Notes to Consolidated Financial Statements

Tokyo Electron Limited and Subsidiaries
Years ended March 31, 2013 and 2012

1. Basis of Presentation of Consolidated Financial Statements

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

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

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

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥94.05 to $1.00, the approximate rate as of March 31, 2013. 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 58 and 30 subsidiaries for the years ended March 31, 2013 and 2012, respectively.

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

The fiscal year-end of all entities is March 31, except for 19 consolidated foreign subsidiaries. Financial statements for the fiscal year ending December 31 are used for 14 subsidiaries. Significant differences in inter-company transactions and accounts arising from consolidating financial statements of different fiscal year-ends have been adjusted through consolidation procedures. Financial statements for the provisionally closed financial period ending March 31 are used for five subsidiaries.

(b) Foreign currency translation

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

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

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

(c) Cash equivalents

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

(d) Short-term investments

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

(e) Investment securities

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

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

(f) Inventories

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

(g) Property, plant and equipment

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

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

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

Changes in accounting policies with amendment of respective law or regulation which are difficult to distinguish from changes in accounting estimates

Effective from the year ended March 31, 2013, the Company and its domestic subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, in accordance with the revision of the Corporation Tax Act. The changes had no significant impact on the consolidated financial statements.

(h) Intangible assets

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

(i) Goodwill

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

(j) Impairment of fixed assets

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

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

(k) Allowance for doubtful accounts

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

(l) Accrued pension and severance costs

The Company and its domestic subsidiaries provide an accrual for defined benefit employees' pension and severance costs based on the projected benefit obligation and the fair value of pension assets. Prior service costs are charged to earnings on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to earnings on a straight-line basis, beginning from the following fiscal year after they are incurred, over a fixed number of years (four years) within the average remaining years of service of employees when the differences occur.

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

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

(m) Accrued warranty expenses

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

(n) Leases

Until the year ended March 31, 2008, non-cancelable leases of the Company and its domestic subsidiaries had been primarily accounted for as operating leases (whether such leases were classified as operating or finance leases), except for leases that transfer ownership to the lessee at the end of the lease, which had been accounted for as finance leases.

Effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions." As a result, the Company and its domestic subsidiaries capitalized leased assets under finance leases commencing after March 31, 2008 and such leased assets are depreciated using the straight-line method over the period of the lease contract with zero residual value.

(o) Derivatives and hedge accounting

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

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

(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

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income tax purposes, which are measured using the enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse.

(q) Revenue recognition

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

(r) Per share information

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

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

(s) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥73,249 million ($778,830 thousand) and ¥81,506 million for the years ended March 31, 2013 and 2012, respectively.

(t) 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, 2013.

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

(a) Accounting standards for earnings per share

Effective from April 1, 2011, the Company adopted "Accounting Standard for Earnings Per Share" (Statement No. 2 issued as of June 30, 2010 by the Accounting Standards Board of Japan) and "Guidance on Accounting Standards for Earnings Per Share" (Guidance No. 4 issued as of June 30, 2010 by the Accounting Standards Board of Japan). Based on these new standards, the Company has changed its method of calculating diluted net income per share. Under the new method, for share option rights which vest after a specified period of service, the fair value amount of the share options for service expected to be provided in the future is included in the proceeds assumed to be received when options are exercised.

(b) Accounting standard for accounting changes and error corrections

Effective from April 1, 2011, the Company and its domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Statement No. 24 issued by the Accounting Standards Board of Japan) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Guidance No. 24, issued by the Accounting Standards Board of Japan) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011. The adoption of this standard had no significant impact on the consolidated financial statements.

4. Accounting Standards issued but not yet adopted

"Accounting Standard for Retirement Benefits (Statement No. 26 issued as of May 17, 2012 by the Accounting Standards Board of Japan)"

"Guidance on Accounting Standard for Retirement Benefits (Guidance No. 25 issued as of May 17, 2012 by the Accounting Standards Board of Japan)"

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

These standards are effective from the year ending March 31, 2014, except for amendments relating to determination of retirement benefit obligations and current service costs, which are effective from the year ending March 31, 2015.

