Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2014 and 2013

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyo Electron Limited (hereinafter "the Company") and its subsidiaries (hereinafter collectively referred to as "Tokyo Electron") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The Company uses financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards or U.S. generally accepted accounting principles for the preparation of the consolidated financial statements, together with adjustment for certain items which are required to be adjusted in the consolidation process.

The accompanying consolidated financial statements have been restructured and translated into English from the statutory Japanese language consolidated financial statements. Some supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥102.92 to $1.00, the approximate rate as of March 31, 2014. The translation should not be construed as a representation that the Japanese yen amounts shown could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 53 and 58 subsidiaries as of March 31, 2014 and 2013, respectively.

All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated through consolidation procedures.

The fiscal year-end of all entities is March 31, except for 8 consolidated foreign subsidiaries. Financial statements provisionally closed for the period ending March 31 are used for these subsidiaries.

Previously, financial statements for the fiscal year ending December 31 had been used for certain subsidiaries, with significant differences in inter-company transactions and accounts adjusted through consolidation procedures. These subsidiaries either changed their fiscal year-end to March 31, or provided financial statements provisionally closed as of March 31 for consolidation in the year ended March 31, 2014, to improve disclosure of the consolidated financial information. Profit or loss of these subsidiaries for the 3 month period ending March 31, 2013 was reflected directly to retained earnings. Change in cash and cash equivalents for the 3 month period ending March 31, 2013 is presented separately in the Consolidated Statement of Cash Flows.

(b) Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates, except for those hedged by forward exchange contracts, which are translated at the contracted rates. Resulting exchange gains and losses are included in earnings for the year.

Revenue and expense items are translated at the rates that approximate those prevailing at the time of the transactions.

The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for shareholders' equity accounts, which are translated at the historical rates. Revenue and expense accounts of foreign subsidiaries are translated at average rates of exchange in effect during the year. Resulting translation adjustments are presented in net assets as a component of accumulated other comprehensive income in the consolidated balance sheets.

(c) Cash equivalents

Tokyo Electron considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

(d) Short-term investments

Short-term investments consist of short term deposits and low-risk financial instruments with original maturities of more than three months.

(e) Investment securities

Tokyo Electron examines the intent of holding each security and classifies those securities as trading securities, held-to-maturity debt securities or other securities. Tokyo Electron has no trading securities. Held-to-maturity debt securities are stated mainly at amortized cost. Other securities with market prices are valued at fair market value prevailing at the balance sheet date. The differences between the book and market prices of other securities, net of applicable income taxes, are presented in net assets as a component of accumulated other comprehensive income. Other securities without market value are valued at cost using the weighted-average method.

The cost of sold securities is calculated using the weighted-average method.

(f) Inventories

Inventories other than raw materials are stated at the lower of cost, determined by the specific identification method, or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Raw materials are stated at the lower of cost, determined principally by the moving-average method, or replacement cost.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment of the Company and its domestic subsidiaries is computed using the declining balance method, except for buildings acquired subsequent to March 31, 1998 which are depreciated using the straight-line method, based on the estimated useful lives of assets. Foreign subsidiaries mainly apply the straight-line method over the estimated useful lives of assets.

Estimated useful lives of property, plant and equipment are as follows:

Buildings	2 to 60 years
Machinery and equipment	2 to 17 years

(h) Intangible assets

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(i)Goodwill

Goodwill is evaluated on an individual basis and amortized by the straight-line method over a period not exceeding 20 years.

(j) Impairment of fixed assets

Tokyo Electron evaluates the carrying value of fixed assets held for use in the business.

If the carrying value of a fixed asset is impaired, a loss is recognized based on the amount by which the carrying value exceeds its recoverable amount, being the higher of the net selling price or the value in use of the assets. Net selling price is determined using the fair value less disposal costs and value in use is based on the total amount of discounted cash flows estimated to be generated from the continuing use of the individual assets or the asset group and the disposal of the assets.

(k) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(l) Employee Benefits

The Company and its domestic subsidiaries provide defined benefit plans for their employees. Expected benefits are attributed to accounting periods by the straight-line basis. Prior service costs are charged to earnings on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to earnings on a straight-line basis, beginning from the following fiscal year after they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur.

The provision for accrued pension and severance costs for directors and audit & supervisory board members of the Company and its domestic subsidiaries is calculated in accordance with internal regulations.

The Company and certain domestic subsidiaries decided to discontinue the payment of severance pay for directors and audit & supervisory board members after April 1, 2005, and at the general shareholders' meeting in June 2005, it was resolved that the severance pay for directors and audit & supervisory board members until March 31, 2005 would be paid at the termination of their service and the decision regarding the payment amount for each director and audit & supervisory board member was delegated to the board of directors and audit & supervisory board members. As discussed in note 11, the accruals for severance costs for directors and audit & supervisory board members are included in Net liability for retirement benefits and Accrued pension and severance costs in the consolidated balance sheets as of March 31, 2014 and 2013, respectively.

(m) Accrued warranty expenses

Tokyo Electron's products are generally subject to warranty, and Tokyo Electron accrues such estimated costs when product revenue is recognized. To prepare for future repairs during warranty periods, estimated after-sale repair expenses over warranty periods are accrued based on the historical ratio of actual repair expenses to corresponding sales.

(n) Derivatives and hedge accounting

The Company and certain subsidiaries make use of derivatives in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The amount of derivatives is limited to the extent of foreign currency assets, liabilities and actual orders, and Tokyo Electron does not trade in derivatives for speculative purposes.

Derivatives are carried at fair value in the consolidated balance sheet with changes in unrealized gain or loss charged or credited to earnings, except for those which meet the criteria for hedge accounting. Unrealized gains or losses on hedging derivative instruments, net of taxes, are reported in net assets as a component of accumulated other comprehensive income. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(o) Income taxes

Tokyo Electron records deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, which are measured using the enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse.

