Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2019 and 2018

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 Act 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.

The amounts in the consolidated financial statements and associated notes shown in millions and thousands of yen; thousands of U.S. dollars; and thousands of shares as of and for the years ended March 31, 2019 and 2018 are truncated at the nearest unit. Accordingly, totals do not necessarily agree with the sum of the corresponding individual amounts.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥110.99 to $1.00, the approximate rate as of March 31, 2019. 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 33 subsidiaries as of March 31, 2019 and 2018. All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated through consolidation procedures.

There are 9 affiliates accounted for using the equity method as of March 31, 2019 and 2018.

The fiscal year-end of all entities is March 31, except for 3 consolidated foreign subsidiaries. Financial statements provisionally closed for the period ending March 31 are used for those subsidiaries.

(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 and cash equivalents

Cash and cash equivalents consist of cash, short term deposits and low-risk financial instruments with original maturities of three months or less.

(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 as of March 31, 2019 and 2018. Held-to-maturity debt securities are stated mainly at amortized cost. Other securities with market prices are valued at fair value at the balance sheet date. The differences between the book value and fair value 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 prices are valued at cost using the weighted-average method.

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

(f) Inventories

Inventories are stated at the lower of cost, determined by principally the specific identification method, or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses.

(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 since April 1, 1998 and facilities attached to buildings and structures acquired since April 1, 2016 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 (excluding goodwill)

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 and idle assets.

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 benefit formula 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 (4 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 (4 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. The accruals for severance costs for directors and audit & supervisory board members are included in Net defined benefit liabilities in the consolidated balance sheets.

(m) Accrued warranty expenses

Tokyo Electron's products are generally subject to warranty, and Tokyo Electron accrues estimated warranty costs when product revenue is recognized. 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 instruments, net of taxes, are reported in net assets as a component of accumulated other comprehensive income (loss). 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 and net operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws which are expected to be in effect when net operating loss carryforwards and temporary differences are expected to be realized.

(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 equipment not requiring substantial installation is recognized at the time of shipment. Service revenue maintenance is recognized ratably over the term of the maintenance contract.

(q) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥113,980 million ($1,026,946 thousand) and ¥97,103 million for the years ended March 31, 2019 and 2018, respectively.

(r) 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, 2019.

Tokyo Electron adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019, and deferred tax assets are classified as "Investments and other assets" and deferred tax liabilities are classified as "Non-current liabilities", respectively.

As a result, out of "Deferred tax assets" of ¥50,505 million presented under "Current assets" as of March 31, 2018, ¥44,596 million was reclassified to "Deferred tax assets" under "Investments and other assets", and ¥5,908 million was offset by deferred tax liabilities, which are included in "Other liabilities" under "Non-current liabilities". Accordingly, total assets as of March 31, 2018 decreased by ¥5,908 million.

3. Additional Information

Stock delivering schemes linked to medium-term performance

Tokyo Electron introduced stock delivering schemes (hereinafter "the Schemes") as a common global incentive plan linked to medium-term performance from the fiscal year ended March 31, 2019. The purpose of the Schemes is to encourage directors and employees to contribute to the Group's medium-term performance and enterprise value.

Tokyo Electron adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015) for the accounting treatment of the Schemes.

1. Executive compensation BIP (Board Incentive Plan) Trust

(1) Overview of the transactions

The Executive compensation BIP Trust which the Company established acquires the Company's shares, and delivers and provides shares of the Company and monetary compensation corresponding to the cash conversion value of the Company's shares to the directors of the Company and its subsidiaries (excluding outside directors) based on their position and attainment of performance targets in accordance with the share delivery rules.

(2) The Company's shares held by the trust

Tokyo Electron recorded the Company's shares held by the trust in "Treasury stock, at cost" under "Net assets" at the book value in the trust (excluding ancillary expenses). The book value and the number of such treasury shares as of March 31, 2019 were ¥674 million ($6,074 thousand) and 34,038 shares, respectively.

2. Share-delivering ESOP (Employee Stock Ownership Plan) Trust

(1) Overview of the transactions

The Share-delivering ESOP Trust which the Company established acquires the Company's shares, and delivers and provides shares of the Company and monetary compensation corresponding to the cash conversion value of the Company's shares to the general managers, senior employees and mid-class employees of the Company and its subsidiaries based on their position and attainment of performance targets in accordance with the share delivery rules.