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

5. Supplemental Information on the Consolidated Statements of Cash Flows

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

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Current assets	¥21,811	$231,909
Noncurrent assets	31,585	335,832
Goodwill	35,110	373,312
Current liabilities	(16,860)	(179,266)
Noncurrent liabilities	(30,544)	(324,764)
Acquisition cost of shares	41,102	437,023
Payment in prior year	(348)	(3,700)
Cash and cash equivalents of acquired companies	(9,552)	(101,563)
Loans as of the date of business combination	23,877	253,875
Net payment for acquisition of investments in newly consolidated subsidiaries	¥55,079	$585,635

6. Securities

Other securities as of March 31, 2013 and 2012 are as follows:

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

	Millions of yen	
2012:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	¥ 9,212	¥14,699
Securities without market prices		
Unlisted stock	485	473
Other	910	910
Total	¥10,607	¥16,082

	Thousands of U.S. dollars	
2013:	Cost	Carrying value
Noncurrent		
Securities with market prices		
Equity securities	$108,644	$176,831
Securities without market prices		
Unlisted stock	8,432	9,538
Other	12,132	12,132
Total	$129,208	$198,501

Held-to-maturity securities classified as current assets are ¥190,498 million ($2,025,497 thousand) and ¥211,790 million as of March 31, 2013 and 2012, respectively.

Reconciliation of held-to-maturity securities as of March 31, 2013 and 2012 to the amounts of short-term investments in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Held-to-maturity (current)	¥190,498	¥211,790	$2,025,497
Deposits and low-risk financial instruments with original maturities of three months or less	(45,498)	(132,790)	(483,764)
Deposits with original maturities of more than three months	9,816	9,849	104,370
Short-term investments	¥154,816	¥ 88,849	$1,646,103

Net loss on devaluation of investment securities was ¥44 million ($468 thousand) and ¥817 million for the years ended March 31, 2013 and 2012, respectively.

Net gain on sale of investment securities was nil and ¥38 million for the years ended March 31, 2013 and 2012, respectively.

7. Inventories

Inventories as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished products	¥ 87,398	¥101,790	$ 929,272
Work in process, raw materials and supplies	48,300	47,680	513,556
Total	¥135,698	¥149,470	$1,442,828

The amounts of change in inventory provision included in cost of sales in the consolidated statements of income for the years ended March 31, 2013 and 2012 were an increase of ¥1,162 million ($12,355 thousand) and ¥1,115 million, respectively.

8. Impairment of Property, Plant and Equipment and Intangible Assets

For assessing fixed asset impairment, the Company generally groups fixed assets used for normal operations at a business unit level for which profits are reasonably controllable. Also, the Company assesses the recoverability of individual assets not used in normal operations or that are idle.

No significant impairment losses of property, plant and equipment and intangible assets were recognized for the years ended March 31, 2013 and 2012.

9. Pledged Assets

Tokyo Electron did not hold any assets pledged as collateral as of March 31, 2013 and 2012.

10. Short-term Borrowings

Short-term borrowings classified as current liabilities are ¥3,756 million ($39,936 thousand) and ¥4,403 million as of March 31, 2013 and 2012, respectively. These borrowings are from banks and bore interest at an average annual rate of 0.50% and 0.40% as of March 31, 2013 and 2012, respectively.

As of March 31, 2013, Tokyo Electron has unused lines of credit amounting to ¥151,885 million ($1,614,939 thousand).

11. Accrued Pension and Severance Costs

The Company and its domestic subsidiaries have defined benefit plans (cash balance plan and noncontributory retirement and severance benefit plans) covering substantially all their employees who meet eligibility requirements. The benefits under the plans are based on length of service and certain other factors.

The cash balance plan provides for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. Under the cash

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balance plan, each participant has an account which is credited yearly based on the current rate of pay and market-related interest rate. The noncontributory plans provide for lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause. Certain foreign subsidiaries have noncontributory retirement and severance benefit plans that provide for pension or lump-sum payment benefits to employees who retire or terminate their employment for reasons other than dismissal for cause.

The funded status of the defined benefit plans, a substantial portion of which consists of domestic benefit plans, as of March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Benefit obligation	¥(106,972)	¥(94,369)	$(1,137,395)
Fair value of plan assets	52,152	45,139	554,514
Funded status	(54,820)	(49,230)	(582,881)
Unrecognized actuarial difference	1,150	(1,809)	12,227
Net amount recognized	(53,670)	(51,039)	(570,654)
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension and severance costs (Note 1)	2,974	3,607	31,621
Accrued pension and severance costs (Note 2)	(56,644)	(54,646)	(602,275)
Net amount recognized	¥ (53,670)	¥(51,039)	$ (570,654)

Notes: 1. The prepaid pension and severance costs as of March 31, 2013 and 2012 is included in other assets in the consolidated balance sheets.
2. The provision for accrued pension and severance costs for directors and audit & supervisory board members (¥581 million ($6,178 thousand) as of March 31, 2013 and ¥620 million as of March 31, 2012) is not included.

