CONSOLIDATED FINANCIAL STATEMENTS FY2023

Year Ended March 31, 2023
with Independent Auditor's Report

TOKYO ELECTRON

Consolidated Balance Sheets

Tokyo Electron Limited and Subsidiaries
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
ASSETS	2023	2022	2023
Current assets:			
Cash and cash equivalents	¥472,471	¥335,648	$3,538,318
Short-term investments	628	35,626	4,709
Notes and accounts receivable - trade, and contract assets	464,889	433,948	3,481,536
Allowance for doubtful accounts	(184)	(160)	(1,383)
Inventories	652,208	473,845	4,884,358
Prepaid consumption tax	123,977	110,494	928,458
Other current assets	26,968	19,301	201,969
Total current assets	1,740,959	1,408,703	13,037,967
Property, plant and equipment:			
Land	31,283	31,052	234,278
Buildings and structures	248,421	233,553	1,860,417
Machinery and equipment	253,955	225,454	1,901,860
Construction in progress	39,605	20,095	296,605
Other property, plant and equipment	12,566	7,628	94,107
Total property, plant and equipment	585,831	517,784	4,387,268
Less: Accumulated depreciation	326,743	294,706	2,446,965
Net property, plant and equipment	259,088	223,078	1,940,303
Investments and other assets:			
Investment securities	165,507	144,972	1,239,476
Deferred tax assets	58,599	45,654	438,852
Net defined benefit assets	19,374	16,186	145,098
Intangible assets	28,559	22,540	213,881
Other assets	40,844	34,621	305,880
Allowance for doubtful accounts	(1,340)	(1,298)	(10,038)
Total investments and other assets	311,545	262,676	2,333,151
Total assets	¥2,311,594	¥1,894,457	$17,311,421

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
LIABILITIES AND NET ASSETS	2023	2022	2023
Current liabilities:			
Trade notes and accounts payable	¥116,317	¥120,908	$871,096
Income taxes payable	71,177	107,193	533,045
Customer advances	289,169	102,555	2,165,579
Accrued employees' bonuses	43,337	44,871	324,550
Accrued warranty expenses	34,382	26,568	257,486
Other current liabilities	75,509	66,482	565,487
Total current liabilities	629,893	468,578	4,717,245
Non-current liabilities:			
Net defined benefit liabilities	60,366	62,643	452,081
Other liabilities	21,808	16,186	163,325
Total non-current liabilities	82,175	78,829	615,407
Total liabilities	712,069	547,408	5,332,653
Net assets:			
Shareholders' equity			
Common stock Authorized: 300,000,000 shares Issued: 157,210,911 and 157,210,911 shares as of March 31, 2023 and 2022, respectively	54,961	54,961	411,601
Capital surplus	78,011	78,011	584,220
Retained earnings	1,322,203	1,104,983	9,901,919
Treasury stock, at cost 1,090,672 and 1,461,581 shares as of March 31, 2023 and 2022, respectively	(22,033)	(27,418)	(165,009)
Accumulated other comprehensive income			
Net unrealized gains on investment securities	107,452	93,492	804,709
Net deferred losses on hedging instruments	(46)	(52)	(344)
Foreign currency translation adjustments	43,091	30,640	322,712
Accumulated remeasurements of defined benefit plans	3,954	535	29,616
Share subscription rights	11,929	11,895	89,340
Total net assets	1,599,524	1,347,048	11,978,768
Total liabilities and net assets	¥2,311,594	¥1,894,457	$17,311,421

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net sales	¥2,209,025	¥2,003,805	$16,543,289
Cost of sales	1,224,617	1,091,983	9,171,102
Gross profit	984,408	911,822	7,372,186
Selling, general and administrative expenses	366,684	312,551	2,746,081
Operating income	617,723	599,271	4,626,105
Other income (expenses):			
Interest and dividend income	2,435	1,576	18,242
Share of profit of associates accounted for using the equity method	2,968	1,721	22,232
Revenue from grants	2,559	492	19,164
Gain on sales of property, plant and equipment	890	71	6,672
Foreign exchange loss, net	(1,401)	(2,447)	(10,498)
Loss on sales and disposal of property, plant and equipment	(781)	(406)	(5,850)
Loss on impairment of property, plant and equipment, goodwill and other assets	(438)	—	(3,284)
Additional payment of value-added tax	—	(4,577)	—
Other, net	899	996	6,739
Income before income taxes	624,856	596,698	4,679,523
Income taxes:			
Current	173,704	162,708	1,300,862
Deferred	(20,431)	(3,086)	(153,010)
Net income	471,584	437,076	3,531,671
Net income attributable to owners of parent	¥471,584	¥437,076	$3,531,671

	Yen		U.S. dollars
Per share of common stock (Note):			
Net income — basic	¥1,007.82	¥935.95	$7.55
Net income — diluted	1,003.86	931.30	7.52
Net assets	3,389.68	2,857.48	25.39
Cash dividends	1,711.00	1,403.00	12.81

Note: The Company implemented a 3-for-1 common stock split on April 1, 2023. Net income per share of common stock - basic, net income per share of common stock - diluted and net assets per share of common stock are calculated on the assumption that stock split was implemented at the beginning of the year ended March 31, 2022.
See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net income	¥471,584	¥437,076	$3,531,671
Other comprehensive income:			
Net unrealized gains on investment securities	13,951	27,374	104,480
Foreign currency translation adjustments	12,320	20,066	92,264
Remeasurements of defined benefit plans	3,382	1,594	25,334
Share of other comprehensive income of associates accounted for using the equity method	183	70	1,372
Total other comprehensive income	29,837	49,107	223,451
Comprehensive income	501,421	486,183	3,755,123
Total comprehensive income attributable to:			
Owners of parent	¥501,421	¥486,183	$3,755,123

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen									
	Shareholders' equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on investment securities	Net deferred losses on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Share subscription rights	Total net assets
Balance as of March 31, 2021	¥54,961	¥78,011	¥835,240	¥(30,744)	¥66,124	¥(79)	¥10,441	¥(978)	¥11,585	¥1,024,562
Cumulative effects of changes in accounting policies	—	—	(753)	—	—	—	—	—	—	(753)
Restated balance	54,961	78,011	834,486	(30,744)	66,124	(79)	10,441	(978)	11,585	1,023,809
Cash dividends	—	—	(166,252)	—	—	—	—	—	—	(166,252)
Net income attributable to owners of parent	—	—	437,076	—	—	—	—	—	—	437,076
Purchase of treasury stock	—	—	—	(15)	—	—	—	—	—	(15)
Disposal of treasury stock	—	—	(327)	3,341	—	—	—	—	—	3,014
Net changes except for shareholders' equity	—	—	—	—	27,367	26	20,199	1,513	310	49,417
Balance as of March 31, 2022	¥54,961	¥78,011	¥1,104,983	¥(27,418)	¥93,492	¥(52)	¥30,640	¥535	¥11,895	¥1,347,048
Cash dividends	—	—	(252,988)	—	—	—	—	—	—	(252,988)
Net income attributable to owners of parent	—	—	471,584	—	—	—	—	—	—	471,584
Purchase of treasury stock	—	—	—	(1,728)	—	—	—	—	—	(1,728)
Disposal of treasury stock	—	—	(1,375)	7,113	—	—	—	—	—	5,737
Net changes except for shareholders' equity	—	—	—	—	13,960	6	12,450	3,419	33	29,871
Balance as of March 31, 2023	¥54,961	¥78,011	¥1,322,203	¥(22,033)	¥107,452	¥(46)	¥43,091	¥3,954	¥11,929	¥1,599,524

