



Consolidated Financial Review for the Year Ended March 31, 2015

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, 2015

(1) Operating results

	Year ended	
	March 31, 2014	March 31, 2015
Net sales (Millions of yen)	612,170	613,124
Operating income (Millions of yen)	32,204	88,113
Ordinary income (Millions of yen)	35,487	92,949
Net income (Millions of yen)	(19,408)	71,888
Net income per share (Yen)	(108.31)	401.08
Fully diluted net income per share (Yen)	-	400.15
Return on equity (%)	(3.3)	11.8
Ordinary income to total assets (%)	4.4	10.9
Operating income to net sales (%)	5.3	14.4
Comprehensive income:	Year ended March 31, 2015: 80,295 million yen Year ended March 31, 2014: (10,888) million yen	
Profit/loss on equity method:	Year ended March 31, 2015: 250 million yen Year ended March 31, 2014: - million yen	

(2) Financial position

	As of March 31, 2014	As of March 31, 2015
Total assets (Millions of yen)	828,591	876,153
Net assets (Millions of yen)	590,613	641,162
Equity ratio (%)	69.8	73.0
Net assets per share (Yen)	3,225.92	3,567.23
Equity:	639,483 million yen (as of March 31, 2015) 578,091 million yen (as of March 31, 2014)	

(3) Cash flow

(Millions of yen)

	Year ended	
	March 31, 2014	March 31, 2015
Cash flow from operating activities	44,449	71,806
Cash flow from investing activities	(19,599)	155,737
Cash flow from financing activities	(186)	(18,213)
Cash and cash equivalents at end of period	104,797	317,632

2. Dividends

	Year ended March 31, 2014	Year ended March 31, 2015	Year ending March 31, 2016 (forecast)
1Q-end dividend per share (Yen)	-	10.00	-
2Q-end dividend per share (Yen)	25.00	30.00	65.00
3Q-end dividend per share (Yen)	-	35.00	-
Year-end dividend per share (Yen)	25.00	68.00	90.00
Annual dividend per share (Yen)	50.00	143.00	155.00
Total dividend (Millions of yen)	8,959	25,633	-
Payout ratio (%)	-	35.7	35.2
Dividend on equity (%)	1.5	4.2	-

Note: For more information, please refer to the press release "Announcement on Dividends Forecast for the Fiscal Year Ended March 31, 2015" published today.

3. Earnings forecasts for the year ending March 31, 2016

	Year ending September 30, 2015 (Cumulative)	Year ending March 31, 2016
Net sales (Millions of yen)	320,000	675,000
Operating income (Millions of yen)	47,000	112,000
Ordinary income (Millions of yen)	47,000	112,000
Net income attributable to owners of parent (Millions of yen)	33,000	79,000
Net income per share (Yen)	184.08	440.69

4. Others

- (1) Important changes in subsidiaries: None
(Changes on specific subsidiaries with changes in scope of consolidation)
- (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, 2015:	180,610,911 shares
As of March 31, 2014:	180,610,911 shares
 2. Number of shares of treasury stock

As of March 31, 2015:	1,344,892 shares
As of March 31, 2014:	1,408,950 shares
 3. Average number of shares outstanding

As of March 31, 2015:	179,238,551 shares
As of March 31, 2014:	179,192,909 shares

(Reference) Non-consolidated financial review for the year ended March 31, 2015**(1) Operating results**

Note: Percentages indicate changes from the previous fiscal year.

	Year ended			
	March 31, 2014		March 31, 2015	
		%		%
Net sales (Millions of yen)	462,282	23.1	555,092	20.1
Operating income (Millions of yen)	16,230	183.9	47,094	190.2
Ordinary income (Millions of yen)	27,839	1.9	86,502	210.7
Net income (Millions of yen)	(26,420)	-	63,267	-
Net income per share (Yen)	(147.44)	-	352.98	-
Fully diluted net income per share (Yen)	-	-	352.16	-

(2) Financial position

	As of March 31, 2014	As of March 31, 2015
Total assets (Millions of yen)	608,206	671,759
Net assets (Millions of yen)	356,701	405,468
Equity ratio (%)	58.4	60.1
Net assets per share (Yen)	1,981.33	2,253.90
Equity:	404,047 million yen (as of March 31, 2015)	
	355,057 million yen (as of March 31, 2014)	

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

This earnings report is outside the jurisdiction of auditing procedures outlined in the Financial Instruments and Exchange Act and remain incomplete at the time of announcing this report.