Net periodic pension cost of the plans is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥5,513	¥5,597	$58,618
Interest cost	1,864	1,768	19,819
Expected return on plan assets	(887)	(814)	(9,431)
Amortization of actuarial difference	(501)	401	(5,327)
Amortization of prior service cost	—	25	—
Net pension cost	¥5,989	¥6,977	$63,679

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

	2013	2012
Allocation method of benefit obligation	Straight-line method	Straight-line method
Discount rate	1.40%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
Amortization period of actuarial difference	4 years	4 years
Amortization period of prior service cost	4 years	4 years

12. Income Taxes

Significant components of the deferred tax assets and liabilities of Tokyo Electron as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets			
Accrued pension and severance costs	¥20,326	¥19,538	$216,119
Net operating loss carryforwards	15,864	1,609	168,676
Tax credit for research and development	6,811	12,564	72,419
Devaluation of inventories	4,666	4,749	49,612
Elimination of unrealized profit in inventories	2,967	9,161	31,547
Accrued employees' bonuses	2,202	2,954	23,413
Accrued warranty expenses	1,875	2,971	19,936
Other	8,593	8,029	91,367
Total gross deferred tax assets	63,304	61,575	673,089
Less valuation allowance	(13,352)	(15,134)	(141,967)
Total deferred tax assets	49,952	46,441	531,122
Deferred tax liabilities			
Intangible assets identified through business combination	(6,110)	—	(64,966)
Undistributed earnings of foreign subsidiaries	(4,789)	(3,760)	(50,920)
Net unrealized gains on investment securities	(2,341)	(1,981)	(24,891)
Reserves under Special Taxation Measures Law	(1,058)	(1,084)	(11,249)
Prepaid pension and severance costs	(1,051)	(1,200)	(11,175)
Other	(547)	(748)	(5,816)
Total deferred tax liabilities	(15,896)	(8,773)	(169,017)
Net deferred tax assets	¥34,056	¥37,668	$(362,105)

Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2013 and 2012 as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets	¥15,669	¥23,546	$166,603
Investments and other assets	23,206	17,585	246,741
Other current liabilities	(2)	(1)	(21)
Other liabilities	(4,817)	(3,462)	(51,218)

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

Based on the level of historical taxable income and future estimated taxable income over the periods which the temporary differences are deductible, management believes Tokyo Electron will realize the benefits of these deferred tax assets, net of valuation allowance, as of March 31, 2013 and 2012.

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

The Company is subject to corporate tax, inhabitants' tax and a deductible enterprise tax, which in the aggregate resulted in a statutory income tax rate of approximately 38.01% and 40.69% for the years ended March 31, 2013 and 2012, respectively. On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company has been reduced to 38.01% for years beginning on or after April 1, 2012 and 35.64% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2013 to March 31, 2015 and on or after April 1, 2015 are 38.01% and 35.64%, respectively, as of March 31, 2013.

Significant components of the difference between the statutory and effective tax rates for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
Statutory tax rate in Japan	38.01%	40.69%
Adjustments:		
Effect of elimination of unrealized profit in inventories	16.70	(0.16)
Prior years income taxes from transfer pricing adjustment	12.35	—
Difference in statutory tax rates of subsidiaries	(7.12)	(4.04)
Change in deferred tax liabilities for undistributed earnings of foreign subsidiaries	5.63	0.87
Tax credit for research and development	(3.65)	(5.20)
Change in valuation allowance	(2.44)	0.38
Amortization of goodwill	2.14	—
Expenses not deductible for tax purposes	1.14	0.82
Effect of enacted changes in Japanese tax rates on net deferred tax assets	—	5.92
Others, net	1.45	(0.63)
Effective tax rate	64.21%	38.65%

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

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

The Company believes that it will be able to eliminate the double taxation by agreement achieved through consultations, and accordingly, has reported the total tax expense of ¥2,195 million ($23,339 thousand) for the fiscal year ended March 31, 2013, as the difference in amounts resulting from the different corporate tax rates between Japan, the United States of America and South Korea and the additional amount in conjunction with the imposition of additional taxes.

13. Net Assets

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

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

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

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

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

The Company adopted the restriction of dividends, which restricts the amount of dividends to retained earnings on a consolidated basis.

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

At the board of directors' meeting held on May 15, 2013, the distribution of cash dividends amounting to ¥4,659 million ($49,537 thousand) was resolved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013 since they are recognized in the period in which they are resolved at the board of directors' meeting.