	Thousands of U.S. dollars									
	Shareholders' equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on investment securities	Net deferred losses on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Share subscription rights	Total net assets
Balance as of March 31, 2022	$411,601	$584,220	$8,275,169	$(205,336)	$700,158	$(393)	$229,468	$4,010	$89,087	$10,087,986
Cash dividends	—	—	(1,894,621)	—	—	—	—	—	—	(1,894,621)
Net income attributable to owners of parent	—	—	3,531,671	—	—	—	—	—	—	3,531,671
Purchase of treasury stock	—	—	—	(12,944)	—	—	—	—	—	(12,944)
Disposal of treasury stock	—	—	(10,299)	53,270	—	—	—	—	—	42,971
Net changes except for shareholders' equity	—	—	—	—	104,551	49	93,244	25,606	253	223,704
Balance as of March 31, 2023	$411,601	$584,220	$9,901,919	$(165,009)	$804,709	$(344)	$322,712	$29,616	$89,340	$11,978,768

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥624,856	¥596,698	$4,679,523
Depreciation and amortization	42,927	36,727	321,484
Amortization of goodwill	168	206	1,262
Increase (decrease) in accrued employees' bonuses	(2,301)	9,540	(17,236)
Increase in accrued warranty expenses	7,594	9,614	56,878
Increase in notes and accounts receivable - trade, and contract assets	(24,750)	(195,543)	(185,354)
Increase in inventories	(173,487)	(100,309)	(1,299,238)
Increase (decrease) in trade notes and accounts payable	(11,406)	18,892	(85,420)
Increase in prepaid consumption tax	(13,390)	(27,675)	(100,281)
Increase in customer advances	185,616	32,031	1,390,070
Other, net	(3,354)	7,070	(25,124)
Subtotal	632,473	387,252	4,736,563
Receipts from interest and dividends	2,907	2,232	21,777
Income taxes paid	(209,111)	(106,098)	(1,566,023)
Net cash provided by operating activities	426,270	283,387	3,192,316
Cash flows from investing activities:			
Payment for purchases of short-term investments	(713)	(35,641)	(5,344)
Proceeds from redemption of short-term investments	35,731	45,618	267,589
Payment for purchases of property, plant and equipment	(66,897)	(56,153)	(500,992)
Payment for acquisition of intangible assets	(9,416)	(8,950)	(70,523)
Other, net	(459)	(504)	(3,438)
Net cash used in investing activities	(41,756)	(55,632)	(312,709)
Cash flows from financing activities:			
Payment for purchases of treasury stock	(1,728)	(15)	(12,944)
Dividends paid	(252,988)	(166,252)	(1,894,621)
Other, net	(1,817)	(988)	(13,608)
Net cash used in financing activities	(256,534)	(167,256)	(1,921,174)
Effect of exchange rate changes on cash and cash equivalents	8,843	9,156	66,230
Net increase in cash and cash equivalents	136,823	69,655	1,024,663
Cash and cash equivalents at beginning of year	335,648	265,993	2,513,654
Cash and cash equivalents at end of year	¥472,471	¥335,648	$3,538,318

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2023 and 2022

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, 2023 and 2022 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 ¥133.53 to $1.00, the approximate rate as of March 31, 2023. 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 27 and 26 subsidiaries as of March 31, 2023 and 2022, respectively. All significant inter-company transactions and account balances have been eliminated through consolidation procedures.

There is 1 affiliate accounted for using the equity method as of March 31, 2023 and 2022.

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 and currency option 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 (loss) 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, 2023 and 2022. 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 (loss) in the consolidated balance sheets. 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 selling price, 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 and structures, 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 and structures	2 to 60 years
Machinery and equipment	2 to 20 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 Company and its domestic subsidiaries provide an allowance for doubtful accounts 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. Overseas subsidiaries provide an allowance for doubtful accounts based on an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(l) Accrued employees' bonuses
The provision for accrued employees' bonuses is provided based on the estimated payments to be made in respect of the fiscal year.

(m) 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.

(n) Accrued warranty expenses
Tokyo Electron's products are generally subject to warranty, and Tokyo Electron accrues estimated warranty costs. Estimated after-sale repair expenses over warranty periods are accrued based on the historical ratio of actual repair expenses to corresponding sales.

(o) Derivatives and hedge accounting
The Company and certain subsidiaries (hereinafter "the Group") 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 actual demands, and the Group does not trade in derivatives for speculative purposes.

Derivatives are carried at fair value in the consolidated balance sheets 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) in the consolidated balance sheets. Receivables, payables and foreign currency forecast transactions hedged by qualified forward foreign exchange contracts and currency option contracts are translated at the corresponding contract rates.

(p) 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.

(q) Revenue recognition

Nature of main performance obligations in the principal business

Tokyo Electron principally develops, manufactures, and sells semiconductor production equipment and flat panel display (FPD) production equipment, and provides field solution services such as spare parts, services and modifications for installed equipment, and sales of used equipment. Regarding sales of equipment, transfer of goods, provision of set-up services, sales of spare parts, and provision of modifications and maintenance services are identified as major performance obligations.

Timing of satisfaction of performance obligations (Timing of revenue recognition)

Regarding sales of semiconductor and FPD production equipment, revenue for the transfer of goods and provision of set-up services is principally recognized when goods are delivered to customers and provision of set-up services is completed. Regarding sales of spare parts, revenue is recognized when spare parts are delivered to customers. Regarding modifications, revenue is principally recognized when modifications are completed. Regarding maintenance services, revenue is principally recognized over the term of the contracts with customers.

(r) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥191,196 million ($1,431,862 thousand) and ¥158,256 million for the years ended March 31, 2023 and 2022, respectively.

(s) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended March 31, 2023.

3. Significant Accounting Estimates

1. Valuation of inventories

(1) Carrying amounts in the consolidated financial statements ¥652,208 million ($4,884,358 thousand) and ¥473,845 million as of March 31, 2023 and 2022, respectively.

(2) Information on the nature of significant accounting estimates

Inventories are principally stated at cost on the consolidated balance sheets. When the net selling price for inventory decreases below its cost at the end of the fiscal year, the Company writes down inventories in an amount equal to the difference between the cost of the inventory and the net selling price.

Inventories aged over a certain holding period are classified based on the expected use and salability and are then systematically written down according to their classification.

The carrying amount of inventories to be disposed of is written down to the estimated disposal value.

The valuation of inventories is based on forecasts of future demand and prospects for the market environment. The semiconductor industry, where Tokyo Electron operates, is influenced by the short-term unbalance between supply and demand, and the market could undergo fluctuations. Unforeseen rapid contraction of the semiconductor market could lead to additional write downs of inventories in the consolidated financial statements for the next fiscal year.

2. Accrued warranty expenses

(1) Carrying amounts in the consolidated financial statements ¥34,382 million ($257,486 thousand) and ¥26,568 million as of March 31, 2023 and 2022, respectively.

(2) Information on the nature of significant accounting estimates

The Company accrues estimated warranty costs. Estimated after-sale repair expenses over warranty periods are accrued based on the historical ratio of actual repair expenses to corresponding sales.

Tokyo Electron's products are based on the integration of numerous leading-edge technologies. The occurrence of unforeseen defects could lead to additional after-sale repair expenses in the consolidated financial statements for the next fiscal year.

4. Changes in Accounting Policies and Adoption of New Accounting Standards

Year ended March 31, 2022

Application of Accounting Standard for Revenue Recognition

From the beginning of the fiscal year ended March 31, 2022, the Company and its consolidated domestic subsidiaries apply "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and recognizes revenue based on the amounts expected to be received in exchange for the promised goods or services as the control of such goods or services are transferred to customers.

