, but also to increased demand resulting from the expanded data center market. In addition, reorganization centered on the overseas semiconductor manufacturers beyond the existing industry has been going on, and the profit structure has been changing toward the IoT era.

Under such circumstances, net sales in this segment during the period were 82,987 million yen (a year-on-year increase of 12.5%) thanks to increased sales of specialized ICs for storage and the expanded smartphone-related distribution rights, etc. On the other hand, ordinary income in this segment was 290 million yen (a year-on-year decrease of 41.1%) due to factors including changes in the sales mix.

(Computer Networks Business)

The large-scale system update in the financial industry centered on banks and projects for government agencies, which had been strong in the previous period, were sluggish during the period. Currently, not only technologies for efficient network operation, but also the field of security is attracting attention as an IT investment target.

Under such circumstances, net sales in this segment during the period were 10,831 million yen (a year-on-year decrease of 13.4%) and ordinary income in this segment was 169 million yen (a year-on-year decrease of 53.7%), due to factors including a reactionary decline in equipment sales to financial institutions and government agencies.

(2) Explanation of Financial Position

Total assets as of the end of the third quarter of the current fiscal year amounted to 71,429 million yen, an increase of 7,144 million yen compared to the end of the previous fiscal year. This was primarily due to an increase in notes and accounts receivable - trade. Total liabilities amounted to 49,556 million yen, an increase of 7,445 million yen compared to the end of the previous fiscal year. This was primarily due to increases in short-

term loans payable and forward exchange contracts (under “other” of current liabilities). In addition, total net assets were 21,872 million yen, a decrease of 301 million yen compared to the end of the previous fiscal year. As a result, equity ratio declined by 3.9 percentage points from the end of the previous fiscal year to 30.6%.

(3) Explanation of Financial Estimates Information such as Consolidated Financial Forecasts

There are no changes in the consolidated financial forecasts for the fiscal year ending March 31, 2017 from the previous forecast announced in “Summary of Consolidated Financial Results For The Second Quarter Ended September 30, 2016 [Japanese GAAP]” on October 27, 2016.

2. Issues on Summary Information (Notes)

(1) Changes of Significant Subsidiaries during the Period

None.

(2) Changes in Accounting Policies, Accounting Estimates, and Restatements

(Changes in Accounting Policies)

In conjunction with the revision of the Corporation Tax Act, the Company adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan [ASBJ] Practical Issues Task Force [PITF] No. 32, June 17, 2016), effective in the first quarter of the current fiscal year, and accordingly has changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change has no impact on the consolidated financial statements for the period.

(3) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), effective from the first quarter of the current fiscal year.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2016 (As of Mar. 31, 2016)	FY 2017 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	2,637	2,996
Notes and accounts receivable - trade	28,902	35,055
Electronically recorded monetary claims - operating	627	966
Merchandise and finished goods	21,527	22,424
Other	5,644	5,097
Allowance for doubtful accounts	-	(41)
Total current assets	59,340	66,499
Non-current assets		
Property, plant and equipment	870	824
Intangible assets	772	508
Investments and other assets		
Net defined benefit asset	177	382
Other	3,135	3,226
Allowance for doubtful accounts	(11)	(12)
Total investments and other assets	3,301	3,596
Total non-current assets	4,944	4,930
Total assets	64,284	71,429
Liabilities		
Current liabilities		
Accounts payable - trade	8,694	9,718
Short-term loans payable	10,680	14,098
Current portion of long-term loans payable	2,096	96
Provision for bonuses	712	317
Other	6,005	8,410
Total current liabilities	28,189	32,640
Non-current liabilities		
Long-term loans payable	6,288	9,216
Net defined benefit liability	7,080	7,156
Other	552	544
Total non-current liabilities	13,921	16,916
Total liabilities	42,110	49,556

(Millions of yen)

	FY 2016 (As of Mar. 31, 2016)	FY 2017 (As of Dec. 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,495	2,495
Capital surplus	5,645	5,645
Retained earnings	14,917	14,651
Treasury shares	(628)	(559)
Total shareholders' equity	22,430	22,232
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	6
Deferred gains or losses on hedges	77	(204)
Foreign currency translation adjustment	215	263
Remeasurements of defined benefit plans	(542)	(428)
Total accumulated other comprehensive income	(258)	(362)
Non-controlling interests	2	2
Total net assets	22,174	21,872
Total liabilities and net assets	64,284	71,429

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Dec. 31, 2015)	FY 2017 (from Apr. 1, 2016 to Dec. 31, 2016)
Net sales	86,296	93,818
Cost of sales	75,150	83,522
Gross profit	11,146	10,296
Selling, general and administrative expenses		
Salaries and allowances	4,272	4,203
Provision for bonuses	317	312
Retirement benefit expenses	389	607
Other	5,108	4,743
Total selling, general and administrative expenses	10,088	9,867
Operating income	1,058	428
Non-operating income		
Insurance income	22	14
Dividend income of insurance	37	37
Foreign exchange gains	–	76
Other	21	28
Total non-operating income	81	156
Non-operating expenses		
Interest expenses	52	76
Foreign exchange losses	174	–
Other	54	49
Total non-operating expenses	281	126
Ordinary income	858	459
Extraordinary income		
Gain on sales of golf memberships	–	0
Gain on sales of investments in capital of subsidiaries and associates	8	–
Gain on transition of retirement benefit plan	–	60
Total extraordinary income	8	61
Extraordinary losses		
Loss on retirement of non-current assets	4	3
Loss on sales of investment securities	9	–
Other	1	–
Total extraordinary losses	15	3
Net income before income taxes	851	517
Income taxes	299	156
Net income	552	360
Net income attributable to owners of parent	552	360