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14. Other Comprehensive Income (loss)

Other comprehensive income (loss) for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains on investment securities			
Unrealized gains arising during the year	¥1,011	¥ 302	$ 10,750
Reclassification adjustments	—	531	—
Sub-total, before tax	1,011	833	10,750
Tax expense	(359)	(64)	(3,817)
Sub-total, net of tax	652	769	6,933
Net deferred losses on hedging instruments			
Deferred losses arising during the year	(339)	(9)	(3,604)
Reclassification adjustments	431	(101)	4,582
Sub-total, before tax	92	(110)	978
Tax benefit	(36)	41	(383)
Sub-total, net of tax	56	(69)	595
Foreign currency translation adjustments			
Adjustments during the year	8,760	(925)	93,142
Reclassification adjustments	—	—	—
Sub-total, before tax	8,760	(925)	93,142
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	8,760	(925)	93,142
Total other comprehensive income (loss)	¥9,468	¥(225)	$100,670

15. Share Subscription Rights

Stock option plan

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

Options to purchase 130,700 and 234,200 shares of the Company were authorized and granted at an exercise price of ¥1 for the year ended March 31, 2013 and 2012, respectively. The options under the plans with restriction on exercise up to three years after the date of grant, and have an exercise period of twenty years from the date of grant.

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

A summary of stock options outstanding and exercisable as of March 31, 2013 and 2012 is as follows:

Tokyo Electron Limited	2013			2012	
	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	833,300	¥3,139	$33.38	1,296,800	¥5,086
Granted	130,700	1	0.01	234,200	1
Exercised	25,800	1	0.01	111,100	1
Expired (forfeited)	381,300	5,894	62.67	586,600	6,786
Outstanding at the end of year	556,900	661	7.03	833,300	3,139
Exercisable at the end of year	192,000	1,914	20.35	599,100	4,365

Tokyo Electron Device Limited	2013			2012	
	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	650	¥308,698	$3,282.28	650	¥308,698
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Expired (forfeited)	—	—	—	—	—
Outstanding at the end of year	650	308,698	3,282.28	650	308,698
Exercisable at the end of year	650	308,698	3,282.28	650	308,698

16. Leases

As mentioned in note 2 (n), effective from the year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions." As permitted under the standards, finance leases which commenced on or before March 31, 2008 continue to be accounted for as operating leases. Pro forma information of leased property acquired on or before March 31, 2008 including acquisition cost, accumulated depreciation, obligation under finance leases, and depreciation expense of finance leases that do not transfer ownership of leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2013 and 2012, is as follows:

Leased assets not recorded in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Acquisition cost	¥286	¥286	$3,041
Accumulated depreciation	264	216	2,807
Net leased property	¥ 22	¥ 70	$ 234

Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥22	¥48	$234
Due over one year	—	22	—
Total	¥22	¥70	$234

Lease payments relating to finance leases accounted for as operating leases amounted to ¥48 million ($510 thousand) and ¥97 million, which approximated the corresponding depreciation on the respective leased property computed by the straight-line method over the lease terms, for the years ended March 31, 2013 and 2012, respectively.

Future minimum lease payments on non-cancelable operating leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥1,628	¥2,013	$17,310
Due over one year	2,834	2,905	30,133
Total	¥4,462	¥4,918	$47,443

17. Fair Value of Financial Instruments

Policy for Financial Instruments

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

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

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

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

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

See note 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, 2013 and 2012, are set out below. Fair value of financial instruments which is practically difficult to estimate are excluded (see note 6).

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

Notes to Consolidated Financial Statements

	Millions of yen	
2012:	Carrying value	Estimated fair value[1]
Assets		
Cash and cash equivalents	¥158,776	¥158,776
Short-term investments	88,849	88,638
Trade notes and accounts receivable, net of allowance for doubtful accounts (¥1,376 million)	148,930	148,930
Investment securities	14,699	14,699
Liabilities		
Trade notes and accounts payable	46,987	46,987
Derivatives (see note 18)		
Hedge accounting not applied	(400)	(400)
Hedge accounting applied	(153)	(153)

	Thousands of U.S. dollars	
2013:	Carrying value	Estimated fair value[1]
Assets		
Cash and cash equivalents	**$ 907,113**	**$ 907,113**
Short-term investments	**1,646,103**	**1,646,050**
Trade notes and accounts receivable, net of allowance for doubtful accounts ($12,546 thousand)	**1,056,045**	**1,056,045**
Investment securities	**176,831**	**176,831**
Liabilities		
Trade notes and accounts payable	**385,550**	**385,550**
Derivatives (see note 18)		
Hedge accounting not applied	**(35,354)**	**(35,354)**
Hedge accounting applied	**(659)**	**(659)**

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

Notes: 1. Fair value calculation of financial instruments
Cash and cash equivalents, short-term investments, trade notes and accounts receivable and trade notes and accounts payable
The carrying amounts approximate fair value because of the short maturity of these instruments.
Investment securities
The fair values of marketable securities are based on quoted market prices.
See note 6 for further information by classification of investment securities.
Derivatives
See note 18 for detailed discussion on derivative financial instruments.