Regarding sales of semiconductor and FPD production equipment, goods and set-up services to be transferred were previously identified as a single performance obligation and revenue was recorded at the time of the confirmation of set-up in principle. Going forward, performance obligations related to goods and set-up services to be transferred for equipment are separately identified and revenue is recognized when each performance obligation is satisfied, which is when equipment is delivered to customers and services related to setting up equipment are completed.

In addition, in cases where a series of transactions for sales of equipment are transacted with the same customer, there can be special prices such as corresponding to total purchase quantities. For such series of transactions with special prices, revenue was previously recognized based on the price for each order. However, on the grounds that the sales prices of transactions fluctuates based on future purchase quantities, the accounting method is changed to treat those special prices as variable consideration, and include it in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022, was added to or deducted from the beginning balance of retained earnings of the fiscal year ended March 31, 2022.

In addition, "Trade notes and accounts receivable" presented under "Current assets" in the consolidated balance sheets for the consolidated fiscal year ended March 31, 2021 was included in "Notes and accounts receivable - trade, and contract assets" from the fiscal year ended March 31, 2022. In accordance with the transitional treatment prescribed in the paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the consolidated fiscal year ended March 31, 2021 have not been restated in accordance with the new approach to presentation.

As a result, in comparison with the method prior to the application of the Accounting Standard for Revenue Recognition, the consolidated balance sheet as of March 31, 2022 changed, mainly including an increase of ¥176,527 million in notes and accounts receivable - trade, and contract assets, a decrease of ¥118,589 million in inventories, and a decrease of ¥47,472 million in customer advances. In the consolidated statement of income for the year ended March 31, 2022, net sales increased by ¥195,058 million, cost of sales increased by ¥88,084 million, and each of operating income and income before income taxes increased by ¥106,974 million, accordingly.

The consolidated statement of cash flows for the year ended March 31, 2022 changed, mainly including an increase of ¥106,974 million in income before income taxes, an increase of ¥69,043 million in increase in inventories, a decrease of ¥139,564 million in increase in notes and accounts receivable - trade, and contract assets, and a decrease of ¥35,234 million in increase (decrease) in customer advances.

Due to the reflection of the cumulative effect on net assets as of April 1, 2021, the beginning balance of retained earnings in the consolidated statement of changes in net assets decreased by ¥753 million.

In addition, the effect on per share information of the fiscal year ended March 31, 2022 is described in Note 21.

Furthermore, in accordance with the transitional treatment prescribed in paragraph 89-3 of the Accounting Standard for Revenue Recognition, Note 19. does not include information for the fiscal year ended March 31, 2021.

Application of Accounting Standard for Fair Value Measurement

From the beginning of the fiscal year ended March 31, 2022, Tokyo Electron applies "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement are adopted prospectively. There is no effect from this change on the consolidated financial statements.

The breakdown of fair value of financial instruments by level is stated in Note 17. In accordance with the transitional treatment prescribed in paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the Note does not include information for the fiscal year ended March 31, 2021.

5. Additional Information

Transactions for Delivery of the Company's Own Stock to Employees and others through Trusts

Tokyo Electron introduced stock delivery schemes (hereinafter "the Schemes") as a common global incentive plan. The purpose of the Schemes is to encourage the directors of the Company and its subsidiaries (excluding outside directors), corporate officers, executive officers and senior and mid-level employees to contribute to improving medium-term business performance, as well as to share a shareholder perspective by holding Company shares and raising awareness towards enhancing corporate value.

For the Company's outside directors, the Company has introduced non-performance-linked stock-based compensation as a system that is more consistent with their expected role of advising management from the perspective of increasing corporate value over the medium- to long-term, in addition to management supervision. In accordance with that objective, the Company's outside directors are now within the scope of the Schemes.

Tokyo Electron adopted the "Practical Solution on Transactions for Delivery of the Company's Own Stock to Employees, and others 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 and the corporate officers of the Company and its subsidiaries 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 ¥1,576 million ($11,805 thousand) and 64,964 shares, respectively, as of March 31, 2023, and were ¥1,744 million and 80,538 shares, respectively, as of March 31, 2022.

The Company implemented a 3-for-1 common stock split on April 1, 2023. The number of treasury shares presented above is based on the number before the stock split.

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 ¥10,555 million ($79,049 thousand) and 435,915 shares, respectively, as of March 31, 2023, and were ¥11,409 million and 529,991 shares, respectively, as of March 31, 2022.

The Company implemented a 3-for-1 common stock split on April 1, 2023. The number of treasury shares presented above is based on the number before the stock split.

6. Accounting Standards Issued but Not yet Adopted
"Accounting Standard for Current Income Taxes"
(ASBJ Statement No. 27, October 28, 2022)
"Accounting Standard for Presentation of Comprehensive Income"
(ASBJ Statement No. 25, October 28, 2022)
"Implementation Guidance on Tax Effect Accounting"
(ASBJ Guidance No. 28, October 28, 2022)

(1) Overview
"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28), etc. (hereinafter, "Statement No.28, etc.") were published on February, 2018 and thus the responsibility for implementation guidance on tax effect accounting was transferred from the JICPA to the ASBJ.

In the process of deliberation of the newly issued standards and guidance above, the following two issues, which were to be reviewed after the publication of Statement No.28, etc., were deliberated and new requirements published.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on the sale of shares of subsidiaries and affiliates when the group taxation regime is applied

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2025.

(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.

7. Securities
Other securities as of March 31, 2023 and 2022 are as follows:

	Millions of yen	
2023:	Cost	Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	¥7,191	¥162,237
Securities with carrying value not exceeding acquisition cost		
Equity securities	3,165	3,118
Total	¥10,357	¥165,355

	Millions of yen	
2022:	Cost	Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	¥7,904	¥142,831
Securities with carrying value not exceeding acquisition cost		
Equity securities	2,023	1,991
Total	¥9,927	¥144,822

	Thousands of U.S. dollars	
2023:	Cost	Carrying value
Non-current		
Securities with carrying value exceeding acquisition cost		
Equity securities	$53,855	$1,214,987
Securities with carrying value not exceeding acquisition cost		
Equity securities	23,708	23,355
Total	$77,563	$1,238,342

Held-to-maturity securities classified as current assets are ¥0 million ($7 thousand) and ¥97,000 million as of March 31, 2023 and 2022, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2023 and 2022 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Held-to-maturity (current)	¥0	¥97,000	$7
Deposits and low-risk financial instruments with original maturities of three months or less	—	(62,000)	—
Deposits with original maturities of more than three months	627	626	4,702
Short-term investments	¥628	¥35,626	$4,709

Net loss on devaluation of investment securities was none and immaterial for the years ended March 31, 2023 and 2022, respectively.

For the years ended March 31, 2023 and 2022, the Company sold available-for-sale securities and the amounts were immaterial.

8. Inventories
Inventories as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Finished products	¥236,795	¥183,512	$1,773,351
Work in process, raw materials and supplies	415,412	290,332	3,111,007
Total	¥652,208	¥473,845	$4,884,358

The amounts of change in inventory provision included in cost of sales in the consolidated statements of income for the years ended March 31, 2023 and 2022 were an increase of ¥10,788 million ($80,791 thousand) and ¥308 million, respectively.

9. Pledged Assets
Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2023 and 2022.

10. Short-term Borrowings
There are no short-term borrowings classified as current liabilities as of March 31, 2023 and 2022.

As of March 31, 2023 and 2022, Tokyo Electron had unused lines of credit amounting to ¥329,491 million ($2,467,545 thousand) and ¥276,988 million, respectively.