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

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

The company plans to hold a financial meeting for analysts and investors on Monday, April 27, 2015. The supplementary materials to these financial reports that will be handed out at this meeting 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, 2015

In the fiscal year under review, the pace of economic growth slowed in some of Asia's emerging countries, but the global economy as a whole, led by the US, continued to recover at a modest pace. The Japanese economy is also showing signs of a recovery thanks to the effects of economic and fiscal policies.

The electronics industry, which Tokyo Electron (TEL) Group is part of, enjoyed strong sales of new models of smartphones with advanced features, and the smartphone market in emerging countries, especially China, also expanded. Improved mobile handset performance is boosting data volumes and cloud services are becoming more evolved, and as a result the electronic components market also remained firm as demand for servers used in data centers increased.

(ii) Overview of Profit and Losses during the Fiscal Year Ended March 31, 2015

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

Net sales for the fiscal year increased 0.2% from the previous fiscal year to 613,124 million yen. Domestic net sales decreased 41.2% to 95,045 million yen, while overseas net sales increased 15.0% to 518,078 million yen to account for 84.5% of net sales. Orders received during the fiscal year decreased 5.1% to 660,967 million yen, but the orders backlog grew 11.6%, to 295,771 million yen.

Cost of sales decreased 9.7% compared to the prior year to 370,351 million yen, and gross profit increased 20.2% to 242,773 million yen. As a result, gross profit margin widened by 6.6 percentage points to 39.6%.

Selling, general, and administrative (SG&A) expenses decreased 8.9% to 154,660 million yen, and the ratio to consolidated net sales decreased by 2.5 percentage points to 25.2%.

As a result of the foregoing, operating income increased 173.6% to 88,113 million yen. After non-operating income of 4,985 million yen and non-operating expenses of 149 million yen, ordinary income increased 161.9% to 92,949 million yen.

Extraordinary losses totaled 6,121 million yen (compared to a loss of 47,243 million yen in the previous fiscal year).

Income before income taxes was 86,827 million yen (compared to a loss of 11,756 million yen in the previous fiscal year), while net income was 71,888 million yen (compared to a loss of 19,408 million yen in the previous fiscal year).

As a result of the foregoing, net income per share was 401.08 yen (compared to a net loss per share of 108.31 yen in the previous fiscal year).

(iii) Overview of Operations by Business Segment during the Fiscal Year Ended March 31, 2015

The overview of each business segment is as described below.

TEL sold part of the shares held in Tokyo Electron Device Ltd. in April and May of 2014. This resulted in Tokyo Electron Device Ltd. being switched from a consolidated subsidiary of the group to an affiliate accounted for under the equity method, and the Electronic Components and Computer Networks segment overseen by the company and its subsidiaries being removed from segments reported from the fiscal year. The 0.2% year on year increase in consolidated net sales mentioned above reflects the impact of removing Tokyo Electron Device Ltd. from consolidated range.

Semiconductor Production Equipment

Smartphone sales have been strong, demand for servers used in data centers has been expanding, and the number of chips in a handset has been increasing as mobile handsets become more advanced in terms of performance. As a result, memory makers continue to invest in increasing production capacity thanks to the robust demand for electronic components like DRAM and NAND flash memory. Capital investment in logic chips also remains resilient thanks to the strong demand for servers and replacement demand for personal computers. In this environment, the segment's net sales to external customers during the fiscal year under review totaled 576,242 million yen (up 20.3% compared to the previous fiscal year).

A number of new products were introduced to the market in this segment during the fiscal year under review. These include the NS300Z, a more productive scrubber; the EXIM™ sputtering system for next-generation semiconductors such as MRAMs; and the Certas LEAGA™ high productivity dry cleaning system.

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 totaled 32,709 million yen (up 15.5% compared to the previous fiscal year).

PV (Photovoltaic Panel) Production Equipment

While we have ceased new sales activities for PV production equipment, sales entries for work in progress to fulfill existing orders and other factors resulted in the segment's sales to external customers during the fiscal year under review of 3,617 million yen (down 4.9% from the previous fiscal year).

Other

The segment's sales to external customers during the year under review totaled 555 million yen (up 15.8% from the previous fiscal year).

