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CONSOLIDATED FINANCIAL STATEMENTS 2025

TOKYO ELECTRON

This document is an English translation of part of the original Japanese Annual Securities Report (“Yukashoken-Hokokusho”) issued on June 16, 2025 and is for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese document, the original Japanese document shall prevail.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
ASSETS		
Current assets		
Cash and deposits	462,383	416,240
Notes and accounts receivable - trade, and contract assets	*1 391,423	*1 485,626
Securities	10,165	79,998
Merchandise and finished goods	284,451	291,523
Work in process	173,929	190,021
Raw materials and supplies	304,576	267,580
Other	73,876	69,924
Allowance for doubtful accounts	(353)	(160)
Total current assets	1,700,451	1,800,756
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 271,442	*2 300,882
Accumulated depreciation	(137,472)	(147,565)
Buildings and structures, net	133,970	153,316
Machinery, equipment and vehicles	*2 239,161	*2 274,379
Accumulated depreciation	(178,899)	(197,829)
Machinery, equipment and vehicles, net	60,261	76,550
Land	*2 33,804	*2 47,853
Construction in progress	87,399	137,010
Other	*2 71,548	*2 81,227
Accumulated depreciation	(49,617)	(54,251)
Other, net	21,931	26,975
Total property, plant and equipment	337,366	441,706
Intangible assets		
Other	32,383	35,850
Total intangible assets	32,383	35,850
Investments and other assets		
Investment securities	277,706	200,013
Deferred tax assets	42,096	69,561
Net defined benefit assets	29,426	31,578
Other	*3 38,441	*3 47,916
Allowance for doubtful accounts	(1,409)	(1,402)
Total investments and other assets	386,260	347,668
Total non-current assets	756,011	825,225
Total assets	2,456,462	2,625,981

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	92,359	108,036
Income taxes payable	80,009	109,446
Advances received	*4 289,905	*4 256,392
Provision for employees' bonuses	43,727	55,218
Provision for warranty expenses	33,524	40,381
Other	72,372	108,450
Total current liabilities	611,899	677,925
Non-current liabilities		
Net defined benefit liabilities	56,139	56,473
Other	28,243	36,373
Total non-current liabilities	84,383	92,846
Total liabilities	696,282	770,771
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,011	78,011
Retained earnings	1,480,306	1,783,881
Treasury stock	(135,215)	(277,658)
Total shareholders' equity	1,478,063	1,639,195
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	184,934	129,574
Net deferred gains (losses) on hedging instruments	42	37
Foreign currency translation adjustments	72,275	60,801
Remeasurements of defined benefit plans	11,519	10,319
Total accumulated other comprehensive income (loss)	268,771	200,733
Share subscription rights	13,345	15,280
Total net assets	1,760,180	1,855,209
Total liabilities and net assets	2,456,462	2,625,981

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net sales	*1 1,830,527	*1 2,431,568
Cost of sales	*2 1,000,257	*2 1,285,280
Gross profit	830,269	1,146,287
Selling, general and administrative expenses		
Salaries and allowances	43,385	50,969
Research and development expenses	*3 202,873	*3 250,017
Other	127,747	147,981
Total selling, general and administrative expenses	374,006	448,967
Operating income	456,263	697,319
Non-operating income		
Interest income	2,567	2,193
Dividend income	1,169	1,386
Share of profit of associates accounted for using the equity method	3,388	3,001
Subsidy income	2,430	2,583
Other	2,608	3,462
Total non-operating income	12,164	12,627
Non-operating expenses		
Foreign exchange losses	4,148	929
Other	1,094	1,289
Total non-operating expenses	5,242	2,219
Ordinary income	463,185	707,727
Extraordinary income		
Gain on sales of non-current assets	*4 10,617	*4 31
Other	220	—
Total extraordinary income	10,838	31
Extraordinary loss		
Loss on disposal and sales of non-current assets	*4 584	*4 1,197
Impairment loss	—	447
Total extraordinary loss	584	1,645
Income before income taxes	473,439	706,114
Income taxes - current	124,001	172,376
Income taxes - deferred	(14,525)	(10,395)
Total income taxes	109,475	161,980
Net income	363,963	544,133
Net income attributable to owners of parent	363,963	544,133

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net income	363,963	544,133
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	77,465	(55,326)
Foreign currency translation adjustments	28,923	(11,474)
Remeasurements of defined benefit plans	7,543	(1,405)
Share of other comprehensive income of associates accounted for using the equity method	385	168
Total other comprehensive income (loss)	* 114,318	* (68,038)
Comprehensive income	478,281	476,095
Comprehensive income attributable to:		
Owners of parent	478,281	476,095

3) Consolidated Statements of Changes in Net Assets
Previous fiscal year (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	54,961	78,011	1,322,203	(22,033)	1,433,141
Changes during period					
Cash dividends			(202,457)		(202,457)
Net income attributable to owners of parent			363,963		363,963
Purchase of treasury stock				(120,028)	(120,028)
Disposal of treasury stock			(3,402)	6,846	3,444
Net changes in items other than shareholders' equity					
Total changes during period	—	—	158,103	(113,181)	44,921
Balance at end of period	54,961	78,011	1,480,306	(135,215)	1,478,063

	Accumulated other comprehensive income					Share subscription rights	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of period	107,452	(46)	43,091	3,954	154,453	11,929	1,599,524
Changes during period							
Cash dividends							(202,457)
Net income attributable to owners of parent							363,963
Purchase of treasury stock							(120,028)
Disposal of treasury stock							3,444
Net changes in items other than shareholders' equity	77,481	88	29,183	7,564	114,318	1,415	115,733
Total changes during period	77,481	88	29,183	7,564	114,318	1,415	160,655
Balance at end of period	184,934	42	72,275	11,519	268,771	13,345	1,760,180

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	54,961	78,011	1,480,306	(135,215)	1,478,063
Changes during period					
Cash dividends			(236,276)		(236,276)
Net income attributable to owners of parent			544,133		544,133
Purchase of treasury stock				(150,008)	(150,008)
Disposal of treasury stock			(4,282)	7,565	3,283
Net changes in items other than shareholders' equity					
Total changes during period	—	—	303,574	(142,442)	161,132
Balance at end of period	54,961	78,011	1,783,881	(277,658)	1,639,195