(2) The Company's shares held by the trust

Tokyo Electron recorded the Company's shares held by the trust in "Treasury stock, at cost" under "Net assets" at the book value in the trust (excluding ancillary expenses). The book value and the number of such treasury shares as of March 31, 2019 were ¥4,274 million ($38,508 thousand) and 215,663 shares, respectively.

4. Accounting Standards Issued but Not yet Adopted

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018 (hereinafter, "Statement No.29"))

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018 (hereinafter, "Guidance No.30"))

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) collaborated on a project to develop a single, comprehensive revenue recognition model and jointly issued new revenue recognition standards "Revenue from Contracts with Customers" (IFRS 15 published by IASB, Topic 606 published by FASB) in May 2014. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 and Topic 606 is effective for annual reporting periods beginning after December 15, 2017.

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) also developed a new revenue recognition standard and issued Statement No.29 together with Guidance No.30.

ASBJ's basic policy in developing the new revenue recognition standards is to first incorporate the core principle of IFRS 15 in the light of improving the international comparability of financial statements and then add additional alternative treatments to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

5. Securities

Other securities as of March 31, 2019 and 2018 are as follows:

2019:	Millions of yen Cost	 Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	¥8,063	¥26,834
Securities with carrying value not exceeding acquisition cost		
Equity securities	1,011	1,002
Other	15	15
Total	¥9,090	¥27,853

2018:	Millions of yen Cost	 Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	¥7,620	¥32,293
Securities with carrying value not exceeding acquisition cost		
Equity securities	819	819
Other	15	15
Total	¥8,455	¥33,128

2019:	Thousands of U.S. dollars Cost	 Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	$72,647	$241,777
Securities with carrying value not exceeding acquisition cost		
Equity securities	9,116	9,031
Other	141	141
Total	$81,904	$250,950

Held-to-maturity securities classified as current assets are ¥215,000 million ($1,937,111 thousand) and ¥286,500 million as of March 31, 2019 and 2018, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2019 and 2018 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen 2019	 2018	Thousands of U.S. dollars 2019
Held-to-maturity (current)	¥215,000	¥286,500	$1,937,111
Deposits and low-risk financial instruments with original maturities of three months or less	(55,000)	(170,500)	(495,540)
Deposits with original maturities of more than three months	—	—	—
Short-term investments	¥160,000	¥116,000	$1,441,571

Notes to Consolidated Financial Statements

Net loss on devaluation of investment securities was ¥55 million ($496 thousand) and ¥536 million for the years ended March 31, 2019 and 2018, respectively.

For the year ended March 31, 2019, the Company sold available-for-sale securities and recognized the following gain and loss on sale:

	Millions of yen		
	Amount of sale	Gain on sale	Loss on sale
Equity securities	¥1,087	¥768	¥—
Total	¥1,087	¥768	¥—

	Thousands of U.S. dollars		
	Amount of sale	Gain on sale	Loss on sale
Equity securities	$9,795	$6,927	$—
Total	$9,795	$6,927	$—

For the year ended March 31, 2018, the amounts of gain and loss on sale of available-for-sale securities was immaterial.

6. Inventories

Inventories as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Finished products	¥234,102	¥220,497	$2,109,221
Work in process, raw materials and supplies	120,117	123,573	1,082,233
Total	¥354,219	¥344,071	$3,191,455

The amounts of change in inventory provision included in cost of sales in the consolidated statements of income for the years ended March 31, 2019 and 2018 were an increase of ¥4,031 million ($36,325 thousand) and an increase of ¥173 million, respectively.

7. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2019 and 2018.

8. Short-term Borrowings

There are no short-term borrowings classified as current liabilities as of March 31, 2019 and 2018.

As of March 31, 2019 and 2018, Tokyo Electron had unused lines of credit amounting to ¥126,947 million ($1,143,770 thousand) and ¥126,953 million, respectively.

9. Employee Benefits

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

Effective April 1, 2018, Tokyo Electron and its domestic subsidiaries converted a part of their defined benefit plans to a defined contribution plan. The loss on revision of retirement benefit plan of ¥3,154 million resulting from this change was recognized and presented in other income (expenses) for the year ended March 31, 2018 in accordance with the "Accounting Procedures for Conversion between Different Retirement Benefit Schemes" (Corporate Accounting Standards Implementation Guidelines No. 1) and the "Practical Treatment of Accounting Procedures for Conversion between Different Retirement Benefit Schemes" (Practical Issues Task Force No. 2).