(For reference)
Consolidated

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015						
				First Half			Second Half	Full Year
		1Q	2Q		3Q	4Q		
Net Sales	612,170	151,325	142,948	294,273	137,021	181,829	318,851	613,124
Semiconductor Production Equipment	478,841	136,126	136,500	272,626	131,993	171,622	303,615	576,242
Japan	76,424	13,421	26,084	39,505	19,081	29,160	48,241	87,747
U.S.	104,363	33,790	33,906	67,696	32,041	35,603	67,645	135,341
Europe	29,636	12,530	12,189	24,720	19,054	14,992	34,047	58,768
Korea	73,403	22,451	14,695	37,146	18,103	42,114	60,218	97,364
Taiwan	130,252	38,456	38,352	76,808	28,598	34,017	62,615	139,423
China	48,897	13,911	7,069	20,981	6,322	12,409	18,732	39,713
S.E.Asia	15,865	1,565	4,202	5,768	8,791	3,324	12,115	17,883
FPD Production Equipment	28,317	13,929	5,099	19,029	3,751	9,928	13,680	32,709
PV Production Equipment	3,805	1,102	1,223	2,325	1,146	145	1,292	3,617
Electronic Components & Computer Networks	100,726	-	-	-	-	-	-	-
Others	479	167	125	292	130	132	263	555
Operating Income	32,204	17,069	13,045	30,115	22,081	35,916	57,997	88,113
Ordinary Income	35,487	16,913	14,860	31,773	25,005	36,169	61,175	92,949
Net Income(loss)	(19,408)	11,835	8,181	20,016	17,451	34,420	51,871	71,888

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

(iv) Projected Operating Results for the Next Fiscal Year Ending March 31, 2016

In our main area of semiconductor production equipment, on the back of strong demand for mobile and servers used in data centers, capital investment will continue, primarily for memory. The financial forecast for the next fiscal year (the fiscal year ending March 31, 2016) based on these projections is set forth below.

Consolidated Forecast

(Billions of yen, Y/Y change)

Year ending March 31, 2016		Interim		Full Year	
Net Sales		320.0	8.7%	675.0	10.1%
Semiconductor Production Equipment		300.0	10.0%	625.0	8.5%
FPD Production Equipment		17.5	-8.0%	47.0	43.7%
PV Production Equipment		2.5	7.5%	3.0	-17.1%
Others		0.0	-	0.0	-
Operating Income		47.0	56.1%	112.0	27.1%
Ordinary Income		47.0	47.9%	112.0	20.5%
Net Income Attributable to Owners of Parent		33.0	64.9%	79.0	9.9%

Note: The financial forecasts and estimates stated in this announcement are based on certain assumptions judged to be reasonable by the Company in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in foreign exchange rates, and other factors that may have an impact on performance. The company does not promise that the forecasts or estimates will be accurate.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products (and their success or failure), and global conditions in the semiconductor related industry. Consequently, actual sales and profits may differ substantially from the projections stated in this announcement.

(2) Qualitative Information on Consolidated Financial Conditions

(i) Financial Conditions

Current assets at the end of the fiscal year totaled 670,882 million yen, up 49,390 million yen compared to the end of the previous fiscal year. This is primarily attributable to increases of 26,499 million yen in short-term investments included in securities, 23,036 million yen in cash and deposits, 9,376 million yen in prepaid consumption taxes, 7,311 million yen in inventories, and a decrease of 18,186 million yen in trade notes and accounts receivable.

Tangible fixed assets decreased 5,447 million yen from the prior fiscal year end to 106,896 million yen at the end of the fiscal year.

Intangible fixed assets decreased 1,989 million yen from the prior fiscal year end to 27,566 million yen at the end of the fiscal year.

Investments and other assets increased 5,608 million yen from the prior fiscal year end to 70,807 million yen at the end of the fiscal year.

As a result of the foregoing, total assets grew 47,562 million yen from the prior fiscal year end to 876,153 million yen at the end of the fiscal year.

Current liabilities increased 2,302 million yen from the prior fiscal year end to 172,812 million yen at the end of the fiscal year. This was mainly due to increases of 8,542 million yen in customer advances, 3,527 million yen in accrued employees' bonuses, 3,504 million yen in accrued expenses, 2,811 million yen in trade notes and accounts payable, and 2,668 million yen in accrued consumption taxes; as well as decreases of 11,531 million yen in short-term borrowings due to the removal of Tokyo Electron Device Ltd. from consolidated accounting and 7,817 million yen in income taxes payable.

Long-term liabilities decreased 5,289 million yen from the prior year end to 62,178 million yen at the end of the fiscal year.

Net assets increased 50,548 million yen from the prior year end to 641,162 million yen at the end of the fiscal year. This was mainly due, on the plus side, to the 71,888 million yen in net income recorded for the fiscal year under review, and, on the minus side, to the 17,923 million yen in dividends distributed for the end of the prior fiscal year and for the 1st, 2nd, and 3rd quarters of the fiscal year under review, as well the 10,620 million yen decrease in minority interests due to the removal of Tokyo Electron Device Ltd. from consolidated accounting. As a result of the foregoing, the equity ratio was 73.0%.