11. 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
	2023	2022	2023
Balance at April 1, 2022 and 2021	¥126,639	¥124,212	$948,398
Service cost	6,724	6,463	50,362
Interest cost	1,017	842	7,622
Actuarial gain (loss)	(6,403)	(484)	(47,958)
Benefits paid	(5,491)	(5,075)	(41,124)
Foreign currency exchange rate changes	228	530	1,712
Other	60	149	453
Balance at March 31, 2023 and 2022	¥122,776	¥126,639	$919,467

(2) Movement of plan assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at April 1, 2022 and 2021	¥80,292	¥74,095	$601,307
Expected return on plan assets	1,834	1,577	13,741
Actuarial gain (loss)	(1,044)	605	(7,822)
Employer contributions	2,332	5,211	17,471
Benefits paid	(1,877)	(1,719)	(14,057)
Foreign currency exchange rate changes	246	522	1,845
Balance at March 31, 2023 and 2022	¥81,785	¥80,292	$612,484

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded defined benefit obligations	¥63,718	¥65,330	$477,187
Plan assets	(81,785)	(80,292)	(612,484)
Funded status	(18,066)	(14,961)	(135,296)
Unfunded defined benefit obligations	59,057	61,309	442,279
Net defined benefit liabilities at March 31, 2023 and 2022	¥40,991	¥46,347	$306,983
Net defined benefit liabilities	60,366	62,533	452,081
Net defined benefit assets	(19,374)	(16,186)	(145,098)
Net defined benefit liabilities at March 31, 2023 and 2022	¥40,991	¥46,347	$306,983

Note: The provision for accrued pension and severance costs for directors and audit & supervisory board members of ¥110 million as of March 31, 2022 is not included.

(4) Defined benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥6,724	¥6,463	$50,362
Interest cost	1,017	842	7,622
Expected return on plan assets	(1,834)	(1,577)	(13,741)
Net actuarial gain amortization	(482)	952	(3,611)
Prior service cost amortization	—	338	—
Other	212	329	1,591
Total defined benefit costs for the years ended March 31, 2023 and 2022	¥5,638	¥7,350	$42,225

(5) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost (before tax)	¥—	¥338	$—
Actuarial gain (before tax)	4,826	1,917	36,142
Total	¥4,826	¥2,256	$36,142

(6) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net actuarial gain (loss) that is yet to be recognized (before tax)	¥5,858	¥1,032	$43,874

(7) Plan assets

1. Plan assets comprise:

	2023	2022
Life insurance company general account	30%	31%
Alternative investments (Note)	26	25
Bonds	14	14
Equity securities	14	14
Cash and cash equivalents	2	5
Other	14	11
Total	100%	100%

Note: Alternative investments mainly consist of hedge funds, multi-assets, real estate, infrastructure 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, 2023 and 2022 are as follows:

	2023	2022
Discount rate	1.02%	0.54%
Long-term expected rate of return	2.00%	2.00%

The expected rates of salary increase for the years ended March 31, 2023 and 2022 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 ¥3,928 million ($29,417 thousand) and ¥3,123 million for the years ended March 31, 2023 and 2022, respectively.

12. Income Taxes

Significant components of the deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets			
Elimination of unrealized profit in inventories	¥29,274	¥21,936	$219,233
Net defined benefit liabilities	18,483	19,250	138,419
Software	17,079	11,494	127,908
Devaluation of inventories	11,781	7,908	88,229
Accrued warranty expenses	9,287	7,181	69,553
Accrued employees' bonuses	7,795	9,605	58,381
Research and development expenses	6,963	—	52,148
Other	32,214	30,455	241,250
Total gross deferred tax assets	132,879	107,832	995,126
Less valuation allowance	(6,102)	(5,467)	(45,701)
Total deferred tax assets	126,776	102,364	949,424
Deferred tax liabilities			
Net unrealized gains on investment securities	(47,422)	(41,253)	(355,143)
Undistributed earnings of subsidiaries	(12,848)	(11,506)	(96,219)
Other	(8,587)	(5,397)	(64,309)
Total deferred tax liabilities	(68,857)	(58,157)	(515,672)
Net deferred tax assets	¥57,918	¥44,207	$433,751

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, 2023 and 2022.

Year ended March 31, 2023

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

The Company and its wholly-owned domestic subsidiaries account for, and make disclosures in relation to, corporate tax, local tax and related tax effects in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No.42, August 12, 2021).

Year ended March 31, 2022

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).

The Company and its domestic subsidiaries will transition from a consolidated tax filing system to a group tax sharing system for corporate tax purpose from the next fiscal year.

From the beginning of the next fiscal year, the Company and its domestic subsidiaries will apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No.42, August 12, 2021) which provides the practical solution on the accounting and the disclosure of corporate tax, local tax, and tax effect accounting.

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022
Statutory tax rate in Japan	30.62%	30.62%
Adjustments:		
Tax credits	(5.55)	(4.14)
Difference in statutory tax rates of subsidiaries	(1.15)	(0.87)
Others, net	0.61	1.14
Effective tax rate	24.53%	26.75%

13. 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 11, 2023, the distribution of cash dividends amounting to ¥133,754 million ($1,001,680 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2023 since they are recognized in the period in which they are resolved at the board of directors' meeting. The dividends of ¥133,754 million include ¥427 million ($3,203 thousand) related to treasury stock held by the BIP/ESOP Trusts.

14. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized gains on investment securities			
Net unrealized gains arising during the year	¥20,356	¥39,592	$152,450
Reclassification adjustments	(239)	(132)	(1,796)
Sub-total, before tax	20,116	39,459	150,653
Tax expense	(6,165)	(12,085)	(46,173)
Sub-total, net of tax	13,951	27,374	104,480
Foreign currency translation adjustments			
Adjustments during the year	12,341	20,105	92,426
Reclassification adjustments	—	—	—
Sub-total, before tax	12,341	20,105	92,426
Tax expense	(21)	(38)	(162)
Sub-total, net of tax	12,320	20,066	92,264
Remeasurements of defined benefit plans			
Adjustments during the year	5,308	964	39,753
Reclassification adjustments	(482)	1,291	(3,611)
Sub-total, before tax	4,826	2,256	36,142
Tax expense	(1,443)	(661)	(10,807)
Sub-total, net of tax	3,382	1,594	25,334
Share of other comprehensive income of associates accounted for using the equity method			
Adjustments during the year	183	70	1,372
Total other comprehensive income	¥29,837	¥49,107	$223,451

15. Share Subscription Rights

Stock option plan

The Company's shareholders have approved annual stock option plans for directors and selected employees since the year ended March 31, 1999. The options under the plans vest immediately 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 77,000 shares and 70,000 shares of the Company were authorized and granted at exercise prices of ¥1 ($0.01) and ¥1 for the years ended March 31, 2023 and 2022, respectively.

A summary of stock options outstanding and exercisable as of March 31, 2023 and 2022 is as follows:

	2023			2022	
	Number of shares	Weighted-average exercise price		Number of shares	Weighted-average exercise price
		Yen	U.S. dollars		Yen
Outstanding at the beginning of year	704,500	¥1	$0.01	828,100	¥1
Granted	77,000	1	0.01	70,000	1
Exercised	261,900	1	0.01	193,600	1
Expired (forfeited)	—	—	—	—	—
Outstanding at the end of year	519,600	1	0.01	704,500	1
Exercisable at the end of year	241,800	1	0.01	143,300	1

Note: The Company implemented a 3-for-1 common stock split on April 1, 2023. The numbers before the stock split are presented above.