Defined benefit plans

(1) Movement of defined benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1, 2018 and 2017	¥112,992	¥118,660	$1,018,040
Service cost	5,853	6,052	52,738
Interest cost	701	963	6,320
Actuarial gain	2,986	4,632	26,905
Benefits paid	(3,936)	(3,029)	(35,467)
Prior service cost	—	1,690	—
Decrease by conversion of a part of defined benefit plans to a defined contribution plan	—	(15,946)	—
Foreign currency exchange rate changes	(135)	(30)	(1,220)
Balance at March 31, 2019 and 2018	¥118,461	¥112,992	$1,067,316

(2) Movement of plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1, 2018 and 2017	¥53,683	¥67,653	$483,676
Expected return on plan assets	1,152	1,400	10,380
Actuarial gain (loss)	(6)	526	(61)
Employer contributions	7,403	3,577	66,701
Benefits paid	(1,164)	(915)	(10,493)
Decrease by conversion of a part of defined benefit plans to a defined contribution plan	—	(18,523)	—
Foreign currency exchange rate changes	(124)	(24)	(1,125)
Other	(16)	(12)	(147)
Balance at March 31, 2019 and 2018	¥60,925	¥53,683	$548,930

(3) Reconciliation from defined benefit obligations and plan assets to net defined benefit liabilities (assets)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded defined benefit obligations	¥58,453	¥54,677	$526,653
Plan assets	(60,925)	(53,683)	(548,930)
Funded status	(2,472)	993	(22,277)
Unfunded defined benefit obligations	60,008	58,315	540,662
Net defined benefit liabilities at March 31, 2019 and 2018	¥57,535	¥59,309	$518,385
Net defined benefit liabilities	60,600	59,309	546,004
Net defined benefit assets	(3,065)	—	(27,618)
Net defined benefit liabilities at March 31, 2019 and 2018	¥57,535	¥59,309	$518,385

Note: The provision for accrued pension and severance costs for directors and audit & supervisory board members of ¥374 million ($3,378 thousand) and ¥374 million as of March 31, 2019 and 2018 is not included.

(4) Defined benefit costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥5,853	¥6,052	$52,738
Interest cost	701	963	6,320
Expected return on plan assets	(1,152)	(1,400)	(10,380)
Net actuarial gain (loss) amortization	2,537	(1,237)	22,858
Prior service cost amortization	338	—	3,050
Other	287	388	2,592
Total defined benefit costs for the years ended March 31, 2019 and 2018	¥8,566	¥4,765	$77,179
Loss on transfer to defined contribution plan (Note)	—	3,154	—

Note: Loss on revision of retirement benefit plan was recognized in other income (expenses) for the year ended March 31, 2018.

(5) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥338	¥(1,354)	$3,050
Actuarial gain (loss)	(396)	(5,093)	(3,575)
Total	¥ (58)	¥(6,448)	$ (525)

Note: Prior service cost and actuarial loss for the year ended March 31, 2018 include the reclassification adjustments of ¥336 million and ¥240 million, respectively, associated with the conversion of a part of defined benefit plans to a defined contribution plan.

(6) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost that is yet to be recognized (before tax)	¥(1,015)	¥(1,354)	$ (9,151)
Net actuarial loss that is yet to be recognized (before tax)	(8,204)	(7,806)	(73,922)
Total	¥(9,220)	¥(9,161)	$(83,073)

(7) Plan assets

1. Plan assets comprise:

	2019	2018
Bonds	31%	38%
Life insurance company general account	30	25
Equity securities	14	20
Alternative investments (Note)	13	9
Cash and cash equivalents	1	1
Other	11	7
Total	100%	100%

Note: Alternative investments mainly consist of hedge funds, real estate and insurance-linked securities

2. Long-term expected rate of return

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

(8) Actuarial assumptions

The principal actuarial assumptions as of and for the years ended March 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	0.36%	0.46%
Long-term expected rate of return	2.00%	2.00%

The expected rates of salary increase for the years ended March 31, 2019 and 2018 are also considered as one of the actuarial assumptions, and are set based on the salary increase index by age group as of January 1, 2019 and January 1, 2018, respectively.

Defined contribution plans

The contributions of the Company and its subsidiaries to the defined contribution plans are ¥2,498 million ($22,514 thousand) and ¥1,124 million for the years ended March 31, 2019 and 2018, respectively.