(ii) Cash Flow

Cash and cash equivalents increased 212,835 million yen from the prior fiscal year end to 317,632 million yen at the end of the fiscal year under review. 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, increased 49,536 million yen to 317,682 million yen. The various cash flows for the fiscal year under review and relevant factors are described below.

Cash flow from operating activities grew 27,357 million yen from the previous fiscal year to reach 71,806 million yen in the fiscal year under review. This is mainly attributable to inflows of 86,827 million yen in net income before income

taxes recorded for the fiscal year, 20,878 million yen in depreciation and amortization, a 12,911 million yen increase in customer advances, and a 9,432 million yen increase in accounts payable; and outflows of a 26,849 million yen increase in inventories, payments of income taxes totaling 24,239 million yen, and a 11,383 million yen increase in prepaid consumption taxes.

Cash flow from investing activities swung from a negative 19,599 million yen in the prior fiscal year to a positive 155,737 million yen in the fiscal year under review. The main factors were an inflow of 163,300 million yen associated with a decrease in short-term investments and an outflow of 11,898 million yen associated with the acquisition of tangible fixed assets.

Cash flow from financing activities increased from 186 million yen in the previous fiscal year to 18,213 million yen, mainly due to 17,923 million yen in dividend distributions.

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Equity ratio (%)	69.8	73
Equity ratio at market value (%)	136.8	171.5
Interest-bearing debt to cash flow ratio (times)	0.3	-
Interest coverage ratio (times)	529.83	-

Equity ratio: $(\text{Equity} / \text{Total assets}) \times 100$

Equity ratio at market value: $(\text{Market capitalization} / \text{Total assets}) \times 100$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Cash flow from operating activities}$

Interest coverage ratio: $\text{Cash flow from operating activities} / \text{Interest expenses}$

* 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 $\times$ Number of shares outstanding at fiscal year-end after deduction of treasury stock.

* Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flow. Interest-bearing debt includes all liabilities for which the Company is paying interest among the liabilities reported on the consolidated balance sheet. Interest expenses correspond to the interest paid in the consolidated statement of cash flow.

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

The dividend policy of TEL is to link dividend payments to business performance and earnings on an ongoing basis. Its basic policy for returning profits to shareholders is to maintain a payout ratio of around 35% based on consolidated net income.

TEL will effectively use internal capital reserves and concentrate investment in growth areas to raise corporate value through earnings growth, and TEL provides returns directly to shareholders by linking dividend payments to business performance and earnings.

Furthermore, with regard to the fiscal year ended in March, 2015, as the effective date of the business combination

has not yet been determined, a quarterly dividend has been announced, and in consideration of the aforementioned 4Q consolidated results (cumulative), we plan to issue a 4Q dividend of JPY 68 per share. Because of this, the dividend per share for this fiscal year amounts to a yearly dividend of JPY 143 per share with the addition of the 1Q dividend of JPY 10, the 2Q dividend of JPY 30, and the 3Q dividend of JPY 35 per share. Furthermore, dividend forecast for the next fiscal year (the fiscal year ending March 31, 2016) to be 155 yen per share for the entire year (a 65 yen interim dividend and a 90 yen year-end dividend), in accordance with the above consolidated forecast for the net income pursuant to application of the dividend policy.

	Dividend per share				
	1Q-end	2Q-end	3Q-end	4Q-end	Total
Current fiscal year (ended March, 2015)	10 yen	30 yen	35 yen	68 yen	143 yen
Next fiscal year (ending March, 2016)	2Q-end		Year-end		Total
	65yen		90 yen		155 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

The Group, one of the world's leading suppliers of semiconductor and flat panel display (FPD) production equipment, engages in dynamic business activities in the electronics industry, a field characterized by rapid technological innovation, with its corporate philosophy that "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support".

In the electronics market, to which Tokyo Electron (TEL) Group belongs, a higher level of technological requirements has been sought from semiconductors by companies seeking to become high level network providers, such as higher speed, greater capacity, higher energy efficiency and lower cost. As we are approaching a tipping point in both technology and the market, a high capacity for technological development, service and technology that responds quickly to customers' needs, and globally competitive costs are seen to be important for Tokyo Electron (TEL) Group medium-to-long-term growth in the field of technological innovation. Particular attention should be paid to the following strategic policies.

(i) Improving product quality to meet customers' needs

In order to respond to customers' issues in fields in which we are already a player, we must further improve productivity, reliability, and cost competitiveness as well as product process performance. Tokyo Electron (TEL) Group aims to improve technological competitiveness in each of our products, including etching systems, cleaning systems, coater/developers, and deposition systems in order to further improve our position.