Amounts expensed related to stock options

The amounts expensed related to stock options for the years ended March 31, 2023 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Selling, general and administrative expenses	¥3,048	¥3,226	$22,831

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, 2023 and 2022 were ¥39,594 ($296.52) and ¥46,086 per unit, which were evaluated as follows:

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

	18th Stock Acquisition Rights	17th Stock Acquisition Rights
Volatility (Note 1)	36.25%	34.86%
Expected residual period (Note 2)	5.17 years	5.26 years
Expected dividends (Note 3)	¥1,092 ($8.18) per share	¥684.50 per share
Risk-free interest rate (Note 4)	0.10%	(0.10)%

Notes: 1. Calculated based on the stock price performance for the period corresponding to the expected residual period (from April 2017 to June 2022 and March 2016 to June 2021 for 18th and 17th Stock Acquisition Rights).
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, 2022 and 2021, and the years ended March 31, 2021 and 2020, for 18th and 17th Stock Acquisition Rights.
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.

The Company implemented a 3-for-1 common stock split on April 1, 2023. The price of fair value presented above is based on the price before the stock split.

16. Leases

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due within one year	¥4,286	¥4,428	$32,099
Due over one year	12,166	12,816	91,117
Total	¥16,453	¥17,244	$123,216

Note: Leases of consolidated overseas subsidiaries as a lessee are not included in the amounts above, since they are recorded on the balance sheets in principle.

17. Fair Value of Financial Instruments

Policy for financial instruments

Tokyo Electron limits its fund management to short-term bank deposits and low-risk financial instruments.

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 mainly consist of 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 18 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, 2023 and 2022 are set out below.

	Millions of yen	
2023:	Carrying amount	Estimated fair value[1]
Assets		
Short-term investments	¥0	¥1
Investment securities	162,389	162,387
Derivatives (see Note 18)		
Hedge accounting not applied	48	48
Hedge accounting applied	—	—

	Millions of yen	
2022:	Carrying amount	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥10,000	¥10,002
Short-term investments	35,000	34,990
Investment securities	142,993	142,990
Derivatives (see Note 18)		
Hedge accounting not applied	1,358	1,358
Hedge accounting applied	—	—

	Thousands of U.S. dollars	
2023:	Carrying amount	Estimated fair value[1]
Assets		
Short-term investments	$7	$7
Investment securities	1,216,125	1,216,115
Derivatives (see Note 18)		
Hedge accounting not applied	360	360
Hedge accounting applied	—	—

Notes: 1. A part of Cash and cash equivalents and Short-term investments, Notes and accounts receivable - trade, and contract assets and Trade notes and account payable are omitted because they are cash or settled in a short period of time and the fair values approximate the book values.
2. The following financial instruments classified as stocks without market prices and similar financial instruments are not included in the above.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
	Reported amount in balance sheet		
Unlisted stocks	¥3,118	¥1,978	$23,351

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

	Millions of yen	
2023:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥472,471	¥—
Short-term investments	628	—
Trade notes and accounts receivable	440,009	—
Investment securities	—	151

	Millions of yen	
2022:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥335,648	¥—
Short-term investments	35,626	—
Trade notes and accounts receivable	415,333	—
Investment securities	—	149

	Thousands of U.S. dollars	
2023:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	$3,538,318	$—
Short-term investments	4,709	—
Trade notes and accounts receivable	3,295,212	—
Investment securities	—	1,133

Hierarchy by level for fair value of financial instruments

The fair values of financial instruments are classified into the following three levels according to the observability and significance of the inputs used in fair value measurements:

Level 1: Fair values measured based on quoted prices of the assets or liabilities being measured which are available in active markets as observable valuation inputs
Level 2: Fair values measured based on inputs other than inputs included within Level 1 as observable valuation inputs
Level 3: Fair values measured based on unobservable valuation inputs

When several inputs that have a significant impact on fair value measurements are used, the fair values are categorized into the lowest level in the hierarchy for fair value measurements among the levels to which each of the inputs belongs.

(1) Financial instruments recorded at fair value in the consolidated balance sheets

	Millions of yen			
	Fair value			
2023:	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥162,237	¥—	¥—	¥162,237
Derivatives				
Currency-Related Transactions	—	48	—	48
Total	¥162,237	¥48	¥—	¥162,286

	Millions of yen			
	Fair value			
2022:	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥142,844	¥—	¥—	¥142,844
Derivatives				
Currency-Related Transactions	—	1,358	—	1,358
Total	¥142,844	¥1,358	¥—	¥144,203

	Thousands of U.S. dollars			
	Fair value			
2023:	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	$1,214,991	$—	$—	$1,214,991
Derivatives				
Currency-Related Transactions	—	360	—	360
Total	$1,214,991	$360	$—	$1,215,352

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheets

	Millions of yen			
	Fair value			
2023:	Level 1	Level 2	Level 3	Total
Short-term investments and Investment securities				
Held-to-maturity securities				
Other	¥—	¥151	¥—	¥151
Total	¥—	¥151	¥—	¥151

	Millions of yen			
	Fair value			
2022:	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, Short-term investments, and Investment securities				
Held-to-maturity securities				
Corporate bonds	¥—	¥44,991	¥—	¥44,991
Other	—	146	—	146
Total	¥—	¥45,138	¥—	¥45,138

	Thousands of U.S. dollars			
	Fair value			
2023:	Level 1	Level 2	Level 3	Total
Short-term investments and Investment securities				
Held-to-maturity securities				
Other	$—	$1,131	$—	$1,131
Total	$—	$1,131	$—	$1,131

Note: Explanation of valuation techniques and valuation inputs used in fair value measurements

Cash and cash equivalents, short-term investments, and investment securities

Listed securities and bonds are evaluated using the market prices. Listed securities are traded on active markets, so the fair values are classified as Level 1. On the other hand, bonds held by Tokyo Electron are traded infrequently on the market and their values are not recognized as the market price on an active market, so the fair values are classified as Level 2.

Derivatives

The fair values of currency-related transactions are calculated using the discounted present value method with observable inputs such as interest rates and foreign exchange rates and are classified as Level 2.

18. Derivative Financial Instruments

Tokyo Electron and certain subsidiaries are subject to risk from adverse fluctuations in foreign currency exchange rates in its operating and financing activities. The Group enters into forward foreign exchange contracts in order to hedge such risks, but do not enter into such transactions and currency option contracts for speculative purposes. The Group implements a ratio analysis of the total cumulative cash flow fluctuations or market fluctuations for the hedged item or the hedging instrument 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 Group 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, 2023 and 2022 are as follows:

1. Derivative financial instruments not designated as hedging instruments

	Millions of yen		
2023:	Contract amount	Fair value	Gains (losses)
Buy U.S. dollars	¥7,085	¥40	¥40
Buy Chinese yuan	6,448	(3)	(3)
Buy Korean won	1,547	13	13
Buy Singapore dollars	702	(2)	(2)
Total	¥15,784	¥48	¥48

	Millions of yen		
2022:	Contract amount	Fair value	Gains (losses)
Sell U.S. dollars	¥3,660	¥(10)	¥(10)
Buy U.S. dollars	23,250	1,071	1,071
Buy Chinese yuan	6,276	297	297
Buy EURO	819	0	0
Buy Singapore dollars	271	(0)	(0)
Total	¥34,278	¥1,358	¥1,358

	Thousands of U.S. dollars		
2023:	Contract amount	Fair value	Gains (losses)
Buy U.S. dollars	$53,064	$300	$300
Buy Chinese yuan	48,294	(25)	(25)
Buy Korean won	11,586	103	103
Buy Singapore dollars	5,263	(17)	(17)
Total	$118,208	$360	$360

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 none as of March 31, 2023 and 2022.