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

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

	Millions of yen	
2012:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	¥158,776	¥—
Short-term investments	88,849	—
Trade notes and accounts receivable	150,306	—

	Thousands of U.S. dollars	
2013:	Within 1 year	After 1 through 5 years
Cash and cash equivalents	**$ 907,113**	**$—**
Short-term investments	**1,646,103**	**—**
Trade notes and accounts receivable	**1,068,591**	**—**

18. Derivative Financial Instruments

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

The estimated fair values of the derivative financial instruments as of March 31, 2013 and 2012 are as follows:

1. Derivative financial instruments not designated as hedging instruments

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

	Millions of yen		
2012:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	¥ 9,874	¥(464)	¥(464)
Sell Korean won	701	23	23
Buy U.S. dollars	5,804	41	41
Total	¥16,379	¥(400)	¥(400)

	Thousands of U.S. dollars		
2013:	Contract amount	Fair value	Unrealized gains (losses)
Sell U.S. dollars	**$538,564**	**$(32,121)**	**$(32,121)**
Sell Swiss francs	**274,184**	**(532)**	**(532)**
Sell Korean won	**11,356**	**(3,137)**	**(3,137)**
Sell Singapore dollars	**532**	**(32)**	**(32)**
Buy U.S. dollars	**46,443**	**468**	**468**
Total	**$871,079**	**$(35,354)**	**$(35,354)**

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

2. Derivative financial instruments designated as hedging instruments

	Millions of yen		Thousands of U.S. dollars	
2013: Hedge accounting	Contract amount	Fair value	Contract amount	Fair value
Sell U.S. dollars	**¥ 5,872**	**¥(90)**	**$ 62,435**	**$(957)**
Sell Chinese yuan	**290**	**(3)**	**3,083**	**(32)**
Sell Korean won	**157**	**(42)**	**1,669**	**(447)**
Sell Swiss francs	**60**	**1**	**638**	**11**
Sell EURO	**22**	**(2)**	**234**	**(21)**
Buy U.S. dollars	**6,180**	**33**	**65,710**	**351**
Buy EURO	**769**	**41**	**8,177**	**436**
Total	**¥13,350**	**¥(62)**	**$141,946**	**$(659)**

	Millions of yen	
2012: Hedge accounting	Contract amount	Fair value
Sell U.S. dollars	¥6,879	¥(181)
Sell Korean won	85	(7)
Sell Chinese yuan	192	1
Buy U.S. dollars	4,325	17
Buy EURO	195	17
Total	¥11,676	¥(153)

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

	Contract amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Sell Chinese yuan	**¥ 9,760**	¥9,854	**$103,775**
Sell U.S. dollars	**404**	58	**4,295**
Buy U.S. dollars	**74**	65	**787**
Total	**¥10,238**	¥9,977	**$108,857**

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

19. Other Income (Expenses)

Loss from natural disasters of ¥936 million for the year ended March 31, 2012, represents losses relating to the Great East Japan Earthquake which occurred on March 11, 2011, which mainly consists of repair costs for damaged facilities.

Loss on business restructuring of ¥849 million for the year ended March 31, 2012 consists of devaluation of inventories, loss on impairment of property, plant and equipment and loss on disposal of inventories and property, plant and equipment.

20. Business Combinations

Business combinations by acquisition

(A) Acquisition of shares of NEXX Systems, Inc.

(1) Overview of business combination

(a) Name of the acquired company and business description
Name of the acquired company: NEXX Systems, Inc.
Business description: Advanced deposition equipment for wafer level packaging, electrochemical deposition (ECD) and physical vapor deposition (PVD) systems

(b) Primary reasons for business combination
Tokyo Electron aims to broaden its business portfolio by securing the advanced packaging application of NEXX Systems, Inc. and to strengthen the semiconductor production equipment business.

(c) Date of business combination
May 1, 2012

(d) Legal form of business combination
Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination
TEL NEXX, Inc.

(f) Percentage of voting equity interests acquired
100%

(g) Main basis for determination of the acquiring company
Acquisition of shares in exchange for cash by Tokyo Electron U.S. Holdings, Inc., the Company's consolidated subsidiary

(2) Period of acquired company's financial results included in the consolidated financial statements
From May 1, 2012 to March 31, 2013

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	**¥15,961**	**$169,708**
Acquisition cost	**¥15,961**	**$169,708**

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized
¥8,379 million ($89,091 thousand)

(b) Basis for recognition of goodwill
Goodwill was recognized based on future increase in profitability expected from the future business development.