Notes to Consolidated Financial Statements

10. Income Taxes

Significant components of the deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Deferred tax assets			
Elimination of unrealized profit in inventories	¥25,145	¥27,718	$226,558
Net defined benefit liabilities	18,751	18,129	168,950
Net operating loss carryforwards	11,132	10,969	100,299
Accrued employees' bonuses	7,766	8,185	69,974
Devaluation of inventories	7,038	4,148	63,412
Accrued warranty expenses	3,846	2,675	34,653
Depreciation	2,710	1,903	24,417
Other	12,664	14,819	114,103
Total gross deferred tax assets	89,054	88,550	802,368
Less valuation allowance	(8,535)	(8,043)	(76,903)
Total deferred tax assets	80,519	80,506	725,464
Deferred tax liabilities			
Undistributed earnings of subsidiaries	(7,559)	(6,143)	(68,112)
Net unrealized gains on investment securities	(5,747)	(7,554)	(51,785)
Other	(3,474)	(4,384)	(31,304)
Total deferred tax liabilities	(16,781)	(18,082)	(151,201)
Net deferred tax assets	¥63,737	¥62,424	$574,263

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 and net operating loss carryforwards are available to be utilized. 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 and net operating loss-carryforwards are available to be utilized, management believes Tokyo Electron will realize the benefits of deferred tax assets, net of valuation allowance, as of March 31, 2019 and 2018.

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

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2019 and 2018 are as follows:

	2019	2018
Statutory tax rate in Japan	30.62%	30.86%
Adjustments:		
Tax credits	(6.52)	(6.23)
Difference in statutory tax rates of subsidiaries	(1.11)	(1.33)
Effect of enacted changes in tax rates on net deferred tax assets	—	1.55
Others, net	(0.20)	0.89
Effective tax rate	22.79%	25.74%

Year ended March 31, 2019

The Company received notification from the National Tax Agency, Japan (NTA) dated January 24, 2019, that agreement had been reached through the Mutual Agreement Procedure (MAP) between the NTA and Korean income tax authorities concerning the transfer pricing adjustments assessed during prior historical periods relating to the transactions between the Company and its Korean subsidiary. As a result, ¥862 million ($7,770 thousand) of tax benefit is included in current income tax expense as the difference between the actual tax refunds and the estimated amount recorded in prior fiscal year.

Year ended March 31, 2018

The U.S. federal income tax rate applied to the consolidated subsidiaries in the U.S. was reduced from 35% to 21% associated with the U.S. tax reform legislation signed into law on December 22, 2017.

Net deferred tax assets were reduced by ¥3,029 million and income taxes were increased by ¥3,211 million as of and for the year ended March 31, 2018 resulting from this tax rate reduction.

11. Other Income (Expenses)

Loss on impairment of property, plant and equipment, goodwill and other assets

For the year ended March 31, 2018, the following loss on impairment was recognized:

Goodwill of TEL NEXX, Inc.

Location	Purpose of use	Asset Type	Loss on impairment Millions of yen
Billerica, Massachusetts, U.S.A.	Business assets	Goodwill	¥925

Tokyo Electron performed an impairment test and recognized loss on impairment of goodwill of TEL NEXX, Inc., a subsidiary manufacturing semiconductor production equipment, due to TEL NEXX, Inc.'s reconsideration of its business plan. Tokyo Electron recognized the difference between the book value and the recoverable amount of goodwill as loss on impairment. The recoverable amount was measured as value in use, and was calculated by discounting future cash flows at a discount rate of 14.0%.

Loss on revision of retirement benefit plan

Effective April 1, 2018, Tokyo Electron and its domestic subsidiaries converted a part of their defined benefit plans to a defined contribution plan. The loss on revision of retirement benefit plan of ¥3,154 million resulting from this change was recognized and presented in other income (expenses) for the year ended March 31, 2018 in accordance with the "Accounting Procedures for Conversion between Different Retirement Benefit Schemes" (Corporate Accounting Standards Implementation Guidelines No. 1) and the "Practical Treatment of Accounting Procedures for Conversion between Different Retirement Benefit Schemes" (Practical Issues Task Force No. 2).

12. Net Assets

Net assets comprises four subsections, which are shareholders' equity, accumulated other comprehensive income, share subscription rights and non-controlling 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 based on 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 10, 2019, the distribution of cash dividends amounting to ¥56,651 million ($510,422 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2019 since they are recognized in the period in which they are resolved at the board of directors' meeting. The dividends of ¥56,651 million include ¥86 million ($776 thousand) related to treasury stock held by the BIP/ESOP Trusts.

13. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains (losses) on investment securities			
Net unrealized gains (losses) arising during the year	¥(5,910)	¥9,134	$(53,255)
Reclassification adjustments	—	—	—
Sub-total, before tax	(5,910)	9,134	(53,255)
Tax expense	1,808	(2,796)	16,293
Sub-total, net of tax	(4,102)	6,337	(36,962)
Net deferred gains (losses) on hedging instruments			
Net deferred gains (losses) arising during the year	(392)	286	(3,532)
Reclassification adjustments	—	—	—
Sub-total, before tax	(392)	286	(3,532)
Tax expense	120	(87)	1,081
Sub-total, net of tax	(272)	198	(2,450)
Foreign currency translation adjustments			
Adjustments during the year	(1,170)	(297)	(10,548)
Reclassification adjustments	—	54	—
Sub-total, before tax	(1,170)	(242)	(10,548)
Tax expense	—	—	—
Sub-total, net of tax	(1,170)	(242)	(10,548)
Remeasurements of defined benefit plans			
Adjustments during the year	(2,933)	(5,787)	(26,434)
Reclassification adjustments	2,875	(660)	25,908
Sub-total, before tax	(58)	(6,448)	(525)
Tax expense	(48)	1,953	(432)
Sub-total, net of tax	(106)	(4,494)	(957)
Share of other comprehensive income of associates accounted for using the equity method			
Adjustments during the year	119	(46)	1,077
Total other comprehensive income	¥(5,531)	¥1,752	$(49,841)

14. 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 or over three-year period with restriction on exercise up to three years after the date of grant, and have an exercise period of seventeen years from the date on which the options become exercisable.

Options to purchase 219,900 shares of the Company were authorized and granted at an exercise price of ¥1 ($0.01) for the year ended March 31, 2019.

A summary of stock options outstanding and exercisable as of March 31, 2019 and 2018 is as follows:

	2019			2018	
	Number of shares	Weighted-average exercise price: Yen	Weighted-average exercise price: U.S. dollars	Number of shares	Weighted-average exercise price: Yen
Outstanding at the beginning of year	563,600	¥1	$0.01	457,500	¥1
Granted	219,900	1	0.01	144,700	1
Exercised	94,800	1	0.01	38,600	1
Expired (forfeited)	—	—	—	—	—
Outstanding at the end of year	688,700	1	0.01	563,600	1
Exercisable at the end of year	129,700	1	0.01	88,800	1

Amounts expensed related to stock options

The amounts expensed related to stock options for the years ended March 31, 2019 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Selling, general and administrative expenses	¥3,618	¥1,903	$32,601

Valuation method of fair value per unit of stock options

Fair value as of the grant date for stock options granted for the year ended March 31, 2019 was ¥16,455 ($148.26) per unit, which was evaluated as follows:

(1) Valuation method used: Black-Scholes model
(2) Major underlying assumptions and estimates:

	14th Stock Acquisition Rights
Volatility (Note 1)	35.31%
Expected residual period (Note 2)	5.55 years
Expected dividends (Note 3)	¥488 ($4.40) per share
Risk-free interest rate (Note 4)	(0.09)%

Notes: 1. Calculated based on the stock price performance for the period corresponding to the expected residual period (from November 2012 to June 2018).
2. Calculated based on past actual results and forecast of the exercise of stock options.
3. Based on the dividends paid for the years ended March 31, 2018 and 2017.
4. Based on Japanese government bond yield corresponding to the expected residual period.

(3) Method of estimating the number of vested stock options

It is not necessary to estimate the number of vested stock options as the rights to exercise stock options are vested immediately when granted.

15. Leases

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 3,694	¥ 3,772	$ 33,284
Due over one year	8,577	7,039	77,284
Total	¥12,272	¥10,811	$110,568

16. 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.

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 short term 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 17 for detailed discussion on derivative financial instruments.

Fair value of financial instruments

Carrying amount and estimated fair value of financial instruments as of March 31, 2019 and 2018 are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded.