19. Revenue Recognition

Disaggregation of revenue arising from contracts with customers

Disaggregation of revenue by geographic regions, and types of products and services for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen			
	Reportable Segment			
2023:	Semiconductor production equipment	FPD production equipment	Other (Note 1)	Total
Geographic regions:				
Japan	¥238,394	¥1,397	¥144	¥239,937
North America	344,327	18	—	344,346
Europe	184,261	—	—	184,261
South Korea	349,568	9,131	—	358,700
Taiwan	420,269	12,384	—	432,653
China	496,755	30,682	—	527,438
Others	121,628	60	—	121,688
Total	¥2,155,206	¥53,674	¥144	¥2,209,025
Products and services:				
New equipment (Note 2)	1,692,796	42,009	—	1,734,806
Field solution services and Others (Note 2)	462,409	11,664	144	474,218
Total	¥2,155,206	¥53,674	¥144	¥2,209,025

	Millions of yen			
	Reportable Segment			
2022:	Semiconductor production equipment	FPD production equipment	Other (Note 1)	Total
Geographic regions:				
Japan	¥228,902	¥1,334	¥131	¥230,368
North America	268,065	—	—	268,065
Europe	107,954	—	—	107,954
South Korea	377,767	3,407	—	381,175
Taiwan	359,225	2,343	—	361,569
China	513,529	52,689	—	566,219
Others	88,398	54	—	88,453
Total	¥1,943,843	¥59,830	¥131	¥2,003,805
Products and services:				
New equipment (Note 2)	1,499,079	48,610	—	1,547,689
Field solution services and Others (Note 2)	444,764	11,220	131	456,116
Total	¥1,943,843	¥59,830	¥131	¥2,003,805

2023:	Thousands of U.S. dollars			
	Reportable Segment			
	Semiconductor production equipment	FPD production equipment	Other (Note 1)	Total
Geographic regions:				
Japan	$1,785,329	$10,464	$1,084	$1,796,877
North America	2,578,656	135	—	2,578,791
Europe	1,379,926	—	—	1,379,926
South Korea	2,617,905	68,387	—	2,686,292
Taiwan	3,147,376	92,745	—	3,240,121
China	3,720,178	229,781	—	3,949,959
Others	910,868	450	—	911,319
Total	$16,140,239	$401,964	$1,084	$16,543,289
Products and services:				
New equipment (Note 2)	12,677,274	314,610	—	12,991,885
Field solution services and Others (Note 2)	3,462,965	87,354	1,084	3,551,403
Total	$16,140,239	$401,964	$1,084	$16,543,289

Notes: 1. "Other" includes all other operating segments which are not included in the reportable segments, including the group-wide logistic services, facility maintenance and insurance.
2. "New equipment" includes sales of new equipment and set-up services to be transferred for equipment. "Field solution services and Others" includes spare parts, services and modifications for installed equipment, and sales for used equipment.
3. Net sales amounting to ¥2,209,025 million and ¥2,003,805 million recorded in the consolidated statements of income for the years ended March 31, 2023 and 2022, respectively, are mainly "Revenue arising from contracts with customers". Revenue arising from other sources is included in the "Disaggregation of revenue arising from contracts with customers" because its amount is immaterial. Most of the revenue arising from contracts with customers is arising from goods or services transferred to customers at a point in time. Maintenance services included in field solution services are revenue arising from services provided to customers over time and are recognized revenue over time. However, it is not separately disclosed in the "Disaggregation of revenue arising from contracts with customers" because it is immaterial.

Basic information for the understanding of revenue arising from contracts with customers

Information on performance obligations (the nature of performance obligations (the nature of the goods or services that Tokyo Electron has promised to transfer to the customer))

In the business of semiconductor production equipment and FPD production equipment, Tokyo Electron delivers equipment and provides equipment installation at customer's sites and adjustment to adequately demonstrate equipment performance to satisfy customers' specifications.

It also provides field solution services such as spare parts, services and modifications for installed equipment, and sales for used equipment.

Regarding sales of semiconductor and FPD production equipment, performance obligations related to transfer of goods and provision of set-up services are separately identified. Regarding sales of spare parts, performance obligations related to each spare parts delivery are separately identified. Regarding modifications, modification parts delivery and modification operation by using these modification parts are identified as a single performance obligation. In addition, provision of maintenance services is identified as a performance obligation.

Timing of satisfaction of performance obligations (Timing of revenue recognition)

Revenue related to equipment delivery is principally recognized when the equipment is transferred to the customer because the legal title to the equipment is transferred to the customer, the customer obtains control of the equipment, and the performance obligation is considered satisfied.

Revenue related to provision of set-up services is principally recognized when the equipment is installed at the customer's site and adjustment to adequately demonstrate equipment performance to satisfy customers' specification is completed, and the performance obligation is considered satisfied.

Revenue related to spare parts is recognized when spare parts are transferred to the customer because the legal title to spare parts is transferred to the customer, the customer obtains control of spare parts, and the performance obligation is considered satisfied.

Revenue related to modifications is principally recognized when the modification is completed, and the performance obligation is considered satisfied.

Revenue related to maintenance services is recognized over the term of the contracts with customers because the performance obligation is satisfied over time.

Payment terms

The transaction consideration is received according to the contract terms with customers. Since the period between satisfaction of performance obligations and payments of transaction consideration generally does not exceed one year, transaction consideration does not include a significant financing component. According to the contracts with customers, in some cases advance payments are received before all performance obligations are satisfied.

Determination of transaction price

Transaction prices are determined at the time of the commencement of the transaction with customers.

In cases where a series of transactions for sales of equipment are transacted with the same customer, there can be special prices such as corresponding to purchase quantities. For such series of transactions with special prices, on the grounds that the sales price of transactions fluctuates based on future purchase quantities, the special prices are treated as variable consideration and included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Transaction prices are estimated including variable consideration by using customers' planned purchase quantities or planned sales quantities to which special prices apply, which are indicated when such series of transactions with special prices are proposed. Estimation of variable consideration is periodically revised based on the status of transactions with customers.

Allocation of transaction price to performance obligations

Allocation of transaction prices to performance obligations reflects the amount of consideration expected to be received in exchange for transferring goods or services to customers. Transaction prices are allocated to each performance obligation identified in the contracts based on the relative stand-alone selling prices of goods or services. If the stand-alone selling price of goods or services is not directly observable, the stand-alone selling price is estimated based on the cost approach by adding an appropriate margin to expected costs calculated based on historical actual costs.

Relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and information on the amount and timing of revenue expected to be recognized from the next fiscal year from contracts with customers existing as of this fiscal year end

(1) Balances of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	March 31, 2023	April 1, 2022	March 31, 2023
Receivables from contracts with customers	¥440,009	¥415,333	$3,295,212
Contract assets	24,879	18,614	186,323
Contract liabilities	289,169	102,555	2,165,579

	Millions of yen	
	March 31, 2022	April 1, 2021
Receivables from contracts with customers	¥415,333	¥221,967
Contract assets	18,614	6,695
Contract liabilities	102,555	69,484

The contract assets principally relate to Tokyo Electron's rights to consideration for performance obligations transferred but not billed at the fiscal year end. The contract assets are transferred to receivables arising from contracts with customers when the rights for the considerations become unconditional.

The contract liabilities principally relate to advances received from customers before all performance obligations are satisfied. The contract liabilities are reclassified to revenue when revenue is recognized.