	Accumulated other comprehensive income					Share subscription rights	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of period	184,934	42	72,275	11,519	268,771	13,345	1,760,180
Changes during period							
Cash dividends							(236,276)
Net income attributable to owners of parent							544,133
Purchase of treasury stock							(150,008)
Disposal of treasury stock							3,283
Net changes in items other than shareholders' equity	(55,359)	(4)	(11,473)	(1,200)	(68,038)	1,934	(66,103)
Total changes during period	(55,359)	(4)	(11,473)	(1,200)	(68,038)	1,934	95,028
Balance at end of period	129,574	37	60,801	10,319	200,733	15,280	1,855,209

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash flows from operating activities		
Income before income taxes	473,439	706,114
Depreciation and amortization	52,339	62,148
Amortization of goodwill	73	117
Increase (decrease) in provision for employees' bonuses	(631)	11,784
Increase (decrease) in provision for warranty expenses	(1,271)	6,869
Interest and dividend income	(3,737)	(3,580)
Decrease (increase) in notes and accounts receivable - trade, and contract assets	84,848	(97,519)
Decrease (increase) in inventories	(97,712)	8,485
Increase (decrease) in notes and accounts payable - trade	(29,629)	19,512
Decrease (increase) in prepaid consumption tax	88,092	2,675
Increase (decrease) in accrued consumption tax	(3,639)	27,100
Increase (decrease) in advances received	(2,390)	(32,512)
Other, net	(10,671)	9,319
Subtotal	549,109	720,516
Interest and dividends received	4,546	4,472
Income taxes refund (paid)	(118,935)	(142,814)
Net cash provided by operating activities	434,720	582,174
Cash flows from investing activities		
Payment into time deposits	(755)	(767)
Proceeds from withdrawal of time deposits	665	756
Purchase of short-term investments	(20,000)	(30,000)
Proceeds from redemption of short-term investments	10,001	30,167
Purchase of property, plant and equipment	(116,993)	(158,374)
Purchase of intangible assets	(7,987)	(9,665)
Other, net	9,921	(1,725)
Net cash used in investing activities	(125,148)	(169,609)
Cash flows from financing activities		
Purchase of treasury stock	(120,028)	(150,008)
Dividends paid	(202,457)	(236,276)
Other, net	(2,525)	(2,551)
Net cash used in financing activities	(325,012)	(388,836)
Effect of exchange rate changes on cash and cash equivalents	4,577	(264)
Net increase (decrease) in cash and cash equivalents	(10,862)	23,463
Cash and cash equivalents at beginning of period	472,471	461,608
Cash and cash equivalents at end of period	* 461,608	* 485,072

The consolidated financial statements 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.

[Notes]

(Basis of Presentation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 25

Name of major consolidated subsidiaries

Tokyo Electron Technology Solutions Ltd.

Tokyo Electron Kyushu Ltd.

Tokyo Electron Miyagi Ltd.

Tokyo Electron FE Ltd.

Tokyo Electron America, Inc.

Tokyo Electron Europe Ltd.

Tokyo Electron Korea Ltd.

Tokyo Electron Taiwan Ltd.

Tokyo Electron (Shanghai) Ltd.

Tokyo Electron Singapore Pte. Ltd.

(2) Name of major non-consolidated subsidiaries

None

2. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for using the equity method: None

(2) Number of affiliates accounted for using the equity method: 1

Name of affiliates

Tokyo Electron Device Ltd.

(3) Name of major affiliates not accounted for using the equity method

Temnest Inc.

(Reason for not applying the equity method)

The affiliate which is not accounted for using the equity method has an insignificant impact on the consolidated financial statements, from the perspective of net income or loss (amount corresponding to the equity share), retained earnings (amount corresponding to the equity share), and other factors. As it is also immaterial overall, it is not accounted for using the equity method.

3. Fiscal year of consolidated subsidiaries

Of consolidated subsidiaries, Tokyo Electron (Shanghai) Ltd. and two other companies have a balance sheet date of December 31. Financial statements based on the provisional closings at the consolidated balance sheet date are used in preparing the consolidated financial statements. The balance sheet dates of other consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Accounting policies

(1) Valuation standards and methods for significant assets

1) Securities

Held-to-maturity securities

Stated mainly at amortized cost.

Available-for-sale securities

Other than shares without market prices

Stated at fair value. (Net unrealized gains (losses) are directly reported in net assets, and the cost of securities sold is calculated by the weighted-average method.)

Shares without market prices

Stated at cost using the weighted-average method.

2) Inventories

Inventories are principally stated at cost based on the specific identification method (method of writing down the book value based on decreased profitability).

3) Derivatives

Stated at fair value.

(2) Methods of depreciation of significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries apply the declining-balance method, except for buildings acquired on or after April 1, 1998 (excluding facilities attached thereto) and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method.

Foreign consolidated subsidiaries principally apply the straight-line method.

The useful lives of major property, plant and equipment are as follows.

Buildings and structures: 2 to 60 years

Machinery, equipment and vehicles: 2 to 17 years

2) Intangible assets (excluding leased assets)

The straight-line method is applied.

3) Leased assets

For leased assets related to finance leases without transfer of ownership, the straight-line method is applied where the lease period is taken as the useful life and residual value is set as zero.

(3) Basis for recording significant provisions

1) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts at an amount determined based on the historical experience ratio of bad debts with respect to ordinary receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers experiencing financial difficulties. Foreign consolidated subsidiaries provide an allowance for doubtful accounts based on an estimate of uncollectible amounts determined by reference to specific receivables from customers experiencing financial difficulties.

2) Provision for employees' bonuses

The provision for employees' bonuses is provided based on the estimated payments to be made with respect to the current fiscal year.

3) Provision for warranty expenses

Estimated after-sales repair expenses during the warranty periods are provided based on the historical ratio of actual repair expenses to corresponding sales.

(4) Accounting method for benefit plans

The accounting method for defined benefit plans of the Company and its domestic consolidated subsidiaries is as follows.

1) Method of attributing estimated benefits for the periods of service

In calculating benefit plan liabilities, the method for attributing estimated amount of benefits to the period until the end of the current fiscal year is on the benefit formula basis.

2) Amortization of actuarial gain (loss) and prior service cost

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 charges occur.

Actuarial gain (loss) is 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.