	Millions of yen	
2019:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥232,634	¥232,634
Short-term investments	160,000	159,921
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥84 million)	146,886	146,886
Investment securities	26,866	26,866
Liabilities		
Trade notes and accounts payable	75,448	75,448
Derivatives (see note 17)		
Hedge accounting not applied	74	74
Hedge accounting applied	(56)	(56)

	Millions of yen	
2018:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥257,877	¥257,877
Short-term investments	116,000	115,966
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥59 million)	159,510	159,510
Investment securities	32,230	32,230
Liabilities		
Trade notes and accounts payable	108,607	108,607
Derivatives (see note 17)		
Hedge accounting not applied	(7)	(7)
Hedge accounting applied	335	335

	Thousands of U.S. dollars	
2019:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	$2,095,997	$2,095,997
Short-term investments	1,441,571	1,440,864
Trade notes and accounts receivable, net of allowance for doubtful accounts ($765 thousand)	1,323,420	1,323,420
Investment securities	242,060	242,060
Liabilities		
Trade notes and accounts payable	679,780	679,780
Derivatives (see note 17)		
Hedge accounting not applied	670	670
Hedge accounting applied	(513)	(513)

Notes: 1. Fair value calculation of financial instruments
Cash and cash equivalents, short-term investments, trade notes and accounts receivable and trade notes and accounts payable.
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 5 for further information by classification of investment securities.
Derivatives
See note 17 for detailed discussion on derivative financial instruments.

2. The following financial instruments are not included in the above as they do not have quoted market prices and therefore it is considered extremely difficult to measure their fair value.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Reported amount in balance sheet		
Unlisted stocks	¥971	¥882	$8,749
Other	15	15	141
Total	¥986	¥897	$8,890

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

	Millions of yen	
2019:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥232,634	¥—
Short-term investments	160,000	—
Trade notes and accounts receivable	146,971	—

	Millions of yen	
2018:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥257,877	¥—
Short-term investments	116,000	—
Trade notes and accounts receivable	159,570	—

	Thousands of U.S. dollars	
2019:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	$2,095,997	$—
Short-term investments	1,441,571	—
Trade notes and accounts receivable	1,324,185	—

17. 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 implements 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 are conducted pursuant to the internal management rule.

The estimated fair values of the derivative financial instruments as of March 31, 2019 and 2018 are as follows:

1. Derivative financial instruments not designated as hedging instruments

	Millions of yen		
2019:	Contract amount	Fair value	Gains (losses)
Sell U.S. dollars	¥ 1,201	¥14	¥14
Buy U.S. dollars	11,967	53	53
Buy Chinese yuan	2,720	9	9
Buy Taiwan dollars	1,213	(3)	(3)
Buy GBP	593	0	0
Buy EURO	360	0	0
Buy Singapore dollars	326	(0)	(0)
Total	¥18,383	¥74	¥74

	Millions of yen		
2018:	Contract amount	Fair value	Gains (losses)
Sell U.S. dollars	¥ 703	¥18	¥18
Buy U.S. dollars	3,639	(19)	(19)
Buy Chinese yuan	1,515	(0)	(0)
Buy Taiwan dollars	912	0	0
Buy GBP	820	(2)	(2)
Buy EURO	785	(1)	(1)
Buy Singapore dollars	706	(2)	(2)
Total	¥9,084	¥ (7)	¥ (7)

	Thousands of U.S. dollars		
2019:	Contract amount	Fair value	Gains (losses)
Sell U.S. dollars	$ 10,823	$127	$127
Buy U.S. dollars	107,828	484	484
Buy Chinese yuan	24,508	85	85
Buy Taiwan dollars	10,932	(27)	(27)
Buy GBP	5,344	1	1
Buy EURO	3,250	0	0
Buy Singapore dollars	2,944	(0)	(0)
Total	$165,632	$670	$670

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

2. Derivative financial instruments designated as hedging instruments

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

	Millions of yen			Thousands of U.S. dollars		
2019:	Contract amount	Contract amount due after 1 year	Fair value	Contract amount	Contract amount due after 1 year	Fair value
Future transactions denominated in a foreign currency						
Sell U.S. dollars	¥5,951	¥—	¥(56)	$53,624	$—	$(513)
Monetary assets and liabilities in foreign currency (Note)						
Sell U.S. dollars	898	—	—	8,097	—	—
Buy U.S. dollars	61	—	—	550	—	—
Total	¥6,911	¥—	¥(56)	$62,272	$—	$(513)

	Millions of yen		
2018:	Contract amount	Contract amount due after 1 year	Fair value
Future transactions denominated in a foreign currency			
Sell U.S. dollars	¥11,853	¥71	¥335
Buy U.S. dollars	156	—	(0)
Monetary assets and liabilities in foreign currency (Note)			
Sell U.S. dollars	555	—	—
Total	¥12,566	¥71	¥335

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.

