

■ Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2020 and 2019

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, 2020 and 2019 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 ¥108.83 to \$1.00, the approximate rate as of March 31, 2020. 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 29 and 33 subsidiaries as of March 31, 2020 and 2019, respectively. 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, 2020 and 2019.

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, 2020 and 2019. 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

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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 for 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 ¥120,268 million (\$1,105,100 thousand) and ¥113,980 million for the years ended March 31, 2020 and 2019, 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, 2020.

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

Year ended March 31, 2020

Certain consolidated overseas subsidiaries adopted IFRS 16 "Leases" from the beginning of the fiscal year ended March 31, 2020, and recognize all leases as a lessee in principle as assets and liabilities on the balance sheets.

Tokyo Electron elected to use the transitional approach to recognize the cumulative effect of initially applying this standard at the date of initial application. Right-of-use assets were recognized at the same value as lease liabilities and, therefore, there was no impact on retained earnings at the beginning of the fiscal year ended March 31, 2020.

The effect of this change on the consolidated financial statements is immaterial.

4. 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. 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 were ¥1,154 million (\$10,604 thousand) and 60,538 shares as of March 31, 2020, respectively, and were ¥674 million and 34,038 shares as of March 31, 2019, 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 were ¥7,840 million (\$72,045 thousand) and 411,492 shares as of March 31, 2020, respectively, and were ¥4,274 million and 215,663 shares as of March 31, 2019, respectively.

5. Accounting Standards Issued but Not yet Adopted

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020 (hereinafter, "Statement No.29"))

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020 (hereinafter, "Guidance No.30"))

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(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, ASC 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 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.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019 (hereinafter, "Statement No.30"))

"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have provided similar detailed guidance for fair value measurement (IFRS 13 "Fair Value Measurement" published by IASB, ASC Topic 820 "Fair Value Measurement" published by FASB).

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) issued Statement No.30 and the other standards above to enhance consistency between Japanese accounting standards and international accounting standards regarding guidance for fair value of financial instruments and required disclosures.

ASBJ's basic policy in developing the new fair value measurement standards is to basically incorporate all principles of IFRS 13 in light of improving the international comparability of financial statements by using a unified measuring method, and then provide other treatments for individual items 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 have not determined the effects of these new standards on the consolidated financial statements yet.

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"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020 (hereinafter, "Statement No.31"))

(1) Overview

Regarding "key sources of estimation uncertainty" which is required to be disclosed based on paragraph 125 of IAS 1 "Presentation of Financial Statements" published by the International Accounting Standards Board (IASB), there has been a public opinion that the same information should be disclosed as notes in financial statements prepared based on Japanese generally accepted accounting principles.

Considering the above circumstances, the Accounting Standard Board of Japan (ASBJ) developed and issued Statement No.31.

ASBJ's basic policy in developing this standard is to provide principles (disclosure purposes) and companies should determine specific contents of disclosure in light of disclosure purposes rather than expanding individual notes. ASBJ referred to paragraph 125 of IAS 1 in the development of this standard.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020 (hereinafter, "Statement No.24"))

(1) Overview

The Accounting Standard Board of Japan (ASBJ) made revisions and issued Statement No.24 based on the recommendation to expand notes regarding "accounting principles and procedures when related accounting standards are not clear".

Regarding the expansion of notes regarding "accounting principles and procedures when related accounting standards are not clear", it is required to follow Notes on Corporate Accounting Principles (Note 1-2) in order not to affect conventional business practices when related accounting standards are clear.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

6. Securities

Other securities as of March 31, 2020 and 2019 are as follows:

2020:	Millions of yen	
	Cost	Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	¥7,991	¥37,013
Securities with carrying value not exceeding acquisition cost		
Equity securities	1,053	1,031
Other	330	330
Total	¥9,375	¥38,374

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

2020:	Thousands of U.S. dollars	
	Cost	Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	\$73,434	\$340,101
Securities with carrying value not exceeding acquisition cost		
Equity securities	9,679	9,475
Other	3,034	3,034
Total	\$86,148	\$352,611

Held-to-maturity securities classified as current assets are ¥188,500 million (\$1,732,059 thousand) and ¥215,000 million as of March 31, 2020 and 2019, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2020 and 2019 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Held-to-maturity (current)	¥188,500	¥215,000	\$1,732,059
Deposits and low-risk financial instruments with original maturities of three months or less	(108,500)	(55,000)	(996,967)
Deposits with original maturities of more than three months	10,447	—	95,996
Short-term investments	¥ 90,447	¥160,000	\$ 831,087

Net loss on devaluation of investment securities was none and immaterial for the years ended March 31, 2020 and 2019, respectively.