(p) Revenue recognition

Revenue from Semiconductor and FPD (Flat Panel Display) production equipment is principally recognized at the time of the customer confirmation of set-up and testing of products. Revenue from such equipment not requiring substantial installation is recognized at the time of shipment. Revenue from PV (Photovoltaic panel) production equipment is mainly recognized based on the percentage-of-completion method. Revenue from other products, such as electronic components, is recognized at the time of shipment. Service revenue from maintenance is recognized ratably over the term of the maintenance contract.

(q) Per share information

Net income per share and net assets per share are computed based on the weighted-average number of shares of common stock outstanding during each year.

Dividends per share has been presented on an accruals basis and include, in each fiscal year ended March 31, dividends approved or to be approved after March 31 but applicable to the year then ended.

Notes to Consolidated Financial Statements

(r) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥78,664 million ($764,322 thousand) and ¥73,249 million for the years ended March 31, 2014 and 2013, respectively.

(s) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended March 31, 2014.

3. Change in Accounting Policies and Adoption of New Accounting Standards

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No.26")) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No.25")) except for article 35 of Statement No.26 and article 67 of Guidance No.25 (see note 4). As a result, actuarial gains (losses) and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets for each individual benefit plan has been recognized as an asset or a liability for retirement benefits.

In accordance with article 37 of Statement No.26, the effect of the change in accounting policies arising from this initial application has been recognized within accumulated other comprehensive income as accumulated adjustments for retirement benefits.

As a result of the application, an asset for retirement benefits in the amount of ¥8,904 million ($86,514 thousand) and a liability for retirement benefits in the amount of ¥53,449 million ($519,326 thousand)have been recognized, and accumulated other comprehensive income has increased by ¥6,982 million ($67,839 thousand), at the end of the current fiscal year.

The adoption of this change has increased net assets per share of common stock by 38.96 yen (0.38 U.S. dollars).

4. Accounting Standards issued but not yet adopted

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012)

"Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

These accounting standards have been revised to mainly change the treatment of unrecognized actuarial differences and unrecognized prior service cost, to change the calculation formula for retirement benefit obligations and current service cost, and to enhance disclosures.

As discussed in note 3, certain amendments arising from application of this standard were adopted for the year ended March 31, 2014, while the amendments relating to calculation of retirement benefit obligations and service costs prescribed within these standards are effective from the beginning of the year ending March 31, 2015.

The Company does not expect the adoption of these amendments will have a significant impact on the consolidated financial statements.

5. Supplemental Information on the Consolidated Statements of Cash Flows

Information of assets and liabilities of newly consolidated subsidiaries by acquisition of shares as of the beginning of consolidation, and the relationship between acquisition cost of shares and net payment for the acquisitions for the year ended March 31, 2013 is as follows:

	Millions of yen
	2013
Current assets	¥21,811
Noncurrent assets	31,585
Goodwill	35,110
Current liabilities	(16,860)
Noncurrent liabilities	(30,544)
Acquisition cost of shares	41,102
Payment in prior year	(348)
Cash and cash equivalents of acquired companies	(9,552)
Loans as of the date of business combination	23,877
Net payment for acquisition of investments in newly consolidated subsidiaries	¥55,079

6. Securities

Other securities as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
2014:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	**¥ 9,835**	**¥18,247**
Securities without market prices		
Unlisted stock	**520**	**648**
Other	**1,132**	**1,132**
Total	**¥11,487**	**¥20,027**

	Millions of yen	
2013:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	¥10,218	¥16,631
Securities without market prices		
Unlisted stock	793	897
Other	1,141	1,141
Total	¥12,152	¥18,669

	Thousands of U.S. dollars	
2014:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	**$ 95,560**	**$177,293**
Securities without market prices		
Unlisted stock	**5,052**	**6,296**
Other	**10,999**	**10,999**
Total	**$111,611**	**$194,588**

Held-to-maturity securities classified as current assets are ¥211,801 million ($2,057,919 thousand) and ¥190,498 million as of March 31, 2014 and 2013, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2014 and 2013 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Held-to-maturity (current)	**¥211,801**	¥190,498	**$2,057,919**
Deposits and low-risk financial instruments with original maturities of three months or less	**(48,500)**	(45,498)	**(471,240)**
Deposits with original maturities of more than three months	**49**	9,816	**476**
Short-term investments	**¥163,350**	¥154,816	**$1,587,155**

Net loss on devaluation of investment securities was ¥308 million ($2,993 thousand) and ¥44 million for the years ended March 31, 2014 and 2013, respectively.

Net gain on sale of investment securities was ¥74 million ($719 thousand) and nil for the years ended March 31, 2014 and 2013, respectively.

7. Inventories

Inventories as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Finished products	**¥114,289**	¥ 87,398	**$1,110,464**
Work in process, raw materials and supplies	**53,988**	48,300	**524,563**
Total	**¥168,277**	¥135,698	**$1,635,027**

The amounts of change in inventory provision included in cost of sales in the consolidated statements of operations for the years ended March 31, 2014 and 2013 were an increase of ¥2,296 million ($22,309 thousand) and ¥1,162 million, respectively.

8. Loss on Impairment of Property, Plant and Equipment, Goodwill and Other Assets

For assessing impairment of fixed assets, the Company generally groups fixed assets at the smallest unit which generates independent cash flows. If restructuring of a location is determined, relevant assets are grouped accordingly.

For the year ended March 31, 2014, the following loss on impairment has been recognized:

(1) Goodwill and Noncurrent assets of TEL Solar Holding AG

			Loss on impairment	
Location	Use	Type of Asset	Millions of yen	Thousands of U.S. dollars
Trübbach, St. Gallen, Switzerland	Plant	Goodwill, machinery and equipment, and other assets	**¥32,789**	**$318,587**

Due to the significant deterioration of the business environment, sales of TEL Solar Holding AG and its subsidiaries in the PV business have been below the initial business plans. Under the current condition, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable value of goodwill as loss on impairment. The recoverable value was measured as value in use, but as Tokyo Electron has determined that the business is not expected to generate any future net cash inflows, the recoverable amount was assessed at zero.