(5) Basis for recording significant revenue and expenses

1) Nature of main performance obligations in the principal business

The Tokyo Electron (TEL) Group principally develops, manufactures, and sells semiconductor production equipment using electronic technology, 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.

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

Regarding sales of semiconductor production equipment, revenue for the transfer of goods and provision of set-up services is principally recognized when goods are delivered to customers and the 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.

(6) Significant hedge accounting methods

1) Hedge accounting methods

The deferred hedge method is applied. However, the Company applies the allocation treatment for assets and liabilities denominated in foreign currencies hedged by forward exchange contracts.

2) Hedging instruments and hedged items

Hedging instruments: Derivative transactions (forward exchange contracts, currency option contracts)

Hedged items: Assets and liabilities denominated in foreign currencies and foreign currency forecast transactions

3) Hedging policy

Significant transactions denominated in foreign currencies are hedged against risks arising from fluctuations in foreign currency exchange rates by using forward foreign exchange contracts and other means within the contracted amount (including forecast transactions) at the time the transaction is concluded.

4) Methods of assessing hedge effectiveness

The Company performs a ratio analysis of the cumulative cash flow fluctuations or market fluctuations of the hedged item and the cumulative cash flow fluctuations or market fluctuations of the hedging instrument. If the critical terms of the hedging instrument and the hedged item match and it can be concluded that market fluctuations or cash flows are expected to be completely offset, a determination of effectiveness is omitted.

(7) Method and period of amortization of goodwill

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

(8) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, demand deposits, and time deposits and short-term investments that are readily convertible into cash with insignificant risk of price fluctuations and with maturities of three months or less.

(9) Other significant matters for the preparation of the consolidated financial statements

Adoption of the group tax sharing system

The Company adopts the group tax sharing system.

(Significant Accounting Estimates)

1. Valuation of inventories

(1) Carrying amounts in the consolidated financial statements

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Inventories	762,957	749,126

(2) Information on the nature of significant accounting estimates

Inventories are principally stated at cost in the consolidated balance sheets. When the net selling price for inventory decreases below its cost at the end of the fiscal year, the net selling price is recorded as the amount on the consolidated balance sheet.

In addition, inventories aged over a certain holding period are classified based on their expected use and salability, and the book value is systematically devalued based on such classification according to the holding period.

For inventories to be disposed, the book value is reduced to the estimated disposal value.

This valuation of inventories is based on forecasts of future demand and prospects for the market environment. The semiconductor industry, in which TEL Group operates, is influenced by the short-term imbalance between supply and demand, and the market can 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. Provision for warranty expenses

(1) Carrying amounts in the consolidated financial statements

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Provision for warranty expenses	33,524	40,381

(2) Information on the nature of significant accounting estimates

Estimated after-sales repair expenses during the warranty periods are accrued based on the historical ratio of actual repair expenses to corresponding sales.

TEL Group's products integrate numerous leading-edge technologies, and the occurrence of unforeseen defects could lead to additional after-sales repair expenses in the consolidated financial statements for the next fiscal year.

(Changes in Accounting Policies)

Accounting Standard for Current Income Taxes

The Company applies "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022), etc. from the beginning of the current fiscal year.

The amendment of classification of income taxes (taxation on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of "Accounting Standard for Current Income Taxes" and the proviso of paragraph 65-2 (2) of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022). There is no effect by this change on the consolidated financial statements.

Regarding the amendment related to the revision of the treatment on the consolidated financial statements for profits and losses on the sale of shares of subsidiaries and affiliates between consolidated companies that are deferred for tax purposes, the Company applies "Guidance on Accounting Standard for Tax Effect Accounting" from the beginning of the current fiscal year. This change has been applied retrospectively and the consolidated financial statements for the previous fiscal year are after the retrospective application. There is no effect by this change on the consolidated financial statements for the previous fiscal year.

(Accounting Standards Issued but not yet Adopted)

“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)

“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

1. Overview

As part of efforts to align Japanese accounting standards with international standards, the ASBJ held discussions in light of international accounting standards, with the aim of developing an accounting standard for leases that recognizes assets and liabilities on the balance sheets for all leases of lessees. A lease accounting standard was published, which is basically built on the single accounting model of IFRS 16. Meanwhile, the standard adopts only major provisions, instead of all provisions, of IFRS 16, thereby aiming to be simple and convenient, as well as to make revisions unnecessary in principle even when provisions of IFRS 16 are applied to non-consolidated financial statements.

When lessees allocate lease costs, a single accounting model is applied as in IFRS 16, where depreciation of right-of-use assets and amounts equivalent to interest on lease liabilities are recorded for all leases, regardless of whether the lease is a finance lease or an operating lease.

2. Effective date

The expected effective date is the beginning of the fiscal year ending March 31, 2028.

3. Effects of the application of the standards

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

(Changes in Presentation)

Consolidated statements of cash flows

1. Since the amount of “Loss (gain) on sales and disposal of non-current assets” under “Cash flows from operating activities,” which was recorded separately in the previous fiscal year, became immaterial in the current fiscal year, it has been reclassified into the amount of “Other, net” under “Cash flows from operating activities.” To reflect this change, reclassifications have been made to the previous fiscal year’s consolidated financial statements.

As a result, the amount of ¥(10,032) million recorded in “Loss (gain) on sales and disposal of non-current assets” under “Cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year is reclassified as “Other, net.”

2. Since the amount of “Proceeds from sales of property, plant and equipment” under “Cash flows from investing activities,” which was recorded separately in the previous fiscal year, became immaterial in the current fiscal year, it has been reclassified into the amount of “Other, net” under “Cash flows from investing activities.” To reflect this change, reclassifications have been made to the previous fiscal year’s consolidated financial statements.

As a result, the amount of ¥12,967 million recorded in “Proceeds from sales of property, plant and equipment” under “Cash flows from investing activities” in the consolidated statements of cash flows for the previous fiscal year is reclassified as “Other, net.”

(Additional Information)

Transactions for delivery of the Company's own stock to employees and others through trusts

The Company 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 covered by the Schemes.

The Company adopted the "Practical Solution on Transaction 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

A trust (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 the directors of its subsidiaries in accordance with the share delivery rules.