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Dec. 31, 2015)	FY 2017 (from Apr. 1, 2016 to Dec. 31, 2016)
Net income	552	360
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	14
Deferred gains or losses on hedges	62	(281)
Foreign currency translation adjustment	0	66
Remeasurements of defined benefit plans, net of tax	(105)	114
Share of other comprehensive income of entities accounted for using equity method	(26)	(17)
Total other comprehensive income	(73)	(103)
Comprehensive income	478	257
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	478	257
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Cash Flow

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Dec. 31, 2015)	FY 2017 (from Apr. 1, 2016 to Dec. 31, 2016)
Cash flows from operating activities		
Net income before income taxes	851	517
Depreciation	365	360
Amortization of goodwill	77	77
Increase (decrease) in provision for bonuses	(431)	(394)
Increase (decrease) in net defined benefit liability	(139)	117
Interest expenses	52	76
Foreign exchange losses (gains)	(167)	1,980
Loss (gain) on sales of investment securities	9	–
Loss (gain) on sales of investments in capital of subsidiaries and associates	(8)	–
Decrease (increase) in notes and accounts receivable - trade	874	(6,154)
Decrease (increase) in inventories	1,582	(820)
Increase (decrease) in notes and accounts payable - trade	(1,413)	999
Increase (decrease) in accounts payable - other	(137)	(47)
Increase (decrease) in advances received	900	915
Increase (decrease) in deposits received	85	(338)
Decrease (increase) in consumption taxes refund receivable	2,473	(43)
Decrease (increase) in accounts receivable - other	234	63
Decrease (increase) in advances paid	(356)	262
Decrease (increase) in prepaid expenses	(351)	(125)
Other, net	(75)	(322)
Subtotal	4,425	(2,876)
Interest and dividend income received	0	6
Interest expenses paid	(54)	(75)
Income taxes paid	(885)	(221)
Income taxes refund	–	93
Net cash provided by (used in) operating activities	3,486	(3,073)
Cash flows from investing activities		
Purchase of property, plant and equipment	(59)	(98)
Purchase of intangible assets	(73)	(27)
Purchase of investment securities	–	(30)
Proceeds from sales of investment securities	43	–
Purchase of shares of subsidiaries and associates	–	(83)
Proceeds from sales of investments in capital of subsidiaries and associates	20	–
Other, net	(14)	17
Net cash provided by (used in) investing activities	(83)	(223)

(Millions of yen)

	FY 2016 (from Apr. 1, 2015 to Dec. 31, 2015)	FY 2017 (from Apr. 1, 2016 to Dec. 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,079)	3,231
Proceeds from long-term loans payable	3,000	3,000
Repayments of long-term loans payable	(72)	(2,072)
Proceeds from disposal of treasury shares	69	70
Cash dividends paid	(598)	(602)
Other, net	2	(0)
Net cash provided by (used in) financing activities	(3,678)	3,626
Effect of exchange rate change on cash and cash equivalents	1	28
Net increase (decrease) in cash and cash equivalents	(274)	358
Cash and cash equivalents at beginning of period	2,302	2,637
Cash and cash equivalents at end of period	2,028	2,996

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

None.

(Notes on Significant Changes in Shareholders' Equity)

None.

(Segment Information)

I. For the Period ended December 31, 2015 (From Apr. 1, 2015 to Dec. 31, 2015)

1. Information on the amount of net sales and income (loss) by segments

(Millions of yen)

	Segments			Adjustments	Consolidated statements of income (Note)
	Electronic Components Business	Computer Networks Business	Total		
Net sales:					
Outside customers	73,782	12,514	86,296	—	86,296
Inter-segment	—	—	—	—	—
Total	73,782	12,514	86,296	—	86,296
Segment income	493	365	858	—	858

(Note) Total amount of segment income coincides with the ordinary income in the consolidated statements of income.

II. For the Period ended December 31, 2016 (From Apr. 1, 2016 to Dec. 31, 2016)

1. Information on the amount of net sales and income (loss) by segments

(Millions of yen)

	Segments			Adjustments	Consolidated statements of income (Note)
	Electronic Components Business	Computer Networks Business	Total		
Net sales:					
Outside customers	82,987	10,831	93,818	—	93,818
Inter-segment	—	—	—	—	—
Total	82,987	10,831	93,818	—	93,818
Segment income	290	169	459	—	459

(Note) Total amount of segment income coincides with the ordinary income in the consolidated statements of income.

4. Supplementary Information

(1) Status of Purchases, Orders and Sales

1) Purchases

Purchases by segment for the period ended December 31, 2016 are as follows:

Segment	Purchase amount (Millions of yen)	Year-on-year change (%)
Electronic Components Business	76,716	18.5
Computer Networks Business	7,784	(11.9)
Total	84,500	14.9

(Note) Above figures are stated net of consumption taxes, etc.

2) Orders

Orders by segment for the period ended December 31, 2016 are as follows:

Segment	Orders received (Millions of yen)	Year-on-year change (%)	Order backlog (Millions of yen)	Year-on-year change (%)
Electronic Components Business	89,027	23.3	21,371	65.6
Computer Networks Business	12,324	(8.8)	8,705	9.2
Total	101,352	18.3	30,077	44.0

(Note) Above figures are stated net of consumption taxes, etc.

3) Sales

Sales by segment for the period ended December 31, 2016 are as follows:

Segment	Sales (Millions of yen)	Year-on-year change (%)
Electronic Components Business	82,987	12.5
Computer Networks Business	10,831	(13.4)
Total	93,818	8.7

(Note) Above figures are stated net of consumption taxes, etc.