Further, a loss on impairment was recognized for machinery, equipment and other assets held by TEL Solar Holding AG and its consolidated subsidiaries, measured as the difference between the book value and the recoverable value. The recoverable value was measured as the net selling price, but as reutilization or sale of these assets would be difficult, the net selling price was assessed at zero.

(2) Goodwill of TEL NEXX, Inc.

			Loss on impairment	
Location	Use	Type of Asset	Millions of yen	Thousands of U.S. dollars
Billerica, Massachusetts, U. S. A.	Plant	Goodwill, and other assets	**¥5,009**	**$48,669**

Under the current condition that sales of TEL NEXX, Inc. in the SPE business have been below the initial business plans, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable value as loss on impairment. The recoverable value was measured as value in use, and was calculated by discounting future cash flows at a discount rate of 14.0%.

(3) Noncurrent assets of business locations to be restructured

			Loss on impairment	
Location	Use	Type of Asset	Millions of yen	Thousands of U.S. dollars
Tsukuba, Ibaraki (Technology Center Tsukuba)	R&D center	Buildings and structures, machinery and equipment and other assets	**¥4,649**	**$45,171**
Sendai, Miyagi (Technology Center Sendai)	R&D center	Buildings and structures, land and other assets	**¥3,355**	**$32,598**
Others	—	Buildings and structures and other assets	**¥ 293**	**$ 2,847**

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Tokyo Electron has determined to restructure several domestic facilities, and as assets within the above asset groups are not expected to be reutilized in the foreseeable future, Tokyo Electron performed an impairment test and recognized the difference between the book value and recoverable value as loss on impairment. The recoverable value for the above asset groups were measured as the net selling price. For land, buildings and structures, the net selling price was calculated based on reasonable estimates such as real estate appraisals performed by third party valuation experts, while for machinery, equipment and other assets, the recoverable amount was assessed at zero, as reutilization or sale of these assets would be difficult.

(4) Others
Loss on impairment of ¥874 million ($ 8,492 thousand) was recognized for other asset groups of Tokyo Electron.

No significant loss on impairment was recognized for the year ended March 31, 2013.

9. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2014 and 2013.

10. Short-term Borrowings

Short-term borrowings classified as current liabilities are ¥11,531 million ($112,038 thousand) and ¥3,756 million as of March 31, 2014 and 2013, respectively. These borrowings are from banks and bore interest at an average annual rate of 0.39% and 0.50% as of March 31, 2014 and 2013, respectively.
As of March 31, 2014, Tokyo Electron has unused lines of credit amounting to ¥143,578 million ($1,395,045 thousand).

11. Employee Benefits

The Company and its domestic subsidiaries provide for their employees a cash balance plan and a noncontributory retirement and severance benefit plan as defined benefit plans. Further, certain consolidated overseas subsidiaries provide defined benefit plans for their employees.

Year ended March 31, 2014
Defined benefit plans
(1) Movement of retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥115,296	$1,120,249
Service cost	6,874	66,789
Interest cost	1,785	17,343
Actuarial loss (gain)	(9,945)	(96,628)
Benefits paid	(3,215)	(31,238)
Foreign currency exchange rate changes	2,031	19,734
Other	395	3,838
Balance at March 31, 2014	¥113,221	$1,100,087

(2) Movements of plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥60,476	$587,602
Expected return on plan assets	1,256	12,204
Actuarial gain (loss)	3,633	35,298
Contributions paid by the employer	3,306	32,122
Benefits paid	(1,726)	(16,770)
Foreign currency exchange rate changes	2,034	19,763
Other	561	5,451
Balance at March 31, 2014	¥69,540	$675,670

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥60,206	$584,979
Plan assets	(69,540)	(675,670)
Funded status	(9,334)	(90,691)
Unfunded retirement benefit obligations	53,015	515,108
Asset ceiling adjustments (note 1)	864	8,395
Net liability (asset) for retirement benefits at March 31, 2014	¥44,545	$432,812
Liability for retirement benefits (note 2)	53,449	519,326
Asset for retirement benefits	(8,904)	(86,514)
Net liability (asset) for retirement benefits at March 31, 2014	¥44,545	$432,812

Notes: 1. The asset ceiling adjustment represents plan assets exceeding the asset ceiling for overseas subsidiaries that apply International Accounting Standard 19 Employee Benefits.
2. The provision for accrued pension and severance costs for directors and audit & supervisory board members of ¥582 million ($ 5,656 thousand) as of March 31, 2014 is not included.

(4) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥6,874	$66,789
Interest cost	1,785	17,343
Expected return on plan assets	(1,256)	(12,204)
Net actuarial loss (gain) amortization	(339)	(3,293)
Other	108	1,050
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥7,172	$69,685

(5) Accumulated adjustments for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Net actuarial gains that are yet to be recognized (before tax)	¥11,309	$109,881
Total balance at March 31, 2014	11,309	109,881

(6) Plan assets
1. Plan assets comprise:

Bonds	50%
Equity securities	24%
Life insurance company general account	18%
Cash and cash equivalents	2%
Other	6%
Total	100%

2. Long-term expected rate of return
Current and target asset allocations, and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(7) Actuarial assumptions
The principal actuarial assumptions at March 31, 2014 are as follows:

Discount rate	1.51%
Long-term expected rate of return	2.00%

Year ended March 31, 2013
The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2013 is as follows:

	Millions of yen
	2013
Retirement Benefit obligation	¥(115,296)
Plan assets	60,476
Funded status	(54,820)
Unrecognized actuarial difference	1,150
Net amount recognized	(53,670)
Amounts recognized in the consolidated balance sheets consist of:	
Prepaid pension and severance costs (Note 1)	2,974
Accrued pension and severance costs (Note 2)	(56,644)
Net amount recognized	¥ (53,670)

Notes: 1. The prepaid pension and severance costs as of March 31, 2013 is included in other assets in the consolidated balance sheet.
2. The provision for accrued pension and severance costs for directors and audit & supervisory board members (¥581 million as of March 31, 2013) is not included.