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

The Company recorded the Company's shares held by the trust in "Treasury stock" under "Net assets" at the book value in the trust (excluding ancillary expenses). The book value and the number of such treasury shares were ¥1,393 million and 176,279 shares, respectively, as of the end of the previous fiscal year, and were ¥1,368 million and 173,089 shares, respectively, as of the end of the current fiscal year.

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

(1) Overview of the transactions

A trust (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-level 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

The Company recorded the Company's shares held by the trust in "Treasury stock" under "Net assets" at the book value in the trust (excluding ancillary expenses). The book value and the number of such treasury shares were ¥9,595 million and 1,210,128 shares, respectively, as of the end of the previous fiscal year, and were ¥9,594 million and 1,210,066 shares, respectively, as of the end of the current fiscal year.

(Notes to Consolidated Balance Sheets)

- *1. Of notes and accounts receivable - trade, and contract assets, the amounts of receivables and contract assets arising from contracts with customers are as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Notes receivable - trade	260	165
Accounts receivable - trade	378,512	467,423
Contract assets	12,650	18,037

- *2. The reduction entry amount deducted from the acquisition cost of property, plant and equipment due to the acceptance of national subsidies and its breakdown are as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Reduction entry amount	1,643	1,613
(of which, buildings and structures)	63	62
(of which, machinery, equipment and vehicles)	997	968
(of which, Land)	579	579
(of which, property, plant and equipment (other))	2	2

- *3. Amount to affiliates is as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Other (shares)	16,102	17,937

- *4. Amount of contract liabilities is as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Contract liabilities	289,905	256,392

(Note) Contract liabilities are included in "Advances received" under "Current liabilities" in the consolidated balance sheets.

5. The Company and its consolidated subsidiaries have concluded overdraft agreements and commitment line agreements with its trading banks to raise working capital efficiently.

The balance of unused lines of credit under overdraft agreements and commitment line agreements is as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Total amount of overdraft limit and commitment line	329,512	329,508
Borrowing balance	—	—
Unused amount	329,512	329,508

(Notes to Consolidated Statements of Income)

*1. Revenue arising from contracts with customers

Net sales do not separately represent revenue arising from contracts with customers and other revenue. The amount of revenue arising from contracts with customers is presented in "Notes (Revenue Recognition) 1. Breakdown of revenue arising from contracts with customers." Revenue arising from sources other than contracts with customers is included in the "Breakdown of revenue arising from contracts with customers" because the amount is immaterial.

- *2. The value of inventories at the end of the period is the amount after devaluation of the book value due to decline in profitability. The following losses on valuation of inventories (amounts in parentheses are gain on reversal) are included in cost of sales.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
	27,786	7,847

- *3. Research and development expenses included in general and administrative expenses and manufacturing costs for the fiscal year are as follows.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
	202,873	250,017

- *4. Gain (loss) on sales of non-current assets and loss on disposal of non-current assets are as follows.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Gain on sales		
Buildings and structures	3,694	11
Machinery, equipment and vehicles	359	12
Land	6,539	—
Construction in progress	—	3
Property, plant and equipment (other)	25	4
Intangible assets (other)	—	0
Total	10,617	31
Loss on sales		
Machinery, equipment and vehicles	7	—
Property, plant and equipment (other)	0	—
Total	7	—
Loss on disposal		
Buildings and structures	130	205
Machinery, equipment and vehicles	346	293
Construction in progress	0	100
Property, plant and equipment (other)	86	92
Intangible assets (other)	13	505
Total	577	1,197

(Notes to Consolidated Statements of Comprehensive Income)

* Reclassification adjustments, income taxes and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net unrealized gains (losses) on available-for-sale securities		
Amount accrued in current period	112,296	(76,258)
Reclassification adjustments	(659)	(1,023)
Amount before income taxes and tax effects	111,636	(77,282)
Income taxes and tax effects	(34,171)	21,955
Net unrealized gains (losses) on available-for-sale securities	77,465	(55,326)
Foreign currency translation adjustments		
Amount accrued in current period	28,921	(11,498)
Reclassification adjustments	35	—
Amount before income taxes and tax effects	28,956	(11,498)
Income taxes and tax effects	(33)	24
Foreign currency translation adjustments	28,923	(11,474)
Remeasurements of defined benefit plans		
Amount accrued in current period	13,216	3,604
Reclassification adjustments	(2,378)	(5,300)
Amount before income taxes and tax effects	10,838	(1,696)
Income taxes and tax effects	(3,294)	290
Remeasurements of defined benefit plans	7,543	(1,405)
Share of other comprehensive income of associates accounted for using the equity method		
Amount accrued in current period	385	168
Total other comprehensive income (loss)	114,318	(68,038)

(Notes to Consolidated Statements of Changes in Net Assets)

Previous fiscal year (From April 1, 2023 to March 31, 2024)

1. Matters related to type and total number of shares issued and outstanding and type and total number of treasury shares

	Number of shares at beginning of current fiscal year (thousand shares)	Number of shares increased during current fiscal year (thousand shares)	Number of shares decreased during current fiscal year (thousand shares)	Number of shares at end of current fiscal year (thousand shares)
Shares issued and outstanding				
Shares of common stock	157,210	314,421	—	471,632
Total	157,210	314,421	—	471,632
Shares of treasury stock				
Shares of common stock	1,090	8,082	509	8,663
Total	1,090	8,082	509	8,663

(Notes) 1. The Company implemented a 3-for-1 common stock split on April 1, 2023.

2. The increase of 314,421 thousand shares in shares issued and outstanding is due to the stock split.

3. The numbers of treasury shares at the beginning of the current fiscal year and the end of the current fiscal year include 500 thousand shares and 1,386 thousand shares of the Company's stock held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust, respectively.

4. The increase of 8,082 thousand shares in treasury stock represents an increase of 5,899 thousand shares due to an open-market purchase of shares, an increase of 2,181 thousand shares due to stock split, and an increase of 1 thousand shares from the purchase of fractional shares.