For the year ended March 31, 2020, the Company sold available-for-sale securities and the amounts were immaterial.

For the year ended March 31, 2019, the Company 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	¥—

7. Inventories

Inventories as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Finished products	¥267,625	¥234,102	\$2,459,118
Work in process, raw materials and supplies	124,439	120,117	1,143,426
Total	¥392,064	¥354,219	\$3,602,544

The amounts of change in inventory provision included in cost of sales in the consolidated statements of income for the years ended March 31, 2020 and 2019 were an increase of ¥2,290 million (\$21,045 thousand) and an increase of ¥4,031 million, respectively.

8. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2020 and 2019.

9. Short-term Borrowings

There are no short-term borrowings classified as current liabilities as of March 31, 2020 and 2019.

As of March 31, 2020 and 2019, Tokyo Electron had unused lines of credit amounting to ¥126,929 million (\$1,166,311 thousand) and ¥126,947 million, respectively.

10. 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.

Defined benefit plans

(1) Movement of defined benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at April 1, 2019 and 2018	¥118,461	¥112,992	\$1,088,499
Service cost	6,160	5,853	56,604
Interest cost	596	701	5,485
Actuarial gain (loss)	(2,528)	2,986	(23,234)
Benefits paid	(3,531)	(3,936)	(32,448)
Foreign currency exchange rate changes	(618)	(135)	(5,683)
Other	189	—	1,739
Balance at March 31, 2020 and 2019	¥118,729	¥118,461	\$1,090,960

(2) Movement of plan assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at April 1, 2019 and 2018	¥60,925	¥53,683	\$559,825
Expected return on plan assets	1,266	1,152	11,636
Actuarial loss	(1,551)	(6)	(14,252)
Employer contributions	5,046	7,403	46,366
Benefits paid	(1,130)	(1,164)	(10,384)
Foreign currency exchange rate changes	(608)	(124)	(5,592)
Other	(16)	(16)	(155)
Balance at March 31, 2020 and 2019	¥63,931	¥60,925	\$587,442

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded defined benefit obligations	¥58,536	¥58,453	\$537,867
Plan assets	(63,931)	(60,925)	(587,442)
Funded status	(5,395)	(2,472)	(49,575)
Unfunded defined benefit obligations	60,193	60,008	553,093
Net defined benefit liabilities at March 31, 2020 and 2019	¥54,797	¥57,535	\$503,518
Net defined benefit liabilities	60,635	60,600	557,156
Net defined benefit assets	(5,837)	(3,065)	(53,637)
Net defined benefit liabilities at March 31, 2020 and 2019	¥54,797	¥57,535	\$503,518

Note: The provision for accrued pension and severance costs for directors and audit & supervisory board members of ¥110 million (\$1,012 thousand) and ¥374 million as of March 31, 2020 and 2019 is not included.

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(4) Defined benefit costs

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥6,160	¥5,853	\$56,604
Interest cost	596	701	5,485
Expected return on plan assets	(1,266)	(1,152)	(11,636)
Net actuarial gain amortization	3,104	2,537	28,526
Prior service cost amortization	338	338	3,111
Other	410	287	3,768
Total defined benefit costs for the years ended March 31, 2020 and 2019	¥9,344	¥8,566	\$85,858

(5) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥ 338	¥338	\$ 3,111
Actuarial gain (loss)	4,322	(396)	39,715
Total	¥4,660	¥ (58)	\$42,826

(6) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost that is yet to be recognized (before tax)	¥ (677)	¥(1,015)	\$ (6,222)
Net actuarial loss that is yet to be recognized (before tax)	(3,882)	(8,204)	(35,673)
Total	¥(4,559)	¥(9,220)	\$(41,895)

(7) Plan assets

1. Plan assets comprise:

	2020	2019
Bonds	31%	31%
Life insurance company general account	29	30
Alternative investments (Note)	15	13
Equity securities	12	14
Cash and cash equivalents	1	1
Other	12	11
Total	100%	100%

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

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, 2020 and 2019 are as follows:

	2020	2019
Discount rate	0.55%	0.36%
Long-term expected rate of return	2.00%	2.00%

The expected rates of salary increase for the years ended March 31, 2020 and 2019 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.

Defined contribution plans

The contributions of the Company and its subsidiaries to the defined contribution plans are ¥2,570 million (\$23,620 thousand) and ¥2,498 million for the years ended March 31, 2020 and 2019, respectively.