Retirement benefit costs of the plans is as follows:

	Millions of yen
	2013
Service cost	¥5,513
Interest cost	1,864
Expected return on plan assets	(887)
Net actuarial loss (gain) amortization	(501)
Net pension cost	¥5,989

Significant assumptions of domestic pension plans used to determine the above amounts are as follows:

	2013
Allocation method of benefit obligation	Straight-line method
Discount rate	1.40%
Expected rate of return on plan assets	2.00%
Amortization period of actuarial gain or loss	4 years
Amortization period of prior service cost	4 years

12. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets			
Accrued pension and severance costs	¥ —	¥20,326	$ —
Net liability for retirement benefits	21,461	—	208,521
Net operating loss carryforwards	17,383	15,864	168,898
Elimination of unrealized profit in inventories	9,489	2,967	92,198
Devaluation of inventories	4,724	4,666	45,900
Loss on impairment	3,486	758	33,871
Accrued warranty expenses	2,709	1,875	26,321
Accrued employees' bonuses	2,532	2,202	24,602
Other	12,413	7,835	120,608
Total gross deferred tax assets	74,197	56,493	720,919
Less valuation allowance	(10,806)	(6,541)	(104,994)
Total deferred tax assets	63,391	49,952	615,925
Deferred tax liabilities			
Undistributed earnings of subsidiaries	(6,877)	(4,789)	(66,819)
Intangible assets identified through business combination	(6,686)	(6,110)	(64,963)
Accumulated adjustments for retirement benefits	(4,035)	—	(39,205)
Net unrealized gains on investment securities	(3,096)	(2,341)	(30,082)
Prepaid pension and severance costs	—	(1,051)	—
Net asset for retirement benefits	(1,620)	—	(15,740)
Other	(1,958)	(1,605)	(19,024)
Total deferred tax liabilities	(24,272)	(15,896)	(235,833)
Net deferred tax assets	¥39,119	¥34,056	$380,092

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Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2014 and 2013 as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets	¥25,174	¥15,669	$244,598
Investments and other assets	23,224	23,206	225,651
Other current liabilities	—	(2)	—
Other liabilities	(9,279)	(4,817)	(90,157)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which temporary differences become deductible. For assessment of the realizability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, future estimated taxable income, tax planning strategies and level of net operating loss carryforwards, if any, in accordance with accounting principles generally accepted in Japan.

Based on the level of historical taxable income and future estimated taxable income over the periods which the temporary differences are deductible, management believes Tokyo Electron will realize the benefits of these deferred tax assets, net of valuation allowance, as of March 31, 2014 and 2013.

The Company and its wholly-owned domestic subsidiaries apply a consolidated tax filing system for corporate tax purposes.

The Company is subject to corporate tax, inhabitants' tax and a deductible enterprise tax, which in the aggregate resulted in a statutory income tax rate of approximately 38.01% for the years ended March 31, 2014 and 2013. On March 31, 2014, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 38.01% to 35.64% for the year ending March 31, 2015. Based on this amendment and previous amendment enacted December 2, 2011, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized on or after April 1, 2014 is 35.64% as of March 31, 2014. Due to this change in statutory income tax rates, net deferred tax assets decreased by ¥1,018 million ($9,891 thousand) as of March 31, 2014 and deferred income tax expense recognized for the year ended March 31, 2014 increased by ¥1,021 million ($9,920 thousand).

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2014 and 2013 are as follows:

	2014	2013
Statutory tax rate in Japan	38.01%	38.01%
Adjustments:		
Impairment and amortization of goodwill	(130.97)	2.14
Tax credits	38.76	(3.65)
Effect of elimination of unrealized profit in inventories	23.46	16.70
Change in valuation allowance	17.93	(2.44)
Difference in statutory tax rates of subsidiaries	(17.72)	(7.12)
Change in deferred tax liabilities for undistributed earnings of subsidiaries	(17.43)	5.63
Effect of enacted changes in Japanese tax rates on net deferred tax assets	(8.68)	—
Expenses not deductible for tax purposes	(2.40)	1.14
Prior years income taxes from transfer pricing adjustment	—	12.35
Others, net	(4.39)	1.45
Effective tax rate	(63.43)%	64.21%

The Company received a notice of correction pursuant to transfer pricing taxation from the Tokyo Regional Taxation Bureau on July 4, 2012 based on the determination that income arising from transactions with the Company's consolidated subsidiaries in the United States of America and South Korea during the six years beginning from the year ended March 31, 2006 to the year ended March 31, 2011 was insufficiently allocated to the Company.

The Company filed its objections with the tax authorities, and to eliminate double taxation, filed a request for inter-governmental consultations (Mutual Agreement Procedures) to be performed pursuant to the tax treaties ratified by Japan, the United States of America and South Korea on March 29, 2013. The Company also filed for Advance Pricing Agreement (APA) with the tax authorities for future fiscal periods.

The Company believes that it will be able to eliminate the double taxation by agreement achieved through consultations, and accordingly, has reported the total tax expense of ¥2,195 million for the fiscal year ended March 31, 2013, as the difference in amounts resulting from the different corporate tax rates between Japan, the United States of America and South Korea and the additional amount in conjunction with the imposition of additional taxes.

13. Net Assets

Net assets comprises four subsections, which are shareholders' equity, accumulated other comprehensive income, share subscription rights and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends. All additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The Company is subject to restriction of dividends by the Japanese Corporate Act, which restricts the amount of dividends to retained earnings on a consolidated basis.

The Company's articles allow for the distribution of earnings to shareholders on dates other than the mid-term and year-end, by a resolution of the board of directors in accordance with Japanese laws and regulations.

At the board of directors' meeting held on May 15, 2014, the distribution of cash dividends amounting to ¥4,480 million ($43,529 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2014 since they are recognized in the period in which they are resolved at the board of directors' meeting.

14. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains on investment securities			
Unrealized gains arising during the year	¥2,199	¥1,011	$21,366
Reclassification adjustments	(78)	—	(758)
Sub-total, before tax	2,121	1,011	20,608
Tax expense	(756)	(359)	(7,345)
Sub-total, net of tax	1,365	652	13,263
Net deferred losses on hedging instruments			
Deferred losses arising during the year	(269)	(339)	(2,614)
Reclassification adjustments	412	431	4,003
Sub-total, before tax	143	92	1,389
Tax expense	(51)	(36)	(495)
Sub-total, net of tax	92	56	894
Foreign currency translation adjustments			
Adjustments during the year	6,867	8,760	66,721
Reclassification adjustments	—	—	—
Sub-total, before tax	6,867	8,760	66,721
Tax expense	—	—	—
Sub-total, net of tax	6,867	8,760	66,721
Total other comprehensive income	¥8,324	¥9,468	$80,878

15. Share Subscription Rights

Stock option plan

The Company's shareholders have approved annual stock option plans for directors and selected employees since the year ended March 31, 1999. The options under the plans vest immediately with restriction on exercise up to two or three years after the date of grant, and have an exercise period of eight to twenty years from the date of grant.

Options to purchase 130,700 shares of the Company were authorized and granted at an exercise price of ¥1 for the year ended March 31, 2013. The options under the plans with restriction on exercise up to three years after the date of grant, and have an exercise period of twenty years from the date of grant.

Shareholders of Tokyo Electron Device Limited, a domestic listed subsidiary, have approved annual stock option plans for directors and selected employees since the year ended March 31, 2005.

Notes to Consolidated Financial Statements

A summary of stock options outstanding and exercisable as of March 31, 2014 and 2013 is as follows:

Tokyo Electron Limited	2014			2013	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		Yen
Outstanding at the beginning of year	556,900	¥ 661	$ 6.42	833,300	¥3,139
Granted	—	—	—	130,700	1
Exercised	20,800	1	0.01	25,800	1
Expired (forfeited)	56,800	6,468	62.84	381,300	5,894
Outstanding at the end of year	479,300	1	0.01	556,900	661
Exercisable at the end of year	114,400	1	0.01	192,000	1,914

Tokyo Electron Device Limited	2014			2013	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		Yen
Outstanding at the beginning of year	65,000	¥3,087	$29.99	65,000	¥3,087
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Expired (forfeited)	—	—	—	—	—
Outstanding at the end of year	65,000	3,087	29.99	65,000	3,087
Exercisable at the end of year	65,000	3,087	29.99	65,000	3,087

16. Leases

Future minimum lease payments on non-cancelable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥3,410	¥1,628	$33,132
Due over one year	5,922	2,834	57,540
Total	¥9,332	¥4,462	$90,672

17. Fair Value of Financial Instruments

Policy for Financial Instruments

Tokyo Electron limits its fund management to short-term bank deposits and low-risk financial instruments, and obtains funds by utilizing bank-loans or liquidating trade-receivables.

Trade receivables, which consist of notes and accounts receivable, are exposed to credit risk in the event of non-performance by the counterparties. Execution and management of credit risk, maturity and receivable balance are conducted pursuant to the internal management rules for credit control. Credit risk of major customers is assessed on a regular basis.

Short-term investments consist of time deposits and low risk financial instruments and Tokyo Electron trade with highly-rated financial institutions to mitigate credit risks.

Investment securities consist of mainly equity interests in listed companies exposed to equity market risks. Conditions, including market prices, for these investment securities are monitored on a regular basis.

Trade payables, which consist of notes and accounts payable, mainly mature within one year. Trade payables are exposed to liquidity risks which are managed through activities such as implementing cash management plans.

See note 10 and 18 for detailed discussion on short-term borrowings and derivative financial instruments, respectively.

Fair Value of Financial Instruments

Carrying amount and estimated fair value of financial instruments as of March 31, 2014 and 2013, are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded (see note 6).

	Millions of yen	
2014:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥104,797	¥104,797
Short-term investments	163,350	163,081
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,503 million)	127,529	127,529
Investment securities	18,247	18,247
Liabilities		
Trade notes and accounts payable	53,668	53,668
Short-term borrowings	11,531	11,531
Derivatives (see note 18)		
Hedge accounting not applied	(164)	(164)
Hedge accounting applied	81	81

	Millions of yen	
2013:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥ 85,314	¥ 85,314
Short-term investments	154,816	154,811
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,180 million)	99,321	99,321
Investment securities	16,631	16,631
Liabilities		
Trade notes and accounts payable	36,261	36,261
Short-term borrowings	3,756	3,756
Derivatives (see note 18)		
Hedge accounting not applied	(3,325)	(3,325)
Hedge accounting applied	(62)	(62)

	Thousands of U.S. dollars	
2014:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	$1,018,237	$1,018,237
Short-term investments	1,587,155	1,584,541
Trade notes and accounts receivable, net of allowance for doubtful accounts ($14,604 thousand)	1,239,108	1,239,108
Investment securities	177,293	177,293
Liabilities		
Trade notes and accounts payable	521,455	521,455
Short-term borrowings	112,038	112,038
Derivatives (see note 18)		
Hedge accounting not applied	(1,593)	(1,593)
Hedge accounting applied	787	787

Receivables and payables derived from derivative transactions are stated on a net basis. The figures in parentheses represent net payables.

Notes: 1. Fair value calculation of financial instruments

Cash and cash equivalents, short-term investments, trade notes and accounts receivable, trade notes and accounts payable, and short-term borrowings

The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities

The fair values of marketable securities are based on quoted market prices.

See note 6 for further information by classification of investment securities.

Derivatives

See note 18 for detailed discussion on derivative financial instruments.