5. The decrease of 509 thousand shares in treasury stock represents a decrease of 393 thousand shares from exercising share subscription rights, and a decrease of 116 thousand shares resulting from the issuance of shares of the Company by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

2. Share subscription rights

Classification	Breakdown	Type of shares to be delivered	Number of shares to be delivered (shares)				Balance at end of current fiscal year (Millions of yen)
			Beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	End of current fiscal year	
Reporting company	Share subscription rights as stock options in 2006	—	—	—	—	—	5
	Share subscription rights as stock options in 2008	—	—	—	—	—	0
	Share subscription rights as stock options in 2012	—	—	—	—	—	1
	Share subscription rights as stock options in 2015	—	—	—	—	—	63
	Share subscription rights as stock options in 2016	—	—	—	—	—	130
	Share subscription rights as stock options in 2017	—	—	—	—	—	148
	Share subscription rights as stock options in 2018	—	—	—	—	—	605
	Share subscription rights as stock options in 2019	—	—	—	—	—	1,192
	Share subscription rights as stock options in 2020	—	—	—	—	—	1,206
	Share subscription rights as stock options in 2021	—	—	—	—	—	3,226
	Share subscription rights as stock options in 2022	—	—	—	—	—	3,048
	Share subscription rights as stock options in 2023	—	—	—	—	—	3,716
	Total		—	—	—	—	13,345

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 11, 2023 Board of Directors meeting	Common stock	133,754	854	March 31, 2023	May 31, 2023
November 10, 2023 Board of Directors meeting	Common stock	68,703	148	September 30, 2023	December 7, 2023

(Notes) 1. The total amount of dividends resolved at the Board of Directors meeting held on May 11, 2023 includes ¥427 million in dividends on shares of the Company held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

2. The Company implemented a 3-for-1 common stock split on April 1, 2023. For dividends per share resolved at the Board of Directors Meeting held on May 11, 2023, the amount of dividends prior to the stock split is presented.

3. The total amount of dividends resolved at the Board of Directors meeting held on November 10, 2023 includes ¥205 million in dividends on shares of the Company held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

(2) Of dividends whose record date falls within the current fiscal year, dividends whose effective date is in the next fiscal year

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 10, 2024 Board of Directors meeting	Common stock	113,767	Retained earnings	245	March 31, 2024	May 29, 2024

(Note) The total amount of dividends includes ¥339 million in dividends on shares of the Company held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Matters related to type and total number of shares issued and outstanding and type and total number of treasury shares

	Number of shares at beginning of current fiscal year (thousand shares)	Number of shares increased during current fiscal year (thousand shares)	Number of shares decreased during current fiscal year (thousand shares)	Number of shares at end of current fiscal year (thousand shares)
Shares issued and outstanding				
Shares of common stock	471,632	—	—	471,632
Total	471,632	—	—	471,632
Shares of treasury stock				
Shares of common stock	8,663	5,218	359	13,522
Total	8,663	5,218	359	13,522

(Notes) 1. The numbers of treasury shares at the beginning of the current fiscal year and the end of the current fiscal year include 1,386 thousand shares and 1,383 thousand shares of the Company's stock held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust, respectively.

2. The increase of 5,218 thousand shares in treasury stock represents an increase of 5,218 thousand shares due to an open-market purchase of shares and an increase of 0 thousand shares from the purchase of fractional shares.

3. The decrease of 359 thousand shares in treasury stock represents a decrease of 356 thousand shares from exercising share subscription rights, and a decrease of 3 thousand shares resulting from the issuance of shares of the Company by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

2. Share subscription rights

Classification	Breakdown	Type of shares to be delivered	Number of shares to be delivered (shares)				Balance at end of current fiscal year (Millions of yen)
			Beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	End of current fiscal year	
Reporting company	Share subscription rights as stock options in 2006	—	—	—	—	—	5
	Share subscription rights as stock options in 2008	—	—	—	—	—	0
	Share subscription rights as stock options in 2012	—	—	—	—	—	1
	Share subscription rights as stock options in 2015	—	—	—	—	—	49
	Share subscription rights as stock options in 2016	—	—	—	—	—	72
	Share subscription rights as stock options in 2017	—	—	—	—	—	130
	Share subscription rights as stock options in 2018	—	—	—	—	—	473
	Share subscription rights as stock options in 2019	—	—	—	—	—	852
	Share subscription rights as stock options in 2020	—	—	—	—	—	838
	Share subscription rights as stock options in 2021	—	—	—	—	—	898
	Share subscription rights as stock options in 2022	—	—	—	—	—	3,048
	Share subscription rights as stock options in 2023	—	—	—	—	—	3,716
	Share subscription rights as stock options in 2024	—	—	—	—	—	5,193
	Total		—	—	—	—	15,280

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 10, 2024 Board of Directors meeting	Common stock	113,767	245	March 31, 2024	May 29, 2024
November 12, 2024 Board of Directors meeting	Common stock	122,508	265	September 30, 2024	December 6, 2024

(Notes) 1. The total amount of dividends resolved at the Board of Directors meeting held on May 10, 2024 includes ¥339 million in dividends on shares of the Company held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

2. The total amount of dividends resolved at the Board of Directors meeting held on November 12, 2024 includes ¥367 million in dividends on shares of the Company held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

(2) Of dividends whose record date falls within the current fiscal year, dividends whose effective date is in the next fiscal year

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 9, 2025 Board of Directors meeting	Common stock	150,254	Retained earnings	327	March 31, 2025	May 28, 2025

(Note) The total amount of dividends includes ¥452 million in dividends on shares of the Company held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust.

(Notes to Consolidated Statements of Cash Flows)

* Reconciliation between cash and cash equivalents at the end of the period and the amounts recorded in the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash and deposits	462,383	416,240
Securities	10,165	79,998
Time deposits with maturities of more than three months, etc.	(774)	(1,166)
Short-term investments with maturities or redemption dates of more than three months	(10,165)	(10,000)
Cash and cash equivalents	461,608	485,072

(Lease Transactions)

1. Finance lease transactions

This section has been omitted since the amounts are immaterial.

2. Operating lease transactions

Future minimum lease payments on non-cancellable operating leases

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Due within one year	4,369	5,333
Due after one year	10,065	21,249
Total	14,434	26,583

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

(Financial Instruments)

1. Matters concerning financial instruments

(1) Policy for financial instruments

TEL Group limits its fund management to short-term bank deposits and low-risk financial instruments. Derivatives are used in order to manage certain risks arising from foreign currency fluctuations. The amount of derivatives is limited to the extent of actual demands and TEL Group does not trade in derivatives for speculative purposes.