11. Income Taxes

Significant components of the deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets			
Elimination of unrealized profit in inventories	¥30,607	¥25,145	\$281,245
Net defined benefit liabilities	18,843	18,751	173,145
Net operating loss carryforwards	9,168	11,132	84,242
Devaluation of inventories	7,543	7,038	69,313
Accrued employees' bonuses	6,616	7,766	60,792
Accrued warranty expenses	4,069	3,846	37,389
Software	3,732	1,421	34,293
Other	14,641	13,952	134,535
Total gross deferred tax assets	95,221	89,054	874,959
Less valuation allowance	(8,392)	(8,535)	(77,119)
Total deferred tax assets	86,828	80,519	797,840
Deferred tax liabilities			
Net unrealized gains on investment securities	(8,886)	(5,747)	(81,659)
Undistributed earnings of subsidiaries	(8,165)	(7,559)	(75,031)
Other	(5,081)	(3,474)	(46,695)
Total deferred tax liabilities	(22,134)	(16,781)	(203,386)
Net deferred tax assets	¥64,694	¥63,737	\$594,453

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, 2020 and 2019.

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

The Company and its domestic subsidiaries calculated the amounts of deferred tax assets and deferred tax liabilities based on the Income Tax Act prior to amendment regarding the transition to group tax sharing system established in "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8 of 2020) and the items for which the single tax payment system was amended in line with the transition to group tax sharing system, in accordance with the treatment specified by paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020) instead of the provision of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019
Statutory tax rate in Japan	30.62%	30.62%
Adjustments:		
Tax credits	(5.96)	(6.52)
Difference in statutory tax rates of subsidiaries	(1.52)	(1.11)
Expenses not deductible for tax purposes	0.27	0.46
Others, net	0.88	(0.66)
Effective tax rate	24.29%	22.79%

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 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.

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 14, 2020, the distribution of cash dividends amounting to ¥53,351 million (\$490,224 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2020 since they are recognized in the period in which they are resolved at the board of directors' meeting. The dividends of ¥53,351 million include ¥161 million (\$1,483 thousand) related to treasury stock held by the BIP/ESOP Trusts.

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13. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized gains (losses) on investment securities			
Net unrealized gains (losses) arising during the year	¥10,339	¥(5,910)	\$95,008
Reclassification adjustments	(102)	—	(946)
Sub-total, before tax	10,236	(5,910)	94,061
Tax expense	(3,136)	1,808	(28,823)
Sub-total, net of tax	7,099	(4,102)	65,238
Net deferred gains (losses) on hedging instruments			
Net deferred gains (losses) arising during the year	9	(392)	90
Reclassification adjustments	—	—	—
Sub-total, before tax	9	(392)	90
Tax expense	(3)	120	(27)
Sub-total, net of tax	6	(272)	63
Foreign currency translation adjustments			
Adjustments during the year	(8,495)	(1,170)	(78,062)
Reclassification adjustments	33	—	310
Sub-total, before tax	(8,461)	(1,170)	(77,752)
Tax expense	—	—	—
Sub-total, net of tax	(8,461)	(1,170)	(77,752)
Remeasurements of defined benefit plans			
Adjustments during the year	1,217	(2,933)	11,189
Reclassification adjustments	3,443	2,875	31,637
Sub-total, before tax	4,660	(58)	42,826
Tax expense	(1,382)	(48)	(12,699)
Sub-total, net of tax	3,278	(106)	30,127
Share of other comprehensive income of associates accounted for using the equity method			
Adjustments during the year	(45)	119	(419)
Total other comprehensive income	¥ 1,878	¥(5,531)	\$17,256

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 360,400 shares of the Company were authorized and granted at an exercise price of ¥1 (\$0.01) for the year ended March 31, 2020.

A summary of stock options outstanding and exercisable as of March 31, 2020 and 2019 is as follows:

	2020		2019		
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		
Outstanding at the beginning of year	688,700	¥1	\$0.01	563,600	¥1
Granted	360,400	1	0.01	219,900	1
Exercised	182,200	1	0.01	94,800	1
Expired (forfeited)	—	—	—	—	—
Outstanding at the end of year	866,900	1	0.01	688,700	1
Exercisable at the end of year	141,900	1	0.01	129,700	1

Amounts expensed related to stock options

The amounts expensed related to stock options for the years ended March 31, 2020 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Selling, general and administrative expenses	¥4,059	¥3,618	\$37,301

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, 2020 was ¥11,264 (\$103.50) per unit, which was evaluated as follows:

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

	15th Stock Acquisition Rights
Volatility (Note 1)	34.04%
Expected residual period (Note 2)	5.68 years
Expected dividends (Note 3)	¥691 (\$6.35) per share
Risk-free interest rate (Note 4)	(0.24)%