(c) Amortization method and period
Straight-line method over 10 years

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 2,183**	**$ 23,211**
Noncurrent assets	**10,702**	**11,791**
Total assets	**¥12,885**	**$137,002**

Notes to Consolidated Financial Statements

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥1,659	$17,640
Noncurrent liabilities	3,644	38,745
Total liabilities	¥5,303	$56,385

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥415	$4,413
Operating income (loss)	(259)	(2,754)
Income (loss) before income taxes and minority interests	(303)	(3,222)

Method of estimate calculation

The estimated impact is calculated as the difference between the net sales and income of the acquired company assuming that the business combination had been completed at the beginning of the fiscal year and the actual net sales and income recorded in the Company's consolidated statement of income. This estimate includes the equivalent of goodwill and other intangible assets amortization from the beginning of the fiscal year until the date of business combination.

The estimated impact has not been audited.

(B) Acquisition of shares of FSI International, Inc.

(1) Overview of business combination

(a) Name of the acquired company and business description

Name of the acquired company: FSI International, Inc.

Business description: Development and manufacture of semiconductor production equipment (surface preparation equipment)

(b) Primary reasons for business combination

Tokyo Electron aims to expand its business portfolio and strengthen the business for the surface preparation equipment by including product lineup of FSI, Inc.

(c) Date of business combination

October 11, 2012

(d) Legal form of business combination

Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination

TEL FSI, Inc.

(f) Percentage of voting equity interests acquired

100%

(g) Main basis for determination of the acquiring company

Acquisition of shares in exchange for cash by Tokyo Electron U.S. Holdings, Inc., the Company's consolidated subsidiary

(2) Period of acquired company's financial results included in the consolidated financial statements

From October 11, 2012 to March 31, 2013

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	¥19,772	$210,229
Acquisition cost	¥19,772	$210,229

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized

¥3,856 million ($40,999 thousand)

Amount of goodwill is calculated on a provisional basis as the allocation of acquisition cost is yet to be completed.

(b) Basis for recognition of goodwill

Goodwill was recognized for the difference between the acquisition cost and the assets acquired and liabilities assumed.

(c) Amortization method and period

Goodwill is amortized by the straight-line method over the estimated period expected to yield benefits.

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,446	$ 89,803
Noncurrent assets	12,461	132,494
Total assets	¥20,907	$222,297

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥2,457	$26,125
Noncurrent liabilities	2,534	26,943
Total liabilities	¥4,991	$53,068

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥6,697	$71,207
Operating income	70	744
Income before income taxes and minority interests	21	223

Method of estimate calculation

The estimated impact is calculated as the difference between the net sales and income of the acquired company assuming that the business combination had been completed at the beginning of the fiscal year and the actual net sales and income recorded in the Company's consolidated statement of income. This estimate includes the equivalent of goodwill and other intangible assets amortization from the beginning of the fiscal year until the date of business combination.

The estimated impact has not been audited.

(C) Acquisition of shares of Magnetic Solutions Ltd.

(1) Overview of business combination

(a) Name of the acquired company and business description

Name of the acquired company: Magnetic Solutions Ltd.

Business description: Development and manufacture of magnetic field annealing systems

(b) Primary reasons for business combination

Tokyo Electron acquired the magnetic field annealing technologies of Magnetic Solutions Ltd. to accelerate the development of the thermal processing systems for processes used in the manufacturing of magneto-resistive random-access memory (MRAM), which is increasingly attracting attention as a key device for the future. Additionally, Tokyo Electron aims to strengthen its thermal processing system business by combining the acquired technologies with its technologies.

(c) Date of business combination

December 3, 2012

(d) Legal form of business combination

Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination

TEL Magnetic Solutions Ltd.

(f) Percentage of voting equity interests acquired

100%

(g) Main basis for determination of the acquiring company

Acquisition of shares in exchange for cash by Tokyo Electron Europe Ltd., the Company's consolidated subsidiary

(2) Period of acquired company's financial results included in the consolidated financial statements

From December 3, 2012 to March 31, 2013

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	¥2,065	$21,956
Acquisition cost	¥2,065	$21,956

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized

¥1,089 million ($11,579 thousand)

(b) Basis for recognition of goodwill

Goodwill was recognized based on future increase in profitability expected from the future business development.

(c) Amortization method and period

Straight-line method over 10 years

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 560	$ 5,954
Noncurrent assets	971	10,325
Total assets	¥1,531	$16,279

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥555	$5,901
Noncurrent liabilities	—	—
Total liabilities	¥555	$5,901

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥1,068	$11,356
Operating income	93	989
Income before income taxes and minority interests	89	946

Method of estimate calculation

The estimated impact is calculated as the difference between the net sales and income of the acquired company assuming that the business combination had been completed at the beginning of the fiscal year and the actual net sales and income recorded in the Company's consolidated statement of income. This estimate includes the equivalent of goodwill and other intangible assets amortization from the beginning of the fiscal year until the date of business combination.