(2) Details of financial instruments, associated risk and risk management system

Regarding customer credit risk related to notes and accounts receivable, which are trade receivables, the credit limit for each supplier, management of payment dates, and management of balances are conducted in accordance with “the Credit Limit Policy,” an internal management rule. In addition, the credit standing of major suppliers is assessed on a regular basis.

To mitigate credit risk, only securities issued by issuers above a certain credit rating are considered, and the credit rating and fair value of the issuer are assessed on a regular basis.

Of investment securities, conditions, including market prices, for equity interests in listed companies exposed to equity market risks are monitored on a regular basis.

Notes and accounts payable - trade, which are trade payables, mainly mature within one year.

For foreign currency exchange rate risks related to foreign currency denominated transactions in the normal course of operating and financing activities, such risks are hedged by entering into forward foreign exchange contracts. Hedging instruments and hedged items, hedging policy, and methods to evaluate hedge effectiveness when applying accounting methods are as described in “Notes (Basis of Presentation of Consolidated Financial Statements).”

Execution and management of derivative transactions are conducted pursuant to “the Financial Market Risk Management Policy,” an internal management rule. When making use of derivatives, the Company engages in transactions only with highly rated financial institutions in order to mitigate credit risk.

Liquidity risks related to trade payables are managed by preparing fund management plans.

2. Fair value of financial instruments

The amounts recorded in the consolidated balance sheets, fair values and the differences are as described below. Cash is omitted because it is cash. Deposits; notes and accounts receivable - trade and contract assets; negotiable certificates of deposit, commercial papers, and money trusts under securities; and notes and accounts payable - trade are omitted because they are settled in a short period of time and the fair values approximate the book value.

Previous fiscal year (As of March 31, 2024)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Securities and investment securities (*1)			
Held-to-maturity securities	10,165	10,169	3
Available-for-sale securities	273,346	273,346	—
Total assets	283,512	283,516	3
Derivative transactions			
Hedge accounting not applied	95	95	—
Hedge accounting applied	—	—	—
Total derivative transactions (*2)	95	95	—

(*1) Shares without market prices are not included in “(1) Securities and investment securities.” The amount recorded in the consolidated balance sheets for such financial instruments is as follows.

(Millions of yen)

Classification	Previous fiscal year (As of March 31, 2024)
Unlisted stocks	4,359

(*2) Receivables and payables arising from derivative transactions are presented on a net basis, and items that in total result in a net liability are indicated in ().

Current fiscal year (As of March 31, 2025)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Securities and investment securities (*1)			
Held-to-maturity securities	10,040	10,041	0
Available-for-sale securities	195,521	195,521	—
Total assets	205,561	205,562	0
Derivative transactions			
Hedge accounting not applied	72	72	—
Hedge accounting applied	—	—	—
Total derivative transactions (*2)	72	72	—

(*1) Shares without market prices are not included in “(1) Securities and investment securities.” The amount recorded in the consolidated balance sheets for such financial instruments is as follows.

(Millions of yen)

Classification	Current fiscal year (As of March 31, 2025)
Unlisted stocks	4,452

(*2) Receivables and payables arising from derivative transactions are presented on a net basis, and items that in total result in a net liability are indicated in ().

(Note) Scheduled redemption amount of monetary claims and securities with maturity after the consolidated balance sheet date

Previous fiscal year (As of March 31, 2024)

	Within 1 year (Millions of yen)	After 1 through 5 years (Millions of yen)
Cash and deposits	462,383	—
Notes and accounts receivable - trade	378,666	105
Securities and investment securities		
Held-to-maturity securities		
Corporate bonds	10,000	—
Other	165	—
Total	851,215	105

Current fiscal year (As of March 31, 2025)

	Within 1 year (Millions of yen)	After 1 through 5 years (Millions of yen)
Cash and deposits	416,240	—
Notes and accounts receivable - trade	467,589	—
Securities and investment securities		
Held-to-maturity securities		
Negotiable certificates of deposit	40,000	—
Commercial papers	19,998	—
Corporate bonds	10,000	—
Money trusts	10,000	—
Other	—	40
Total	963,828	40

3. 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

Previous fiscal year (As of March 31, 2024)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	273,346	—	—	273,346
Derivative transactions				
Currency-related transactions	—	95	—	95
Total assets	273,346	95	—	273,442

Current fiscal year (As of March 31, 2025)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	195,521	—	—	195,521
Derivative transactions				
Currency-related transactions	—	72	—	72
Total assets	195,521	72	—	195,593

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

Previous fiscal year (As of March 31, 2024)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity securities				
Corporate bonds	—	10,000	—	10,000
Other	—	169	—	169
Total assets	—	10,169	—	10,169

Current fiscal year (As of March 31, 2025)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity securities				
Corporate bonds	—	10,000	—	10,000
Other	—	41	—	41
Total assets	—	10,041	—	10,041

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

Securities and investment securities

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

Derivative transactions

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.

(Securities)

1. Trading securities

None

2. Held-to-maturity securities

Previous fiscal year (As of March 31, 2024)

Classification	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities with fair value exceeding carrying amount	165	169	3
Securities with fair value not exceeding carrying amount	10,000	10,000	—
Total	10,165	10,169	3

Current fiscal year (As of March 31, 2025)

Classification	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities with fair value exceeding carrying amount	40	41	0
Securities with fair value not exceeding carrying amount	79,998	79,998	—
Total	80,038	80,039	0

3. Available-for-sale securities

Previous fiscal year (As of March 31, 2024)

Classification	Type	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities with carrying amount exceeding acquisition cost	Equity securities	273,346	6,733	266,613
Securities with carrying amount not exceeding acquisition cost	Equity securities	4,359	4,359	—
Total		277,706	11,092	266,613

Current fiscal year (As of March 31, 2025)

Classification	Type	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities with carrying amount exceeding acquisition cost	Equity securities	195,521	6,251	189,269
Securities with carrying amount not exceeding acquisition cost	Equity securities	4,452	4,452	—
Total		199,973	10,703	189,269

4. Held-to-maturity securities sold

None

5. Available-for-sale securities sold

This section has been omitted since the amounts are immaterial.

6. Securities with impairment loss

This section has been omitted since the amounts are immaterial.