- Notes:
1. Calculated based on the stock price performance for the period corresponding to the expected residual period (from October 2013 to June 2019).
 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, 2019 and 2018.
 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
	2020	2019	2020
Due within one year	¥ 3,915	¥ 3,694	\$ 35,979
Due over one year	7,608	8,577	69,909
Total	¥11,523	¥12,272	\$105,888

Note: Certain consolidated overseas subsidiaries adopted IFRS 16 "Leases" from the beginning of the fiscal year ended March 31, 2020. Accordingly, leases as a lessee which had been classified as operating leases under the previous accounting standard are not included in the amounts above as of March 31, 2020, since they are now recorded on the balance sheets in principle.

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.

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Fair value of financial instruments

Carrying amount and estimated fair value of financial instruments as of March 31, 2020 and 2019 are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded.

	Millions of yen	
	Carrying amount	Estimated fair value ¹
2020:		
Assets		
Cash and cash equivalents	¥247,959	¥247,959
Short-term investments	90,447	90,162
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥105 million)	150,029	150,029
Investment securities	37,030	37,030
Liabilities		
Trade notes and accounts payable	95,938	95,938
Derivatives (see note 17)		
Hedge accounting not applied	125	125
Hedge accounting applied	(47)	(47)

	Millions of yen	
	Carrying amount	Estimated fair value ¹
2019:		
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)

	Thousands of U.S. dollars	
	Carrying amount	Estimated fair value ¹
2020:		
Assets		
Cash and cash equivalents	\$2,278,408	\$2,278,408
Short-term investments	831,087	828,473
Trade notes and accounts receivable, net of allowance for doubtful accounts (\$968 thousand)	1,378,564	1,378,564
Investment securities	340,256	340,256
Liabilities		
Trade notes and accounts payable	881,543	881,543
Derivatives (see note 17)		
Hedge accounting not applied	1,151	1,151
Hedge accounting applied	(432)	(432)

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 6 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
	2020	2019	2020
	Reported amount in balance sheet		
Unlisted stocks	¥1,014	¥971	\$ 9,319
Other	330	15	3,034
Total	¥1,344	¥986	\$12,354

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

	Millions of yen	
	Within 1 year	After 1 through 5 years
2020:		
Cash and cash equivalents	¥247,959	¥—
Short-term investments	90,447	—
Trade notes and accounts receivable	150,134	—

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

	Thousands of U.S. dollars	
	Within 1 year	After 1 through 5 years
2020:		
Cash and cash equivalents	\$2,278,408	\$—
Short-term investments	831,087	—
Trade notes and accounts receivable	1,379,532	—

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, 2020 and 2019 are as follows:

1. Derivative financial instruments not designated as hedging instruments

	Millions of yen		
	Contract amount	Fair value	Gains (losses)
2020:			
Sell U.S. dollars	¥ 668	¥ (8)	¥ (8)
Sell EURO	525	(0)	(0)
Sell Swiss francs	61	0	0
Buy U.S. dollars	21,973	162	162
Buy Chinese yuan	2,105	(28)	(28)
Buy GBP	334	(1)	(1)
Buy Singapore dollars	303	0	0
Buy Taiwan dollars	45	1	1
Total	¥26,018	¥125	¥125

	Millions of yen		
	Contract amount	Fair value	Gains (losses)
2019:			
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

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		
	Contract amount	Contract amount due after 1 year	Fair value	Contract amount	Contract amount due after 1 year	Fair value
2020:						
Future transactions denominated in a foreign currency						
Sell U.S. dollars	¥4,281	¥—	¥(47)	\$39,338	\$—	\$(432)
Monetary assets and liabilities in foreign currency (Note)						
Sell U.S. dollars	1,818	—	—	16,712	—	—
Total	¥6,100	¥—	¥(47)	\$56,050	\$—	\$(432)

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

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.