2. Maturities of financial assets and securities are as follows:

	Millions of yen	
2014:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥104,797	¥—
Short-term investments	163,350	—
Trade notes and accounts receivable	129,032	—

	Millions of yen	
2013:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥ 85,314	¥—
Short-term investments	154,816	—
Trade notes and accounts receivable	100,501	—

	Thousands of U.S. dollars	
2014:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	$1,018,237	$—
Short-term investments	1,587,155	—
Trade notes and accounts receivable	1,253,712	—

18. Derivative Financial Instruments

Tokyo Electron is subject to risk from adverse fluctuations in foreign currency exchange rates in its operating and financing activities. The Company and certain subsidiaries enter into forward foreign exchange contracts in order to hedge such risks, but do not enter into such transactions for speculative purposes. The Company and its domestic subsidiary implement a ratio analysis of the total cumulative cash flow fluctuations to assess effectiveness of hedging for all derivative transactions, except for transactions where the critical terms of the hedging instrument and hedged item match and the Company could conclude that changes in fair value or cash flows are expected to completely offset. Execution and management of all derivative transactions in charge of finance department are conducted pursuant to the internal management rule.

The estimated fair values of the derivative financial instruments as of March 31, 2014 and 2013 are as follows:

1. Derivative financial instruments not designated as hedging instruments

	Millions of yen		
2014:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥55,346	¥ 216	¥ 216
Sell EURO	3,725	(19)	(19)
Sell Korean won	1,068	(508)	(508)
Sell Chinese yuan	102	(7)	(7)
Sell Singapore dollars	57	(0)	(0)
Buy U.S. dollars	6,216	42	42
Buy Swiss francs	2,213	2	2
Buy Chinese yuan	922	60	60
Buy EURO	385	50	50
Total	¥70,034	¥(164)	¥(164)

	Millions of yen		
2013:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥50,652	¥(3,021)	¥(3,021)
Sell Swiss francs	25,787	(50)	(50)
Sell Korean won	1,068	(295)	(295)
Sell Singapore dollars	50	(3)	(3)
Buy U.S. dollars	4,368	44	44
Total	¥81,925	¥(3,325)	¥(3,325)

Notes to Consolidated Financial Statements

2014:	Thousands of U.S. dollars: Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	$537,758	$ 2,099	$ 2,099
Sell EURO	36,193	(184)	(184)
Sell Korean won	10,377	(4,936)	(4,936)
Sell Chinese yuan	991	(68)	(68)
Sell Singapore dollars	554	(0)	(0)
Buy U.S. dollars	60,396	408	408
Buy Swiss francs	21,502	19	19
Buy Chinese yuan	8,958	583	583
Buy EURO	3,741	486	486
Total	$680,470	$(1,593)	$(1,593)

Note: The fair values are based on the quoted forward foreign exchange rates.

2. Derivative financial instruments designated as hedging instruments

	Millions of yen		Thousands of U.S. dollars	
2014: Hedge accounting	Contract amount	Fair value	Contract amount	Fair value
Sell U.S. dollars	¥ 9,365	¥ (47)	$ 90,993	$ (457)
Sell Korean won	115	(54)	1,117	(525)
Buy U.S. dollars	8,207	0	79,741	0
Buy Swiss francs	2,382	145	23,144	1,409
Buy EURO	488	37	4,742	360
Buy GBP	15	0	146	0
Total	¥20,572	¥ 81	$199,883	$ 787

2013: Hedge accounting	Millions of yen: Contract amount	Fair value
Sell U.S. dollars	¥ 5,872	¥(90)
Sell Chinese yuan	290	(3)
Sell Korean won	157	(42)
Sell Swiss francs	60	1
Sell EURO	22	(2)
Buy U.S. dollars	6,180	33
Buy EURO	769	41
Total	¥13,350	¥(62)

The contract amounts of forward foreign exchange contracts, entered into to hedge receivables and payables denominated in foreign currencies that have been translated by the corresponding contracted rates, are as follows:

	Contract amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Sell U.S. dollars	¥283	¥ 404	$2,749
Sell Chinese yuan	—	9,760	—
Buy U.S. Dollars	162	74	1,574
Buy EURO	1	—	10
Total	¥446	¥10,238	$4,333

Note: The fair value of these derivative financial instruments, which is based on the quoted foreign exchange rates, is included in the carrying value of hedged assets and liabilities.

19. Other Income (Expenses)

See note 8 for further discussion regarding Loss on impairment for property, plant and equipment, goodwill and other assets of ¥46,969 million ($456,364 thousand) recognized for the year ended March 31, 2014.

20. Business Combinations

(A) TEL FSI, Inc.

For TEL FSI, Inc., (formerly FSI International, Inc. before the acquisition was completed), a consolidated subsidiary of the Company, the allocation of acquisition costs was not complete as of the previous fiscal year-end. This allocation was completed within this fiscal year as follows:

(1) Adjustments to the allocation of acquisition cost

	Millions of yen
Goodwill as of previous fiscal year-end	¥3,855
Noncurrent assets	(370)
Current liabilities	16
Noncurrent liabilities	2
Total adjustments	(352)
Goodwill after adjustments	¥3,503

(2) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period
(a) Amount of goodwill recognized
¥3,503 million
(b) Basis for recognition of goodwill
Goodwill was recognized based on future increase in profitability expected from the future business development.
(c) Amortization method and period
Straight-line method over 10 years

(B) TEL Solar Holding AG

For TEL Solar Holding AG (formerly Oerlikon Solar Holding AG before the acquisition was completed), a consolidated subsidiary of the Company, the allocation of acquisition costs was not complete as of the previous fiscal year-end. This allocation was completed within this fiscal year as follows:

(1) Adjustments to the allocation of acquisition cost

	Millions of yen
Goodwill as of previous fiscal year-end	¥21,786
Noncurrent assets	7,369
Noncurrent liabilities	(169)
Total adjustments	7,200
Goodwill after adjustments	¥28,986

(2) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period
(a) Amount of goodwill recognized
¥28,986 million
(b) Basis for recognition of goodwill
Goodwill was recognized for the difference between the acquisition cost and the fair value of the net assets acquired as of the acquisition date.
(c) Amortization method and period
Straight-line method over 10 years
See note 8 for discussion on impairment of this goodwill.