(Derivative Transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency-related transactions

Previous fiscal year (As of March 31, 2024)

Classification	Type of transaction	Contract amount (Millions of yen)	Contract amount due after 1 year (Millions of yen)	Fair value (Millions of yen)	Gains (losses) (Millions of yen)
Off-market transactions	Forward exchange contract transactions				
	Sell				
	U.S. dollars	104	—	0	0
	Buy				
	Chinese yuan	6,849	—	102	102
	U.S. dollars	6,690	—	(4)	(4)
	Euro	2,071	—	(2)	(2)
	Korean won	919	—	(0)	(0)
	GBP	477	—	0	0
	Singapore dollars	448	—	0	0
	Swiss francs	210	—	(0)	(0)
Total		17,771	—	95	95

Current fiscal year (As of March 31, 2025)

Classification	Type of transaction	Contract amount (Millions of yen)	Contract amount due after 1 year (Millions of yen)	Fair value (Millions of yen)	Gains (losses) (Millions of yen)
Off-market transactions	Forward exchange contract transactions				
	Sell				
	U.S. dollars	26,236	—	112	112
	Israeli shekel	321	—	(0)	(0)
	Buy				
	Chinese yuan	9,096	—	(37)	(37)
	U.S. dollars	5,191	—	6	6
	Euro	1,698	—	2	2
	Korean won	842	—	(11)	(11)
	Swiss francs	759	—	(0)	(0)
	Singapore dollars	500	—	0	0
	GBP	394	—	0	0
Total		45,041	—	72	72

2. Derivative transactions to which hedge accounting is applied

None

(Employee Benefits)

1. Overview of employee benefits adopted

The Company and its domestic consolidated subsidiaries provide cash balance plans and lump-sum payment pension plans as defined benefit plans, and defined contribution pension plans as defined contribution plans. Further, certain foreign consolidated subsidiaries provide defined benefit plans and defined contribution plans.

2. Defined benefit plans

(1) Reconciliation between balance of defined benefit obligations at the beginning and the end of the period

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Balance at beginning of period	122,776	117,703
Service cost	6,743	7,006
Interest cost	1,699	2,305
Actuarial gain (loss)	(7,829)	(3,661)
Benefits paid	(5,427)	(2,493)
Prior service cost	(1,492)	—
Foreign currency translation differences	1,177	(1,539)
Other	56	—
Balance at end of period	117,703	119,320

(2) Reconciliation between balance of plan assets at the beginning and the end of the period

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Balance at beginning of period	81,785	90,989
Expected return on plan assets	2,042	2,293
Actuarial gain (loss)	4,047	(248)
Employer contributions	3,800	4,919
Benefits paid	(1,969)	(1,744)
Foreign currency translation differences	1,283	(1,785)
Other	—	2
Balance at end of period	90,989	94,425

(3) Reconciliation from defined benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Funded defined benefit obligations	63,162	64,269
Plan assets	(90,989)	(94,425)
	(27,827)	(30,155)
Unfunded defined benefit obligations	54,540	55,050
Net defined benefit liabilities in the consolidated balance sheets	26,713	24,894
Net defined benefit liabilities	56,139	56,473
Net defined benefit assets	(29,426)	(31,578)
Net defined benefit liabilities in the consolidated balance sheets	26,713	24,894

(4) Defined benefit costs

	(Millions of yen)	
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Service cost	6,743	7,006
Interest cost	1,699	2,305
Expected return on plan assets	(2,042)	(2,293)
Amortization of net actuarial gain (loss)	(2,191)	(4,927)
Amortization of prior service cost	(186)	(373)
Other	139	118
Total defined benefit costs	4,160	1,836

(5) Remeasurements of defined benefit plans

The breakdown of items of remeasurements of defined benefit plans (before deducting income taxes and tax effects) is as follows.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Prior service cost	1,305	(373)
Actuarial gain (loss)	9,532	(1,323)
Total	10,838	(1,696)

(6) Remeasurements of defined benefit plans

The breakdown of items of remeasurements of defined benefit plans (before deducting income taxes and tax effects) is as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Unrecognized prior service cost	1,305	932
Unrecognized net actuarial gain (loss)	15,391	14,067
Total	16,697	15,000

(7) Plan assets

1) Breakdown of plan assets

The ratios of components to total plan assets by major category are as follows.

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Life insurance company general account	29%	45%
Alternative investments	24%	23%
Bonds	15%	14%
Equity securities	14%	13%
Cash and cash equivalents	0%	0%
Other	18%	5%
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) Calculation basis for actuarial assumptions

Principal actuarial assumptions

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Discount rate	1.57%	2.17%
Long-term expected rate of return	2.00%	2.00%
Expected rate of salary increase	Uses age-specific salary increase indexes calculated with January 1, 2024 as the record date	Uses age-specific salary increase indexes calculated with January 1, 2024 as the record date

3. Defined contribution plans

The required contributions of the Company and its consolidated subsidiaries to the defined contribution plans are ¥4,328 million and ¥4,984 million for the previous fiscal year and the current fiscal year, respectively.

(Stock Options)

1. Amount and items expensed related to stock options

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Selling, general and administrative expenses (other)	3,716	5,193

2. Details, number and changes of stock options

(1) Details of stock options

	6th Share Subscription Rights
Company name	Reporting company
Resolution date	June 23, 2006
Classification and number of Recipients	11 executives of the Company 20 employees of the Company 15 executives of subsidiaries of the Company 57 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	200,700 shares of common stock
Grant date	June 24, 2006
Vesting conditions	(Notes 2, 3)
Requisite service period	June 24, 2006 to June 30, 2009
Exercise period	July 1, 2009 to May 29, 2026 (Note 3)

(Notes) 1. Presented in terms of number of shares.

2. Recipients must either be a director, audit & supervisory board member, executive officer or employee, etc. of the Company, its subsidiary, or affiliate at the time of exercising the share subscription rights.
3. Other conditions for exercising rights are as described in "IV. Information on the Reporting Company 1. Information on the Company's Shares (2) Status of share subscription rights" in the Japanese original Annual Securities Report.
4. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	8th Share Subscription Rights
Company name	Reporting company
Resolution date	June 20, 2008
Classification and number of Recipients	11 executives of the Company 15 employees of the Company 19 executives of subsidiaries of the Company 49 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	533,700 shares of common stock
Grant date	June 21, 2008
Vesting conditions	(Notes 2, 3)
Requisite service period	June 21, 2008 to June 30, 2011
Exercise period	July 1, 2011 to May 31, 2028 (Note 3)

(Notes) 1. Presented in terms of number of shares.