In our main business of semiconductor production equipment, and particularly etching systems, for which market growth is expected in the near future, we will continue to strengthen development of 3-dimensional NAND flash memory and logic transistors, which will become increasingly important from now on, as well as multiple exposure technology etc. In addition, we plan to improve cost competitiveness by aggressively implementing activities to improve productivity such as shortening production lead times, as well as quality improvements. Furthermore, with regard to cleaning systems, we are continuing with the adoption of mass production of wafer wet cleaning systems and dry cleaning systems, and in 2014 we achieved our largest market share in history. As we expect an increase in the number of applicable processes as miniaturization and 3-dimensional technology continue to progress, we aim to further increase profits and market share by creating differentiated and unique technologies in the future.

In the FPD production systems business, we are engaged in increasing profits by adopting the latest ICP (inductively coupled plasma) etching systems for the market of displays using components such as low-temperature poly-silicone and oxide semiconductors.

Furthermore, in March 2014, developments in the photovoltaic panel production business caused us to withdraw from sales in this area and focus our resources on semiconductor production equipment and FPD production equipment. By focussing on our core businesses, we aim to further improve profitability.

(ii) Innovation for continued growth (technological innovation)

Tokyo Electron (TEL) Group continues to aggressively pursue technological innovations to reduce device production costs while seeking improvements in precision and reliability in order to develop new products to respond to the diversification of manufacturing technology and the requirements of next-generation devices. As part of this, we are focused on next-generation MRAM (magnetic memory), and developing high magnetic field heat treatment technology with the aim of integration with Tokyo Electron (TEL) Group's other equipment and mass production in order to enter the MRAM market. We are also aggressively involved in the development of next-generation devices by both domestic and overseas research institutions.

Furthermore, in the field of organic EL panels, we have begun shipping ink-jet method production systems for organic EL panels. We will continue to examine mass production technology with the aim of fully entering the market.

In this fiscal year, we have continued with the consolidation of our development centers, such as by moving operations conducted at Technology Center Sendai, to Tokyo Electron Miyagi Ltd.'s Taiwa Plant (Taiwa-Cho, Kurokawa-gun, Miyagi-ken). Looking forward, we aim to increase profits by securing the promising technologies of the future, and speeding up development through combining and optimizing resources.

(iii) Seeking the best solutions

Tokyo Electron (TEL) Group aims to strengthen our partnerships with our customers by understanding our customers' future needs as early as possible and creating systems to work closely with customers in order to undertake evaluation and development etc., while also taking full advantage of our operations and service structures to rapidly respond to our customers' needs and provide the best solutions.

Furthermore, in the field of post-processing, such as testing systems and advanced packaging processes, we continue to leverage our core technology to provide the best solutions.

Also, in addition to sales of cutting-edge equipment, in our field solutions business, which is engaged in relocation, improvement, enhancement, spare parts, and authorized second-hand equipment, we strive to expand our business through utilization of information about our equipment which operates throughout the world and knowledge gained in the field, as well as development of systems to provide effective and efficient products and service.

(iv) Corporate social responsibility

Tokyo Electron (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 designate priority

issues and monitor progress.

In the field of safety, based on the principle of “Safety First,” we aim to improve the safety and promote the health of not only our employees and managers, but also our customers and trading partners, and everyone involved with our business activities.

In the field of the environment, based on the policy entitled “Tackling Environmental Issues through Technology,” in order to reduce the overall environmental impact of our customers’ plants, Tokyo Electron (TEL) Group promotes activities to reduce environmental impact through business activities and logistics, while pursuing measures such as the reduction of energy consumption by equipment and peripheral devices.

In the field of quality assurance, we promote improvements in quality throughout the entire group by engaging with quality improvement, designating priority issues etc., and comprehensively implementing quality assurance guidelines at all manufacturing plants, whether domestic or overseas.

In procurement activities, we aim to comply with related laws and regulations as well as social norms throughout the supply chain, and further improve our fair and reasonable business management system through communication with our trading partners

In addition to the key policies noted above, human resources are the source of our growth and we will continue to allocate human resources in positions and with responsibilities commensurate to their abilities and performance. We will be proactive in further improving skill development programs, and will tie this into a dramatic leap forward for the TEL Group. TEL will also put a system into place that provides fair evaluation and compensation according to the degree of contribution, and will succeed in making this a company filled with dreams and dynamism.

The TEL Group will strive to increase corporate value in the future as well, by making our customers the first priority, improving our capabilities in developing products and technology, strengthening international competitiveness, and endeavoring to stimulate employees, based on earnings-oriented management.