The estimated impact has not been audited.

(D) Acquisition of shares of Oerlikon Solar Holding AG

(1) Overview of business combination

(a) Name of the acquired company and business description

Name of the acquired company: Oerlikon Solar Holding AG

Business description: Development and manufacture of thin-film silicon photovoltaic panel production equipment

(b) Primary reasons for business combination

The Company acquired Oerlikon Solar Holding AG which has a track record in thin-film silicon solar photovoltaic panel production equipment to achieve growth in the photovoltaic panel production equipment business. Additionally Tokyo Electron aims to strengthen the business by integrating the thin film deposition technologies of Oerlikon Solar Holding AG with the production equipment technologies developed by Tokyo Electron.

(c) Date of business combination

November 26, 2012

(d) Legal form of business combination

Acquisition of shares in exchange for cash

(e) Name of acquired company after business combination

TEL Solar Holding AG

(f) Percentage of voting equity interests acquired

100%

(g) Main basis for determination of the acquiring company

Acquisition of shares in exchange for cash by the Company

Notes to Consolidated Financial Statements

(2) Period of acquired company's financial results included in the consolidated financial statements

Financial results of the acquired company are not included in the consolidated statements of income according to generally accepted accounting principles in Japan, as the financial year end of the acquired company and the deemed acquisition date are December 31, 2012, which does not exceed three months prior to the consolidated balance sheet date.

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Compensation paid for acquisition	¥2,837	$30,165
Expenses directly related to the acquisition	468	4,976
Acquisition cost	¥3,305	$35,141

(4) Amount of goodwill recognized, basis for recognizing goodwill, amortization method and period

(a) Amount of goodwill recognized

¥21,787 million ($231,653 thousand)

Amount of goodwill is calculated by the provisional basis as the allocation of acquisition cost is yet to be completed.

(b) Basis for recognition of goodwill

Goodwill was recognized for the difference between the acquisition cost and the assets acquired and liabilities assumed.

(c) Amortization method and period

Goodwill is amortized by the straight-line method over the estimated period expected to yield benefits.

(5) Amounts of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥10,622	$112,940
Noncurrent assets	7,451	79,224
Total assets	¥18,073	$192,164

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥12,189	$129,601
Noncurrent liabilities	24,366	259,075
Total liabilities	¥36,555	$388,676

(6) Estimated impact on the consolidated statement of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 6,358	$ 67,602
Operating income (loss)	(12,280)	(130,569)
Income (loss) before income taxes and minority interests	(13,208)	(140,436)

Method of estimate calculation

The estimated impact is calculated based on sales and income of the acquired company from January 1, 2012 to December 31, 2012, including the amortization of goodwill.

The estimated impact has not been audited.

21. Segment Information

General information about reportable segments

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

The operation of Tokyo Electron consists of segments by products and services based on business units (BUs), and Tokyo Electron identifies as a reportable segment, "Semiconductor Production Equipment (SPE)," "Flat Panel Display and Photovoltaic panel (FPD/PV) Production Equipment," and "Electronic Components and Computer Networks."

Products of the SPE segment consist of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, sells and distributes such products.

Products of the FPD/PV Production Equipment segment consist of coaters/developers, plasma etch/ash system used in the manufacture of flat panel displays, and photovoltaic panel production equipment used in the manufacture of thin film silicon photovoltaic panels. The FPD/PV segment principally develops, manufactures, sells and distributes such products.

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

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

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

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

Reportable segment information as of and for the years ended March 31, 2013 and 2012 are as follows:

Millions of yen

2013:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD/PV production equipment	Reportable Segment: Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
Sales to external customers	¥392,027	¥20,160	¥84,665	¥ 448	¥497,300	¥ —	¥497,300
Intersegment sales or transfers	43	—	813	10,613	11,469	(11,469)	—
Total	392,070	20,160	85,478	11,061	508,769	(11,469)	497,300
Segment profit (loss)	48,600	(6,355)	1,283	1,321	44,849	(27,082)	17,767
Segment assets	223,956	49,489	47,557	1,550	322,552	452,976	775,528
Depreciation and amortization	12,330	462	448	78	13,318	13,313	26,631
Amortization of goodwill	1,038	—	103	—	1,141	—	1,141
Capital expenditures, including intangible and other assets	13,464	1,661	482	54	15,661	9,834	25,495