The revenue recognized during the fiscal years ended March 31, 2023 and 2022 that was included in the contract liabilities balance as of April 1, 2022 and 2021 was ¥87,424 million ($654,720 thousand) and ¥64,876 million, respectively.

Increases and decreases of contract assets are principally due to revenue recognition and reclassification to accounts receivable.

Increases and decreases of contract liabilities are principally due to advances received and revenue recognition.

The revenue recognized during the years ended March 31, 2023 and 2022 for which performance obligations were satisfied or partially satisfied in the previous period was immaterial.

(2) Transaction prices allocated to remaining performance obligations

The practical expedient is applied for this Note for transaction prices allocated to remaining performance obligations. The contracts for which original expected terms of the contract is one year or less are not included in this Note.

The amount of performance obligations not satisfied or partially not satisfied is ¥364,073 million ($2,726,529 thousand) and ¥171,553 million as of March 31, 2023 and March 31, 2022, respectively, and approximately 70% and 80% of such performance obligations are expected to be recognized as revenue within one year after March 31, 2023 and March 31, 2022, respectively.

The total amount of transaction prices allocated to the remaining performance obligations does not include the estimated amounts of variable consideration described in "Determination of transaction price" above.

20. 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, such as wafer bonders/debonders. The SPE segment principally develops, manufactures, and sells such products, and provides services related to them.

Products of the FPD production equipment segment mainly consist of etch/ash systems used in the manufacture of flat panel displays. The FPD production equipment segment principally develops, manufactures, and sells such products, and provides services related to 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.

Year ended March 31, 2022

As described in "4. Changes in Accounting Policies and Adoption of New Accounting Standards", Tokyo Electron changed the accounting treatment for revenue recognition by adopting the Accounting Standard for Revenue Recognition from the beginning of the fiscal year ended March 31, 2022, and accordingly changed the methods for measuring profits or losses of business segments in the same manner.

As a result, in comparison with the previous method, net sales of the semiconductor production equipment segment and the FPD production equipment segment for the year ended March 31, 2022 increased by ¥188,757 million and ¥6,301 million, respectively. In addition, segment profit of the semiconductor production equipment segment and the FPD production equipment segment for the year ended March 31, 2022 increased by ¥105,410 million and ¥1,563 million, respectively.

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, 2023 and 2022 is as follows:

Millions of yen

2023:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
Net sales						
Sales to external customers	¥2,155,206	¥53,674	¥144	¥2,209,025	¥—	¥2,209,025
Intersegment sales or transfers	—	—	34,069	34,069	(34,069)	—
Total	2,155,206	53,674	34,214	2,243,094	(34,069)	2,209,025
Segment profit	696,378	1,061	1,226	698,666	(73,809)	624,856
Segment assets	1,176,300	23,418	4,259	1,203,978	1,107,615	2,311,594
Depreciation and amortization	22,066	1,461	114	23,642	19,285	42,927
Amortization of goodwill	168	—	—	168	—	168
Capital expenditures, including intangible assets	33,390	1,392	24	34,806	51,772	86,579

Millions of yen

2022:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated
Net sales						
Sales to external customers	¥1,943,843	¥59,830	¥131	¥2,003,805	¥—	¥2,003,805
Intersegment sales or transfers	—	—	28,000	28,000	(28,000)	—
Total	1,943,843	59,830	28,132	2,031,806	(28,000)	2,003,805
Segment profit	667,437	3,874	698	672,010	(75,312)	596,698
Segment assets	949,714	25,019	3,895	978,629	915,828	1,894,457
Depreciation and amortization	19,149	1,258	148	20,556	16,170	36,727
Amortization of goodwill	206	—	—	206	—	206
Capital expenditures, including intangible assets	25,331	1,592	20	26,945	39,936	66,881

Thousands of U.S. dollars

2023:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD production equipment	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales						
Sales to external customers	$16,140,239	$401,964	$1,084	$16,543,289	$—	$16,543,289
Intersegment sales or transfers	—	—	255,143	255,143	(255,143)	—
Total	16,140,239	401,964	256,227	16,798,432	(255,143)	16,543,289
Segment profit	5,215,144	7,947	9,188	5,232,280	(552,757)	4,679,523
Segment assets	8,809,262	175,378	31,896	9,016,537	8,294,883	17,311,421
Depreciation and amortization	165,254	10,944	859	177,058	144,426	321,484
Amortization of goodwill	1,262	—	—	1,262	—	1,262
Capital expenditures, including intangible assets	250,062	10,425	180	260,667	387,720	648,387

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 totaling ¥(73,809) million ($(552,757) thousand) and ¥(75,312) million for the years ended March 31, 2023 and 2022, respectively, mainly consists of research and development costs of ¥(31,446) million ($(235,501) thousand) and ¥(23,075) million for the years ended March 31, 2023 and 2022, respectively, pertaining to the Company's fundamental research and element research, additional payment of value-added tax of ¥(4,577) million for the year ended March 31, 2022 and other general and administrative costs that do not belong to the reportable segments.

(2) "Adjustments" for segment assets totaling ¥1,107,615 million ($8,294,883 thousand) and ¥915,828 million as of March 31, 2023 and 2022, respectively, mainly consist of cash and cash equivalents, investment securities and prepaid consumption tax not allocated to any of the reportable segments.

(3) "Adjustments" for capital expenditures totaling ¥51,772 million ($387,720 thousand) and ¥39,936 million for the years ended March 31, 2023 and 2022, respectively, mainly consist of capital expenditures for buildings and structures and construction in progress not allocated to any of the reportable segments.

3. Segment profit is reconciled to income before income taxes in the consolidated statements of income.

Other information

(1) Domestic and overseas net sales by destination for the years ended March 31, 2023 and 2022 are as follows:

Millions of yen

2023:	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
Net sales	¥239,937	¥344,346	¥184,261	¥358,700	¥432,653	¥527,438	¥121,688	¥2,209,025

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 ¥344,310 million.

Millions of yen

2022:	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
Net sales	¥230,368	¥268,065	¥107,954	¥381,175	¥361,569	¥566,219	¥88,453	¥2,003,805

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 ¥267,999 million.

Thousands of U.S. dollars

2023:	Japan	North America	Europe	South Korea	Taiwan	China	Other	Total
Net sales	$1,796,877	$2,578,791	$1,379,926	$2,686,292	$3,240,121	$3,949,959	$911,319	$16,543,289

Note: Net sales of North America include sales in the U.S.A. of $2,578,527 thousand.

(2) Net property, plant and equipment by location as of March 31, 2023 and 2022 are as follows:

Millions of yen

2023:	Japan	Other	Total
Property, plant and equipment	¥190,993	¥68,095	¥259,088

Millions of yen

2022:	Japan	Other	Total
Property, plant and equipment	¥173,493	¥49,584	¥223,078

Thousands of U.S. dollars

2023:	Japan	Other	Total
Property, plant and equipment	$1,430,338	$509,964	$1,940,303

(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	2023	2023
Intel Corporation	Semiconductor production equipment	¥357,636	$2,678,326
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	320,427	2,399,670
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	275,916	2,066,322

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

		Millions of yen
Name of customer	Related reportable segment	2022
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD production equipment	¥312,279
Intel Corporation	Semiconductor production equipment	303,982
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	231,393

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, 2023 and 2022, and unamortized balances as of March 31, 2023 and 2022 are as follows:

	Millions of yen		
2023:	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	¥168	¥—	¥168
Goodwill	365	—	365

	Millions of yen		
2022:	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	¥206	¥—	¥206
Goodwill	531	—	531

	Thousands of U.S. dollars		
2023:	Semiconductor production equipment	FPD production equipment	Total
Amortization of goodwill	$1,262	$—	$1,262
Goodwill	2,738	—	2,738