3. Basic philosophy on selection of accounting standards

Tokyo Electron’s consolidated financial statements have been prepared in accordance with Japanese GAAP, and Tokyo Electron had been preparing to adopt U.S. GAAP for the planned business combination with Applied Materials. However, the business combination has been cancelled as announced in the press release “Notice regarding the Termination of the Business Combination Agreement and the Cancellation of the Share Exchange with TEL Japan GK” dated April 27, 2015, so Tokyo Electron will consider its future accounting treatment appropriately, observing the trend of the adoption of IFRS among Japanese companies.

Consolidated Balance Sheet

TOKYO ELECTRON

	(Millions of yen)	
	As of March 31, 2014	As of March 31, 2015
ASSETS		
Current assets		
Cash and deposit	56,345	79,382
Trade notes and accounts receivable	129,032	110,845
Securities	211,800	238,532
Merchandise and finished goods	114,289	112,301
Work in process	38,074	41,483
Raw materials and supplies	15,912	21,803
Deferred income taxes	25,173	27,671
Others	32,365	39,241
Allowance for doubtful accounts	(1,502)	(378)
Total current assets	621,492	670,882
Long-term assets		
Tangible fixed assets		
Buildings and structures	151,633	152,979
Accumulated depreciation	(93,185)	(97,910)
Buildings and structures, net	58,448	55,068
Machinery and carriers	97,055	102,295
Accumulated depreciation	(76,255)	(82,420)
Machinery and carriers, net	20,800	19,874
Land	25,112	25,021
Others	34,989	32,539
Accumulated depreciation	(27,005)	(25,608)
Others, net	7,983	6,931
Total tangible fixed assets	112,344	106,896
Intangible fixed assets		
Goodwill	9,400	9,067
Others	20,155	18,499
Total intangible fixed assets	29,556	27,566
Investments and other assets		
Investment securities	20,026	23,934
Net defined benefit asset	8,904	8,817
Deferred income taxes	23,223	18,347
Others	14,911	21,591
Allowance for doubtful accounts	(1,866)	(1,884)
Total investments and other assets	65,199	70,807
Total long-term assets	207,099	205,271
Total assets	828,591	876,153

	(Millions of yen)	
	As of March 31, 2014	As of March 31, 2015
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	53,667	56,478
Short-term borrowings	11,531	-
Accrued employees' bonuses	8,584	12,111
Accrued warranty expenses	10,072	10,441
Customer advances	39,900	48,442
Others	46,753	45,337
Total current liabilities	170,509	172,812
Long-term liabilities		
Net defined benefit liability	53,448	51,104
Others	14,019	11,074
Total long-term liabilities	67,468	62,178
Total liabilities	237,978	234,991
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	436,174	488,816
Treasury stock	(9,478)	(9,064)
Total shareholders' equity	559,679	612,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,592	9,463
Deferred gains or losses on hedges	60	122
Translation adjustments	5,777	12,481
Remeasurements of defined benefit plans	6,981	4,681
Total accumulated other comprehensive income	18,411	26,747
Subscription rights to shares	1,643	1,420
Minority interests	10,878	257
Total net assets	590,613	641,162
Total liabilities and net assets	828,591	876,153

Consolidated Statement of Income

	(Millions of yen)	
	Year ended March 31, 2014	Year ended March 31, 2015
Net sales	612,170	613,124
Cost of sales	410,277	370,351
Gross profit	201,892	242,773
Selling, general & administrative expenses		
Salaries and allowances	28,140	24,297
Research and development expenses	78,663	71,349
Others	62,882	59,013
Total selling, general & administrative expenses	169,687	154,660
Operating income (loss)	32,204	88,113
Non-operating income		
Interest income	1,343	901
Foreign currency translation income	-	1,575
Revenue from grants	1,154	629
Others	2,975	1,880
Total non-operating income	5,473	4,985
Non-operating expenses		
Maintenance and operation cost of closed business bases	47	47
Commitment fee	28	18
Foreign currency translation loss	1,229	-
Loss on revaluation of investment securities	230	-
Others	655	83
Total non-operating expenses	2,191	149
Ordinary income (loss)	35,487	92,949
Unusual or infrequent profit		
Gain on sale of fixed assets	433	1,839
Others	93	54
Total unusual or infrequent profit	526	1,894
Unusual or infrequent loss		
Loss on impairment	46,969	2,505
Loss on sales of subsidiaries and affiliates' stocks	-	1,609
Loss on liquidation of subsidiaries and affiliates	-	1,069
Expenses for restructuring of business bases	-	1,046
Additional collection of custom tax	-	1,003
Others	800	781
Total unusual or infrequent loss	47,769	8,015
Income (loss) before income taxes	(11,756)	86,827
Provision for income taxes and enterprise taxes	15,994	14,726
Deferred income taxes	(8,537)	172
Total income taxes	7,456	14,898
Income (loss) before minority interests	(19,213)	71,928
Minority interests	195	40
Net income (loss)	(19,408)	71,888