21. Segment Information

General information about reportable segments

A reportable segment is a component or an aggregated component of Tokyo Electron. For each of the components, discrete financial information is available and the operating result is regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

The operation of Tokyo Electron consists of segments by products and services based on business units (BUs), and Tokyo Electron identifies as a reportable segment, "Semiconductor Production Equipment (SPE)", "Flat Panel Display Production Equipment (FPD)", "Photovoltaic Panel Production Equipment (PV)" and "Electronic Components and Computer Networks". As TEL Solar Holding AG was acquired and became a consolidated subsidiary of Tokyo Electron, the previous "Flat Panel Display Production Equipment (FPD) and Photovoltaic Panel Production Equipment (PV)" segment was separated to the "Flat Panel Display Production Equipment (FPD)" segment and the "Photovoltaic Panel Production Equipment (PV)" segment from this fiscal year. Reportable segment information for the previous year hereinafter has been restated accordingly.

Products of the SPE segment consist of coater/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. The SPE segment principally develops, manufactures, sells and distributes such products.

Products of the FPD segment consist of coater/developers and plasma etch/ash system used in the manufacture of flat panel displays. The FPD segment principally develops, manufactures, sells and distributes such products.

Products of the PV segment consist of photovoltaic panel production equipment used in the manufacture of thin film silicon photovoltaic panels. The segment had principally developed, manufactured, sold and distributed such products, but as of March 2014, Tokyo electron has halted development, production and sales activities for new equipment and limited its operations to provide support for equipment previously delivered.

The Electronic Components and Computer Networks segment principally designs, develops, procures, and distributes semiconductor products centering on integrated circuits (IC), other electronic components, computer networks and software.

Basis of measurement of reportable segment net sales, segment profit (loss), segment assets and other items

The accounting policies applied in each reportable segment are generally consistent with those applied for the preparation of the consolidated financial statements. Intersegment sales or transfers are determined based on current market prices. Assets in common use have not been allocated to each reportable segment, while costs associated with those assets have been allocated to reportable segments on a systematic basis.

Information about reportable segment net sales, segment profit (loss), segment assets and other items

Reportable segment information as of and for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen							
	Reportable Segment							
2014:	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
Sales to external customers	¥478,842	¥28,317	¥ 3,806	¥100,726	¥ 479	¥612,170	¥ —	¥612,170
Intersegment sales or transfers	34	—	—	1,075	11,760	12,869	(12,869)	—
Total	478,876	28,317	3,806	101,801	12,239	625,039	(12,869)	612,170
Segment profit (loss)	74,284	(37)	(46,426)	722	1,267	29,810	(41,566)	(11,756)
Segment assets	273,142	21,252	2,145	57,465	1,871	355,875	472,717	828,592
Depreciation and amortization	10,114	235	10	476	49	10,884	14,004	24,888
Amortization of goodwill	1,473	—	2,686	103	—	4,262	—	4,262
Loss on impairment	5,009	—	32,789	—	—	37,798	9,171	46,969
Capital expenditures, including intangible and other assets	8,109	103	857	825	41	9,935	5,109	15,044

Notes to Consolidated Financial Statements

Millions of yen

2013:	Reportable Segment: Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
Sales to external customers	¥392,027	¥20,077	¥ 83	¥84,665	¥ 448	¥497,300	¥ —	¥497,300
Intersegment sales or transfers	43	—	—	813	10,613	11,469	(11,469)	—
Total	392,070	20,077	83	85,478	11,061	508,769	(11,469)	497,300
Segment profit (loss)	48,600	(4,534)	(1,821)	1,283	1,321	44,849	(27,082)	17,767
Segment assets	223,956	18,079	31,410	47,557	1,550	322,552	452,976	775,528
Depreciation and amortization	12,330	404	58	448	78	13,318	13,313	26,631
Amortization of goodwill	1,038	—	—	103	—	1,141	—	1,141
Capital expenditures, including intangible and other assets	13,464	1,658	3	482	54	15,661	9,834	25,495

Thousands of U.S. dollars

2014:	Reportable Segment: Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
Sales to external customers	$4,652,565	$275,136	$ 36,980	$978,683	$ 4,654	$5,948,018	$ —	$5,948,018
Intersegment sales or transfers	330	—	—	10,445	114,264	125,039	(125,039)	—
Total	4,652,895	275,136	36,980	989,128	118,918	6,073,057	(125,039)	5,948,018
Segment profit (loss)	721,764	(360)	(451,088)	7,015	12,311	289,642	(403,867)	(114,225)
Segment assets	2,653,925	206,491	20,842	558,346	18,179	3,457,783	4,593,053	8,050,836
Depreciation and amortization	98,271	2,283	97	4,625	476	105,752	136,067	241,819
Amortization of goodwill	14,312	—	26,098	1,001	—	41,411	—	41,411
Loss on impairment	48,669	—	318,587	—	—	367,256	89,108	456,364
Capital expenditures, including intangible and other assets	78,789	1,001	8,327	8,016	398	96,531	49,640	146,171

Notes: 1. "Other" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, facility maintenance and insurance.
2. (1) "Eliminations and Corporate" segment profit (loss) totaling ¥41,566 million ($403,867 thousand) and ¥27,082 million for the years ended March 31, 2014 and 2013, respectively, includes corporate expenses not allocated to any reportable segments. The corporate expenses mainly consist of research and development costs of ¥19,735 million ($191,751 thousand) and ¥20,359 million for the years ended March 31, 2014 and 2013, respectively, pertaining to fundamental research and element research, not allocated to any of the reportable segments. For the year ended March 31, 2014, loss on impairment of ¥9,171 million ($89,108 thousand) attributable to corporate buildings and structures that became idle as a result of facility restructuring is included.
(2) "Eliminations and Corporate" segment assets totaling ¥472,717 million ($4,593,053 thousand) and ¥452,976 million as of March 31, 2014 and 2013, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.
(3) "Eliminations and Corporate" loss on impairment of ¥9,171 million ($89,108 thousand) is attributable to corporate buildings and structures and other assets that became idle as a result of facility restructuring. See note 8 for further discussion.
3. "Eliminations and Corporate" capital expenditures totaling ¥5,109 million ($49,640 thousand) and ¥9,834 million for the years ended March 31, 2014 and 2013, respectively, consist mainly of capital expenditures for buildings, machinery and equipment not allocated to any of the reportable segments.
4. Reported segment profit (loss) is reconciled to Income before income taxes and minority interests in the consolidated statements of operations.