18. 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)" and "flat panel display (FPD) production equipment".

Products of the SPE segment consist of coater/developers, etch systems, 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 such products and provide services on them.

Products of the FPD production equipment segment consist of coater/developers and etch/ash systems used in the manufacture of flat panel displays. The FPD production equipment segment principally develops, manufactures, sells such products and provide services on them.

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 by negotiation between the Tokyo Electron group companies considering 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, 2019 and 2018 is as follows:

Millions of yen

	Reportable Segment					
2019:	Semiconductor production equipment	FPD production equipment	Other	Total	Adjustments	Consolidated
Net sales						
Sales to external customers	¥1,166,781	¥111,261	¥ 197	¥1,278,240	¥ —	¥1,278,240
Intersegment sales or transfers	—	—	18,914	18,914	(18,914)	—
Total	1,166,781	111,261	19,112	1,297,155	(18,914)	1,278,240
Segment profit	326,716	24,241	1,035	351,993	(30,484)	321,508
Segment assets	506,929	35,722	2,474	545,126	712,501	1,257,627
Depreciation and amortization	14,003	873	126	15,002	9,321	24,323
Amortization of goodwill	354	—	—	354	—	354
Capital expenditures, including intangible assets	22,633	1,507	198	24,340	29,082	53,422

Millions of yen

	Reportable Segment					
2018:	Semiconductor production equipment	FPD production equipment	Other	Total	Adjustments	Consolidated
Net sales						
Sales to external customers	¥1,055,234	¥75,068	¥ 425	¥1,130,728	¥ —	¥1,130,728
Intersegment sales or transfers	—	—	19,469	19,469	(19,469)	—
Total	1,055,234	75,068	19,894	1,150,197	(19,469)	1,130,728
Segment profit (loss)	314,602	13,299	(57)	327,844	(52,601)	275,242
Segment assets	494,964	43,963	3,014	541,943	660,853	1,202,796
Depreciation and amortization	11,402	701	81	12,185	8,434	20,619
Amortization of goodwill	600	—	—	600	—	600
Loss on impairment	925	—	—	925	—	925
Capital expenditures, including intangible assets	16,392	935	247	17,575	33,722	51,297

Thousands of U.S. dollars

	Reportable Segment					
2019:	Semiconductor production equipment	FPD production equipment	Other	Total	Adjustments	Consolidated
Net sales						
Sales to external customers	$10,512,487	$1,002,449	$ 1,780	$11,516,718	$ —	$11,516,718
Intersegment sales or transfers	—	—	170,420	170,420	(170,420)	—
Total	10,512,487	1,002,449	172,200	11,687,138	(170,420)	11,516,718
Segment profit	2,943,661	218,408	9,327	3,171,397	(274,661)	2,896,735
Segment assets	4,567,342	321,852	22,293	4,911,488	6,419,510	11,330,999
Depreciation and amortization	126,166	7,867	1,136	135,169	83,981	219,151
Amortization of goodwill	3,197	—	—	3,197	—	3,197
Capital expenditures, including intangible assets	203,925	13,586	1,788	219,300	262,029	481,330

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) "Adjustments" for segment profit (loss) totaling ¥(30,484) million ($(274,661) thousand) and ¥(52,601) million for the years ended March 31, 2019 and 2018, respectively, mainly consists of research and development costs of ¥(15,999) million ($(144,148) thousand) and ¥(22,263) million for the years ended March 31, 2019 and 2018, respectively, pertaining to the Company's fundamental research and element research, the loss on revision of retirement benefit plan of ¥(3,154) million for the year ended March 31, 2018 and other general and administrative costs that do not belong to the reportable segments.
(2) "Adjustments" for segment assets totaling ¥712,501 million ($6,419,510 thousand) and ¥660,853 million as of March 31, 2019 and 2018, respectively, mainly consist of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.
(3) "Adjustments" for capital expenditures totaling ¥29,082 million ($262,029 thousand) and ¥33,722 million for the years ended March 31, 2019 and 2018, respectively, mainly consist of capital expenditures for buildings not allocated to any of the reportable segments.

Other information

(1) Domestic and overseas net sales by destination for the years ended March 31, 2019 and 2018 are as follows:

Millions of yen

2019:	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
Net sales	¥208,796	¥131,954	¥93,113	¥311,081	¥164,912	¥307,879	¥60,502	¥1,278,240

Notes: 1. Sales are classified in countries or regions based on location of customers.
2. Net sales of North America include sales in the U.S.A. of ¥131,914 million.