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Income (loss) before minority interests	(19,213)	71,928
Other comprehensive income		
Valuation difference on available-for-sale securities	1,365	3,868
Deferred gains or losses on hedges	91	69
Translation adjustments	6,867	6,642
Remeasurements of defined benefit plans	-	(2,269)
Share of other comprehensive income of associates accounted for using equity method	-	56
Total other comprehensive income	8,324	8,366
Comprehensive income	(10,888)	80,295
(Breakdown)		
Comprehensive income attributable to owners	(11,150)	80,224
Comprehensive income attributable to minority interests	261	70

Consolidated Statements of Changes in Net Assets

TOKYO ELECTRON

Year ended March 31, 2014

(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	467,920	(9,588)	591,315
Increase (decrease) from changes in accounting periods at consolidated subsidiaries			(3,190)		(3,190)
Changes of items during the period					
Cash dividends			(9,138)		(9,138)
Net income (loss)			(19,408)		(19,408)
Purchase of treasury stock				(29)	(29)
Disposal of treasury stock			(8)	139	131
Net change except shareholders' equity					
Total changes of items during the period	-	-	(28,555)	110	(28,445)
Balance at end of period	54,961	78,023	436,174	(9,478)	559,679

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Remeasurements of defined benefits plans	Total accumulated other comprehensive income			
Balance at beginning of period	4,214	(14)	(2,483)	-	1,716	1,374	10,720	605,127
Increase (decrease) from changes in accounting periods at consolidated subsidiaries								(3,190)
Changes of items during the period								
Cash dividends								(9,138)
Net income (loss)								(19,408)
Purchase of treasury stock								(29)
Disposal of treasury stock								131
Net change except shareholders' equity	1,378	74	8,260	6,981	16,695	269	157	17,122
Total changes of items during the period	1,378	74	8,260	6,981	16,695	269	157	(11,323)
Balance at end of period	5,592	60	5,777	6,981	18,411	1,643	10,878	590,613

Consolidated Statements of Changes in Net Assets

TOKYO ELECTRON

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)
Restarted 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 (loss)			71,888		71,888
Purchase 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	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	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)
Restarted 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 (loss)								71,888
Purchase 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 Cash Flow

TOKYO ELECTRON

	(Millions of yen)	
	Year ended March 31, 2014	Year ended March 31, 2015
Cash flow from operating activities		
Income (loss) before income taxes	(11,756)	86,827
Depreciation and amortization	24,888	20,878
Loss on impairment	46,969	2,505
Amortization of goodwill	4,262	1,150
Increase (decrease) in net defined benefit liability	2,885	2,825
Decrease (increase) in net defined benefit asset	(653)	(1,601)
Increase (decrease) in allowance for doubtful accounts	(228)	(1,081)
Increase (decrease) in accrued employees' bonuses	1,396	3,667
Interest and dividend revenue	(3,161)	(1,280)
Loss (gain) on sales of property, plant and equipment	(303)	(1,820)
Loss (gain) on sales of shares of subsidiaries and affiliates	-	1,609
Decrease (increase) in trade notes and accounts receivable	(25,357)	(1,318)
Decrease (increase) in inventories	(32,088)	(26,849)
Increase (decrease) in accounts payable	15,605	9,432
Decrease (increase) in prepaid consumption tax	(2,912)	(11,383)
Increase (decrease) in accrued consumption tax	1,122	2,706
Increase (decrease) in customer advances	19,083	12,911
Others	3,301	(4,754)
Subtotal	43,052	94,424
Receipts from interest and dividends	3,222	1,621
Interest paid	(83)	-
Income taxes paid or refund (paid)	(1,741)	(24,239)
Net cash generated by operating activities	44,449	71,806
Cash flow from investing activities		
Payment into time deposits	(98)	-
Proceeds from time deposits	9,871	5
Payment for purchase of short-term investments	(192,515)	(24,996)
Proceeds from redemption of short-term investments	174,200	188,296
Payment for purchase of tangible fixed assets	(9,451)	(11,898)
Proceeds from sales of tangible fixed assets	896	2,548
Payment for purchase of intangible fixed assets	(1,640)	(422)
Proceeds from sales of investment securities	111	1,093
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	1,726
Others	(972)	(615)
Net cash used in investing activities	(19,599)	155,737
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	7,551	-
Proceeds from long-term borrowings	2,000	-
Net decrease (increase) in treasury stock	(29)	(183)
Dividends paid	(9,138)	(17,923)
Others	(569)	(106)
Net cash generated by financing activities	(186)	(18,213)
Effect of exchange rate changes on cash and cash equivalents	(3,973)	3,505
Net increase (decrease) in cash and cash equivalents	20,690	212,835
Cash and cash equivalents at beginning of period	85,313	104,797
Increase (decrease) in cash and cash equivalents from changes in accounting periods at consolidated subsidiaries	(1,206)	-
Cash and cash equivalents at end of period	104,797	317,632

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, Flat Panel Display (FPD) Production Equipment, and Photovoltaic Panel (PV) Production Equipment.