Other Information

(1) Domestic and overseas net sales by destination for the years ended March 31, 2014 and 2013 are as follows:

Net sales	Millions of yen: 2014	2013	Thousands of U.S. dollars: 2014
Japan	¥161,631	¥118,504	$1,570,453
Taiwan	133,736	107,734	1,299,417
United States of America	104,617	117,194	1,016,489
China	81,929	38,356	796,045
Korea	76,401	59,376	742,334
Other	53,856	56,136	523,280
Total	¥612,170	¥497,300	$5,948,018

Note: Sales are classified in countries or regions based on location of customers.

(2) Net property, plant and equipment by location as of March 31, 2014 and 2013 are as follows:

Millions of yen

2014:	Japan	U.S.A.	Other	Total
Property, plant and equipment	¥82,364	¥15,119	¥14,861	¥112,344

Millions of yen

2013:	Japan	U.S.A.	Other	Total
Property, plant and equipment	¥99,888	¥14,549	¥21,261	¥135,698

Thousands of U.S. dollars

2014:	Japan	U.S.A.	Other	Total
Property, plant and equipment	$800,272	$146,900	$144,394	$1,091,566

(3) Major customer information

Net sales to external customers that represent 10 percent or more of net sales are as follows:

Name of customer	Related reportable segment	Millions of yen: 2014	Thousands of U.S. dollars: 2014
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	¥91,243	$886,543
Intel Corporation	Semiconductor production equipment	84,272	818,811
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	80,476	781,928

Name of customer	Related reportable segment	Millions of yen: 2013
Intel Corporation	Semiconductor production equipment	¥73,955
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	68,769
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	60,374

Note: The amounts include sales to the customer and its subsidiaries.

Information about reportable segment goodwill

Reportable segment information about amortization of goodwill for the year ended March 31, 2014 and unamortized balances as of March 31, 2014 is as follows:

Millions of yen

2014:	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	¥1,473	¥—	¥2,686	¥103	¥4,262
Goodwill	9,092	—	—	308	9,400

Notes to Consolidated Financial Statements

	Millions of yen				
2013:	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	¥ 1,038	¥—	¥ —	¥103	¥ 1,141
Goodwill	14,565	—	23,397	411	38,373

	Thousands of U.S. dollars				
2014:	Semiconductor production equipment	FPD production equipment	PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	**$14,312**	**$ —**	**$26,098**	**$1,001**	**$41,411**
Goodwill	**88,340**	**—**	**—**	**2,993**	**91,333**

22. Subsequent event

Reduction of shareholding in Tokyo Electron Device Limited

The Board of Directors of the Company adopted a resolution on March 26, 2014 to sell a portion of shares of Tokyo Electron Device Limited (hereinafter "TED"), a consolidated subsidiary listed in the first section of the Tokyo Stock Exchange, held by the Company. As a result, effective April 15, 2014, the classification of TED changed from a consolidated subsidiary to an equity method affiliate. In accordance with this change, TED's financial results will be reflected in Tokyo Electron's consolidated statement of income as equity in income of equity method investees beginning from the fiscal year ending March 31, 2015.

(1) Reason for change

In the midst of a rapidly changing business landscape for Tokyo Electron, the group has spent considerable effort investigating future growth strategies for both Tokyo Electron and TED, looking to develop the businesses going forward. As a result, the Company has sold a portion of its shares in TED in order to improve the enterprises value of both companies. This enables the Company to plan for a greater concentration of management resources in the core equipment business, and for TED to actively drive its development business and overseas expansion in addition to existing sales of electronic components and computer network related products while becoming even more independent and building its growth strategies for the future.

(2) Method of change

Of the 5,875,300 ordinary shares of TED that the Company held as of March 31, 2014, TED repurchased 636,000 shares. 1,484,000 shares were sold by the Company through an underwritten offering (Daiwa Securities Co. Ltd. and Nomura Securities Co., Ltd.). Additionally, in relation to an additional offering (Over Allotment), 222,600 shares were sold to the underwriter upon exercise of a green shoe option.

(3) Date of change

April 15, 2014 (the date of transfer of the TED shares sold through an underwritten offering)

(4) Overview of TED

Company Name	Tokyo Electron Device Limited
Address	1-4, Kinko-cho, Kanagawa-ku, Yokohama City, Kanagawa, Japan
Representative Director	Yasuyuki Kuriki, President, Representative Director
Business Operation	Electronic Components, Computer Network
Common Stock	¥2,495,750 thousand ($24,249 thousand) as of March 31, 2014
Established	March 3, 1986

(5) Number of shares sold and sale price

Number of shares sold	2,342,600 shares
Sale price	¥3,011 million ($29,256 thousand)
Profit (loss) from sale	Loss of ¥1,850 million ($17,975 thousand) is expected to be recognized for the year ending March 31, 2015

(6) Change in voting rights (number of shares held) and proportion of voting rights

	Classification	Number of voting rights (number of shares held)	Proportion of voting rights held by TEL
Before change (as of March 31, 2014)	Consolidated subsidiary	58,753 (5,875,300 shares)	55.43%
After change	Equity method affiliate	35,327 (3,532,700 shares)	35.45%

1. The proportion of voting rights before the change was calculated on the basis of 105,985 voting rights for all shareholders as of March 31, 2014.
2. The proportion of total voting rights after the change was calculated on the basis of 99,625 voting rights, which is 105,985 voting rights for all shareholders as of March 31, 2014 less 6,360 voting rights for the 636,000 shares repurchased by TED.

Change in reportable segments

The "Electronic Components and Computer Networks" segment as disclosed in Note 21 had historically represented TED. As TED will change from a consolidated subsidiary to an equity method affiliate, this segment will not be reported from the year ending March 31, 2015, while net profit of TED attributable to Tokyo Electron will be included in "Elimination and Corporate".