Millions of yen

2018:	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
Net sales	¥148,760	¥119,257	¥96,948	¥378,496	¥174,636	¥164,344	¥48,283	¥1,130,728

Notes: 1. Sales are classified in countries or regions based on location of customers.
2. Net sales of North America include sales in the U.S.A. of ¥119,047 million.

Thousands of U.S. dollars

2019:	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
Net sales	$1,881,220	$1,188,887	$838,939	$2,802,784	$1,485,830	$2,773,941	$545,113	$11,516,718

Note: Net sales of North America include sales in the U.S.A. of $1,188,526 thousand.

(2) Net property, plant and equipment by location as of March 31, 2019 and 2018 are as follows:

	Millions of yen		
2019:	Japan	Other	Total
Property, plant and equipment	¥120,177	¥29,891	¥150,069

	Millions of yen		
2018:	Japan	Other	Total
Property, plant and equipment	¥97,610	¥28,342	¥125,952

	Thousands of U.S. dollars		
2019:	Japan	Other	Total
Property, plant and equipment	$1,082,779	$269,315	$1,352,094

(3) Major customer information

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

		Millions of yen	Thousands of U.S. dollars
Name of customer	Related reportable segment	2019	2019
Intel Corporation	Semiconductor production equipment	¥199,594	$1,798,306
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	175,315	1,579,563
SK hynix Inc.	Semiconductor production equipment	174,468	1,571,930
Micron Technology, Inc.	Semiconductor production equipment	131,821	1,187,687

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

		Millions of yen
Name of customer	Related reportable segment	2018
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	¥261,544
Intel Corporation	Semiconductor production equipment	181,053
SK hynix Inc.	Semiconductor production equipment	132,146

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 years ended March 31, 2019 and 2018, and unamortized balances as of March 31, 2019 and 2018 are as follows:

	Millions of yen		
2019:	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	¥ 354	¥—	¥ 354
Goodwill	1,124	—	1,124

	Millions of yen		
2018:	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	¥ 600	¥—	¥ 600
Goodwill	1,699	—	1,699

	Thousands of U.S. dollars		
2019:	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	$ 3,197	$—	$ 3,197
Goodwill	10,135	—	10,135

19. 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. Net income-diluted per share is computed based on the weighted-average number of shares of common stock outstanding during each year after incorporating the dilutive potential effect of shares of common stock to be issued upon the exercise of stock options.

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.

The basis for the calculation of net income per share for the fiscal years ended March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net income per share of common stock — Basic			
Net income attributable to owners of parent	¥248,228	¥204,371	$2,236,489
Less components not pertaining to holders of common stock	—	—	—
Net income pertaining to holders of common stock	¥248,228	¥204,371	$2,236,489
Weighted-average number of shares of common stock outstanding (thousands)	164,000	164,090	
Net income per share of common stock — Diluted			
Adjustment of net income attributable to owners of parent	—	—	—
Increase in number of common stock (Thousands of share)	692	562	
Increase in number of share subscription rights (Thousands of share)	692	562	

Notes: The shares of the Company held by "Executive compensation BIP Trust" and "Share-delivering ESOP Trust", which are recorded in "Treasury stock, at cost" under shareholders' equity, are included in the treasury stock which is deducted in calculating the per-share information.

The number of treasury shares deducted in the calculation of net assets per share was 249 thousand shares as of March 31, 2019, and the average number of treasury shares deducted in the calculation of net income per share and fully diluted net income per share was 167 thousand shares in the fiscal year ended March 31, 2019.

20. Subsequent Events

Share repurchase

At the Board of Directors meeting held on May 27, 2019, the Company resolved to acquire its own shares under the provisions of its Articles of Incorporation pursuant to paragraph 1, Article 459 of the Companies Act, as follows:

1. Reason for acquisition of own shares

The Company intends to acquire its own shares in accordance with its capital policy while taking into account its current cash position, its base for medium- to long-term revenue growth and growth investment capital.

2. Details of acquisition

(1) Type of shares to be acquired: Shares of common stock
(2) Total number of shares to be acquired: Up to 14 million shares (Equivalent to 8.5% of outstanding shares excluding treasury stock)
(3) Total cost of acquisition: Up to ¥150 billion
(4) Period of acquisition: From May 28, 2019 to December 31, 2019
(5) Method of acquisition: Acquisition through market transactions on the Tokyo Stock Exchange