The Semiconductor Production Equipment segment consists of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning 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 coaters/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.

The PV Production Equipment segment consisted of photovoltaic panel production equipment used in the manufacturing of thin film silicon photovoltaic panels, and we were engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products. However, we have scaled down our business structure of the PV production equipment, by halting development, production, and sales activities for this business and limit operations to support for equipment already delivered as of the end of March, 2014.

(ii) Items Related to Changes in Reportable Segments

In conjunction with the change of Tokyo Electron Device Limited (TED) from a consolidated subsidiary to an equity-method affiliate, from the first quarter of the current fiscal year, the "Electronic Components and Computer Networks" handled by TED and its subsidiaries has been eliminated from the reportable segment, and investment profit or loss on equity method relating to TED has been included in segment income or loss adjustment amounts.

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

Accounting method used in each reportable segment is almost the same as the method 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 segments, but associated costs have been distributed among them according to rational standards.

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

Year ended March 31, 2015

(Millions of yen)

	Reportable Segment			Others *1
	Semiconductor Production Equipment	FPD Production Equipment	PV Production Equipment	
Sales to external customers	576,242	32,709	3,617	555
Inter-segment sales or transfers	-	-	-	11,442
Net sales	576,242	32,709	3,617	11,997
Segment income (loss)	135,991	(1,312)	(8,789)	1,169
Segment assets	305,582	23,750	1,731	1,891
Depreciation and amortization	10,017	426	5	42
Amortization of goodwill	1,150	-	-	-
Loss on impairment	387	509	-	-
Increase in the amount of tangible fixed assets and intangible fixed assets	8,529	197	-	23

	Total Segment	Eliminations *2	Consolidated Total *3
Sales to external customers	613,124	-	613,124
Inter-segment sales or transfers	11,442	(11,442)	-
Net sales	624,567	(11,442)	613,124
Segment income (loss)	127,059	(40,231)	86,827
Segment assets	332,956	543,197	876,153
Depreciation and amortization	10,492	10,385	20,878
Amortization of goodwill	1,150	-	1,150
Loss on impairment	896	1,609	2,505
Increase in the amount of tangible fixed assets and intangible fixed assets	8,750	5,530	14,280

Notes:

*1 The "Others" segment is all other businesses which are not included in the reported business segments, such as the transportation of products of the Tokyo Electron Group companies, equipment leasing and insurance, etc.

*2 a) The eliminations of segment income or loss amounting to 40,231 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 17,108 million yen, pertaining to fundamental research and element research conducted by the company, and business combination expenses of 8,529 million yen, etc., not related to any of the reportable segments.

b) The main constituents of the eliminations of segment assets worth 543,197 million yen are cash, savings, securities, buildings and structures, etc. unallocated to each reportable segment.

c) The eliminations of loss on impairment worth 1,609 million yen are related to buildings and structures, etc. unallocated to each reportable segment.

d) The main constituent of the eliminations of tangible fixed assets and intangible fixed assets worth 5,530 million yen is capital investments in buildings, structures, machinery and carriers unallocated to each reportable segment.

*3 Segment income or loss is adjusted against net income before taxes in consolidated income statement.

(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 un-depreciated balance of goodwill in reportable segments

Year ended March 31, 2015

(Millions of yen)

	Semiconductor Production Equipment	FPD Production Equipment	PV Production Equipment	Total Segment
Amortization of goodwill	1,150	-	-	1,150
Balance at end of period	9,067	-	-	9,067

(vii) Income related to negative goodwill in reportable segments

None

Note: Significant events after reporting period

Tokyo Electron executed, in relation to the Business Combination, the Business Combination Agreement with Applied Materials on September 24, 2013 and the share exchange agreement with TEL Japan GK on May 14, 2014. However, as announced in the press release titled "Notice regarding the Termination of the Business Combination Agreement and the Cancellation of the Share Exchange with TEL Japan GK" dated April 27, 2015, Tokyo Electron, at its board of directors' meeting held on April 27, 2015, resolved to terminate the Business Combination Agreement and cancel the share exchange with TEL Japan GK.

This will not have a material impact on Tokyo Electron's financial condition or its results of operations.