21. 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, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net income per share of common stock - Basic			
Net income attributable to owners of parent	¥471,584	¥437,076	$3,531,671
Less components not pertaining to holders of common stock	—	—	—
Net income pertaining to holders of common stock	¥471,584	¥437,076	$3,531,671
Weighted-average number of shares of common stock outstanding (thousands)	467,926	466,988	
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)	1,843	2,331	
Increase in number of share subscription rights (Thousands of share)	1,843	2,331	

Note: The Company implemented a 3-for-1 common stock split on April 1, 2023. Each of the numbers above are calculated on the assumption that stock split was implemented at the beginning of the previous fiscal year.
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 1,502 thousand shares and 1,831 thousand shares as of March 31, 2023 and 2022, 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 1,614 thousand shares and 1,838 thousand shares for the fiscal years ended March 31, 2023 and 2022, respectively.
As described in "4. Change in Accounting Policies and Adoption of New Accounting Standards", Tokyo Electron applies the Accounting Standard for Revenue Recognition from the fiscal year ended March 31, 2022, and the application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the standard. As a result, net assets per share increased by ¥471.69, net income per share increased by ¥476.79, and fully diluted net income per share increased by ¥474.42, respectively, for the fiscal year ended March 31, 2022. For these effects, the numbers before the stock split are presented.

22. Subsequent Events

1. Stock split and corresponding partial amendment to the Articles of Incorporation

The Company implemented a stock split and made a corresponding partial amendment to the Articles of Incorporation on April 1, 2023, in accordance with the resolution of its Board of Directors on February 9, 2023.

(1) Purpose of stock split

By implementing the stock split to lower the minimum investment, Tokyo Electron intends to make shares more affordable for investors, with a view to expanding the investor base.

Tokyo Electron recognizes that transitioning to a share price per unit within the ideal range recommended by the Tokyo Stock Exchange (between 50,000 yen and 500,000 yen) would be beneficial in terms of encouraging market participation by individual investors. Going forward, Tokyo Electron will continue to comprehensively consider future stock market trends, the price and liquidity of the Company shares, and changes to the shareholder structure.

(2) Overview of stock split

(i) Split method

The Company split the shares of common stock owned by shareholders recorded in the final register of shareholders as of March 31, 2023, in the proportion of 1 share into 3 shares.

(ii) Number of shares increased through stock split

Total number of issued shares before stock split: 157,210,911 shares
Number of shares increased through stock split: 314,421,822 shares
Total number of issued shares after stock split: 471,632,733 shares
Total number of authorized shares after stock split: 900,000,000 shares

(iii) Schedule of stock split

Date of public notice of record date: March 16, 2023
Record date: March 31, 2023
Effective date: April 1, 2023

(iv) Effect on per share information

The effect on per share information is described in the consolidated statements of income.

(3) Partial amendment to the Articles of Incorporation

(i) Reason for amendment

In accordance with the provisions of Article 184, Paragraph 2 of the Companies Act, the Company changed the total number of authorized shares stipulated in Article 6 of the Articles of Incorporation as of April 1, 2023, in response to the implementation of the stock split.

(ii) Details of amendment

The details of the amendment are as follows:

(Amended parts are underlined)

Current Articles of Incorporation	Amended Articles of Incorporation
Article 6 Total Number of Authorized Shares	Article 6 Total Number of Authorized Shares
The total number of shares the Company is authorized to issue shall be <u>three hundred million (300,000,000)</u> shares.	The total number of shares the Company is authorized to issue shall be <u>nine hundred million (900,000,000)</u> shares.

(iii) Schedule of amendment

Effective date of amendment of the Articles of Incorporation: April 1, 2023

(4) Other

Dividends

As the effective date of the stock split was April 1, 2023, year-end dividends for the fiscal year ended March 2023, to all shareholders with a record date of March 31, 2023, will be implemented based on the number of shares issued prior to the stock split.

2. Share repurchase

At the Board of Directors meeting held on May 11, 2023, 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, set out below.

(1) Reason for acquisition of own shares

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

(2) Details of acquisition

(i) Type of shares to be acquired:	Shares of common stock
(ii) Total number of shares to be acquired:	Up to 10 million shares (Equivalent to 2.1% of outstanding shares excluding treasury stock)
(iii) Total cost of acquisition:	Up to ¥120 billion ($898 million)
(iv) Period of acquisition:	From June 1, 2023 to December 31, 2023
(v) Method of acquisition:	Acquisition through market transactions on the Tokyo Stock Exchange

Independent Auditor's Report

To the Board of Directors of Tokyo Electron Limited:

Opinion

We have audited the accompanying consolidated financial statements of Tokyo Electron Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of inventories in the semiconductor production equipment business

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet for the current fiscal year, the Company recognized Inventories of ¥652,208 million, which represented approximately 28% of total assets in the consolidated financial statements. Most of the inventories belonged to the semiconductor production equipment business. As described in Note 3 "Significant Accounting Estimates, 1. Valuation of inventories" to the consolidated financial statements, inventories are measured in principle at the lower of either the acquisition cost or the net selling price at the end of the fiscal year. However, inventories aged over a certain holding period are classified based on the use and salability and are then systematically written down according to their classification. In addition, the carrying amount of inventories to be disposed of is written down to the estimated disposal value. The valuation of inventories aged over a certain holding period and the identification of finished goods and work in process inventories to be disposed of are based on management's forecasts of future demand and prospects of market environment. Among the markets in which the Group participate, the semiconductor market is susceptible to fluctuations due to a short-term imbalance between supply and demand, which could result in an unforeseen rapid market contraction. Therefore, the forecasts of future demand and prospects of market environment involve uncertainty and management's judgment thereon may have a significant effect on the valuation of inventories. We, therefore, determined that our assessment of the reasonableness of the Company's valuation of inventories in the semiconductor production equipment business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess whether the Company's valuation of inventories in the semiconductor production equipment business was reasonable included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the valuation of inventories. In this assessment, we focused our testing on controls designed to determine the rates of write-down for each holding period on the carrying amount of inventories aged over a certain holding period and to identify finished goods and work in process inventories to be disposed of in a comprehensive manner. (2) Assessment of whether the valuation of inventories aged over a certain holding period was reasonable The rates of write-down by holding period adopted by management in applying the method that writes down the carrying amount of inventories on a systematic basis according to their holding periods were determined based on management's forecasts of future demand and prospects of market environment. In order to assess the appropriateness of assumptions underlying the rates of write-down determined by management, we: • evaluated the rates of write-down by holding period determined by management by referencing published demand forecasts for semiconductor production equipment and the customers' capital investment plans; and • compared the amount of the write-down of inventories aged over a certain holding period, calculated using the rates of write-down by holding period determined by management, with our own estimate of the write-down of those inventories. (3) Assessment of whether finished goods and work in process inventories to be disposed of were identified in a comprehensive manner Among finished goods and work in process inventories aged over a certain holding period, we assessed the accuracy of management's sales forecasts by comparing the past forecast for a selection of finished goods and work in process inventories held for a long period with actual sales results and examining the causes of variances between the two. In order to assess the appropriateness of assumptions related to sales forecasts adopted by management in identifying finished goods and work in process inventories to be disposed of, we primarily: • evaluated the basis for management judgment on its sales forecasts for finished goods and work in process inventories held for a long period by inquiring of management and inspecting relevant documents.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Michitaka Shishido
Designated Engagement Partner
Certified Public Accountant

/S/ Akira Nishino
Designated Engagement Partner
Certified Public Accountant

/S/ Shin Suzuki
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 20, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

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