Millions of yen

2012:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD/PV production equipment	Reportable Segment: Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
Sales to external customers	¥477,873	¥69,889	¥84,868	¥ 461	¥633,091	¥ —	¥633,091
Intersegment sales or transfers	—	—	1,432	14,565	15,997	(15,997)	—
Total	477,873	69,889	86,300	15,026	649,088	(15,997)	633,091
Segment profit	89,020	2,271	2,312	1,827	95,430	(34,828)	60,602
Segment assets	262,789	21,295	46,391	1,927	332,402	451,209	783,611
Depreciation and amortization	11,282	687	570	170	12,709	11,489	24,198
Capital expenditures, including intangible and other assets	13,518	672	407	36	14,633	28,572	43,205

Thousands of U.S. dollars

2013:	Reportable Segment: Semiconductor production equipment	Reportable Segment: FPD/PV production equipment	Reportable Segment: Electronic components & computer networks	Other	Total	Eliminations and Corporate	Consolidated
Net sales							
Sales to external customers	$4,168,283	$214,354	$900,213	$ 4,763	$5,287,613	$ —	$5,287,613
Intersegment sales or transfers	457	—	8,644	112,845	121,946	(121,946)	—
Total	4,168,740	214,354	908,857	117,608	5,409,559	(121,946)	5,287,613
Segment profit (loss)	516,746	(67,571)	13,642	14,046	476,863	(287,953)	188,910
Segment assets	2,381,244	526,199	505,656	16,481	3,429,580	4,816,332	8,254,912
Depreciation and amortization	131,101	4,912	4,764	829	141,606	141,552	283,158
Amortization of goodwill	11,037	—	1,095	—	12,132	—	12,132
Capital expenditures, including intangible and other assets	143,158	17,661	5,125	574	166,518	104,561	271,079

Notes: 1. "Other" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, facility maintenance and insurance.

2. (1) "Eliminations and Corporate" segment profit (loss) totaling ¥27,082 million ($287,953 thousand) and ¥34,828 million for the years ended March 31, 2013 and 2012, respectively, includes corporate expenses not allocated to any reportable segments. The corporate expenses mainly consist of research and development costs of ¥20.359 million ($216,470 thousand) and ¥26,071 million for the years ended March 31, 2013 and 2012, respectively, pertaining to fundamental research and element research, not allocated to any of the reportable segments.

(2) "Eliminations and Corporate" segment assets totaling ¥452,976 million ($4,816,332 thousand) and ¥451,209 million as of March 31, 2013 and 2012, respectively, consist mainly of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.

3. "Eliminations and Corporate" capital expenditures totaling ¥9,834 million ($104,561 thousand) for the year ended March 31, 2013 consist mainly of capital expenditures for buildings, machinery and equipment, and ¥28,572 million for the year ended March 31, 2012 consist mainly of capital expenditures for buildings not allocated to any of the reportable segments.

4. Reported segment profit (loss) is reconciled to Income before income taxes and minority interests in the consolidated statements of income.

Notes to Consolidated Financial Statements

Other Information

(1) Domestic and overseas net sales by destination for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Net sales	2013	2012	2013
Japan	¥118,504	¥171,364	$1,260,011
U.S.A.	117,194	114,951	1,246,082
Taiwan	107,734	86,882	1,145,497
Korea	59,376	114,218	631,324
Other	94,492	145,676	1,004,699
Total	¥497,300	¥633,091	$5,287,613

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

(2) Net property, plant and equipment by location as of March 31, 2013 and 2012 are as follows:

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

	Millions of yen		
2012:	Japan	Other	Total
Property, plant and equipment	¥107,874	¥19,011	¥126,885

	Thousands of U.S. dollars			
2013:	Japan	U.S.A.	Other	Total
Property, plant and equipment	$1,062,073	$154,694	$226,061	$1,442,828

(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	2013	2013
Intel Corporation	Semiconductor production equipment	¥73,955	$786,337
Taiwan Semiconductor Manufacturing Company Ltd.	Semiconductor production equipment	68,769	731,196
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD/PV production equipment	60,374	641,935

		Millions of yen
Name of customer	Related reportable segment	2012
Samsung Electronics Co., Ltd.	Semiconductor production equipment and FPD/PV production equipment	¥116,919
Intel Corporation	Semiconductor production equipment	90,399

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

Information about reportable segment goodwill

Reportable segment information about amortization of goodwill for the year ended March 31, 2013 and unamortized balances as of March 31, 2013 is as follows:

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

	Thousands of U.S. dollars			
2013:	Semiconductor production equipment	FPD/PV production equipment	Electronic components & computer networks	Total
Amortization of goodwill	$ 11,037	$ —	$1,095	$ 12,132
Goodwill	154,864	248,772	4,370	408,006