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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, 2020 and 2019 is as follows:

	Millions of yen					
	Reportable Segment		Other	Total	Adjustments	Consolidated
	Semiconductor production equipment	FPD production equipment				
2020:						
Net sales						
Sales to external customers	¥1,060,997	¥66,092	¥ 197	¥1,127,286	¥ —	¥1,127,286
Intersegment sales or transfers	—	—	19,292	19,292	(19,292)	—
Total	1,060,997	66,092	19,489	1,146,578	(19,292)	1,127,286
Segment profit	270,496	10,589	852	281,937	(37,310)	244,626
Segment assets	538,532	42,215	2,864	583,612	694,882	1,278,495
Depreciation and amortization	16,072	1,242	194	17,509	11,598	29,107
Amortization of goodwill	196	—	—	196	—	196
Capital expenditures, including intangible assets	21,082	4,035	284	25,403	33,312	58,715

	Millions of yen					
	Reportable Segment		Other	Total	Adjustments	Consolidated
	Semiconductor production equipment	FPD production equipment				
2019:						
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

	Thousands of U.S. dollars					
	Reportable Segment		Other	Total	Adjustments	Consolidated
	Semiconductor production equipment	FPD production equipment				
2020:						
Net sales						
Sales to external customers	\$9,749,122	\$607,299	\$ 1,810	\$10,358,232	\$ —	\$10,358,232
Intersegment sales or transfers	—	—	177,268	177,268	(177,268)	—
Total	9,749,122	607,299	179,079	10,535,501	(177,268)	10,358,232
Segment profit	2,485,491	97,301	7,829	2,590,622	(342,834)	2,247,788
Segment assets	4,948,386	387,898	26,320	5,362,605	6,385,031	11,747,636
Depreciation and amortization	147,682	11,419	1,786	160,888	106,571	267,459
Amortization of goodwill	1,806	—	—	1,806	—	1,806
Capital expenditures, including intangible assets	193,723	37,082	2,618	233,424	306,092	539,517

- 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 ¥(37,310) million (\$342,834 thousand) and ¥(30,484) million for the years ended March 31, 2020 and 2019, respectively, mainly consists of research and development costs of ¥(19,796) million (\$181,902 thousand) and ¥(15,999) million for the years ended March 31, 2020 and 2019, respectively, pertaining to the Company's fundamental research and element research and other general and administrative costs that do not belong to the reportable segments.
- (2) "Adjustments" for segment assets totaling ¥694,882 million (\$6,385,031 thousand) and ¥712,501 million as of March 31, 2020 and 2019, 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 ¥33,312 million (\$306,092 thousand) and ¥29,082 million for the years ended March 31, 2020 and 2019, 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, 2020 and 2019 are as follows:

	Millions of yen							
	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
2020:								
Net sales	¥161,812	¥205,804	¥58,899	¥154,801	¥261,116	¥249,234	¥35,617	¥1,127,286

- 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 ¥205,783 million.

	Millions of yen							
	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
2019:								
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.

	Thousands of U.S. dollars							
	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
2020:								
Net sales	\$1,486,835	\$1,891,067	\$541,207	\$1,422,414	\$2,399,304	\$2,290,125	\$327,278	\$10,358,232

Note: Net sales of North America include sales in the U.S.A. of \$1,890,873 thousand.

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(2) Net property, plant and equipment by location as of March 31, 2020 and 2019 are as follows:

2020:	Millions of yen		
	Japan	Other	Total
Property, plant and equipment	¥139,098	¥36,481	¥175,580

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

2020:	Thousands of U.S. dollars		
	Japan	Other	Total
Property, plant and equipment	\$1,278,127	\$335,214	\$1,613,342

(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		Thousands of U.S. dollars	
		2020	2020	2020	2020
Intel Corporation	Semiconductor production equipment	¥230,340	\$2,116,517		
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	187,890	1,726,462		
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	120,127	1,103,810		

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

Name of customer	Related reportable segment	Millions of yen	
		2019	2019
Intel Corporation	Semiconductor production equipment	¥199,594	
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	175,315	
SK hynix Inc.	Semiconductor production equipment	174,468	
Micron Technology, Inc.	Semiconductor production equipment	131,821	

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, 2020 and 2019, and unamortized balances as of March 31, 2020 and 2019 are as follows:

2020:	Millions of yen		
	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	¥196	¥—	¥196
Goodwill	910	—	910

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

2020:	Thousands of U.S. dollars		
	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	\$1,806	\$—	\$1,806
Goodwill	8,369	—	8,369

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, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net income per share of common stock — Basic			
Net income attributable to owners of parent	¥185,206	¥248,228	\$1,701,799
Less components not pertaining to holders of common stock	—	—	—
Net income pertaining to holders of common stock	¥185,206	¥248,228	\$1,701,799
Weighted-average number of shares of common stock outstanding (thousands)	158,219	164,000	
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)	889	692	
Increase in number of share subscription rights (Thousands of share)	889	692	

Note: 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 472 thousand shares and 249 thousand shares as of March 31, 2020 and 2019, respectively, and the average number of treasury shares deducted in the calculation of net income per share and fully diluted net income per share was 398 thousand shares and 167 thousand shares for the fiscal years ended March 31, 2020 and 2019, respectively.