2. Recipients must either be a director, audit & supervisory board member, executive officer or employee, etc. of the Company, its subsidiary, or affiliate at the time of exercising the share subscription rights.
3. Other conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company’s Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
4. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	10th Share Subscription Rights
Company name	Reporting company
Resolution date	June 22, 2012
Classification and number of Recipients	13 executives of the Company 16 employees of the Company 23 executives of subsidiaries of the Company 23 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	392,100 shares of common stock
Grant date	June 23, 2012
Vesting conditions	(Notes 2, 3)
Requisite service period	June 23, 2012 to June 30, 2015
Exercise period	July 1, 2015 to May 31, 2032 (Note 3)

(Notes) 1. Presented in terms of number of shares.

2. Recipients must either be a director, audit & supervisory board member or employee, etc. of the Company, its subsidiary, or affiliate at the time of exercising the share subscription rights.
3. Other conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company’s Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
4. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	11th Share Subscription Rights
Company name	Reporting company
Resolution date	June 19, 2015
Classification and number of Recipients	12 executives of the Company 17 employees of the Company 18 executives of subsidiaries of the Company 17 employees of subsidiaries of the Company 1 executive of affiliate of the Company
Number of stock options by type of shares (Note 1)	407,100 shares of common stock
Grant date	June 20, 2015
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 2, 2018 to May 31, 2035 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company’s Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
3. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	12th Share Subscription Rights
Company name	Reporting company
Resolution date	June 17, 2016
Classification and number of Recipients	9 executives of the Company 19 employees of the Company 17 executives of subsidiaries of the Company 19 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	583,200 shares of common stock
Grant date	June 18, 2016
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 1, 2019 to May 30, 2036 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company’s Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
3. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	13th Share Subscription Rights
Company name	Reporting company
Resolution date	June 20, 2017
Classification and number of Recipients	11 executives of the Company 16 employees of the Company 17 executives of subsidiaries of the Company 17 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	434,100 shares of common stock
Grant date	June 21, 2017
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 1, 2020 to May 29, 2037 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company's Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
3. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	14th Share Subscription Rights
Company name	Reporting company
Resolution date	June 19, 2018
Classification and number of Recipients	9 executives of the Company 24 employees of the Company 17 executives of subsidiaries of the Company 45 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	659,700 shares of common stock
Grant date	June 20, 2018
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 1, 2021 to May 31, 2038 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company's Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
3. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	15th Share Subscription Rights
Company name	Reporting company
Resolution date	June 18, 2019
Classification and number of Recipients	7 executives of the Company 35 employees of the Company 18 executives of subsidiaries of the Company 40 employees of subsidiaries of the Company 2 other than the above (Note 1)
Number of stock options by type of shares (Note 2)	1,081,200 shares of common stock
Grant date	June 19, 2019
Vesting conditions	(Note 3)
Requisite service period	No requisite service period
Exercise period	July 1, 2022 to May 31, 2039 (Note 3)

- (Notes) 1. The Recipients are directors of the Company who retired at the conclusion of the Fiscal Year 2019 (the 56th FY) Annual General Meeting of Shareholders and are not executives or employees of the Company or its subsidiaries.
2. Presented in terms of number of shares.
3. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company’s Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
4. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	16th Share Subscription Rights
Company name	Reporting company
Resolution date	June 23, 2020
Classification and number of Recipients	8 executives of the Company 35 employees of the Company 17 executives of subsidiaries of the Company 39 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	392,400 shares of common stock
Grant date	June 24, 2020
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 3, 2023 to May 31, 2040 (Note 2)

- (Notes) 1. Presented in terms of number of shares.
2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company’s Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
3. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	17th Share Subscription Rights
Company name	Reporting company
Resolution date	June 17, 2021
Classification and number of Recipients	8 executives of the Company 35 employees of the Company 19 executives of subsidiaries of the Company 36 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	210,000 shares of common stock
Grant date	June 18, 2021
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 1, 2024 to May 31, 2041 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company's Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
3. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	18th Share Subscription Rights
Company name	Reporting company
Resolution date	June 21, 2022
Classification and number of Recipients	3 executives of the Company 41 employees of the Company 21 executives of subsidiaries of the Company 36 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	231,000 shares of common stock
Grant date	June 22, 2022
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 1, 2025 to May 30, 2042 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company's Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.
3. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

	19th Share Subscription Rights
Company name	Reporting company
Resolution date	June 20, 2023
Classification and number of Recipients	4 executives of the Company 42 employees of the Company 19 executives of subsidiaries of the Company 39 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	206,000 shares of common stock
Grant date	June 21, 2023
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 1, 2026 to May 29, 2043 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company's Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.

	20th Share Subscription Rights
Company name	Reporting company
Resolution date	June 18, 2024
Classification and number of Recipients	3 executives of the Company 38 employees of the Company 21 executives of subsidiaries of the Company 48 employees of subsidiaries of the Company
Number of stock options by type of shares (Note 1)	160,800 shares of common stock
Grant date	June 19, 2024
Vesting conditions	(Note 2)
Requisite service period	No requisite service period
Exercise period	July 1, 2027 to May 31, 2044 (Note 2)

(Notes) 1. Presented in terms of number of shares.

2. Conditions for exercising rights are as described in “IV. Information on the Reporting Company 1. Information on the Company's Shares (2) Status of share subscription rights” in the Japanese original Annual Securities Report.

(2) Number and changes of stock options

The following includes stock options that existed during the current fiscal year ended March 31, 2025, and are presented in terms of number of shares.

1) Number of stock options

	6th Share Subscription Rights	8th Share Subscription Rights	10th Share Subscription Rights	11th Share Subscription Rights
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 23, 2006	June 20, 2008	June 22, 2012	June 19, 2015
Before vesting (shares)				
End of previous fiscal year	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Unvested balance	—	—	—	—
After vesting (shares)				
End of previous fiscal year	2,100	300	1,500	27,600
Vested	—	—	—	—
Exercised	—	—	300	6,000
Forfeited	—	—	—	—
Unexercised balance	2,100	300	1,200	21,600

	12th Share Subscription Rights	13th Share Subscription Rights	14th Share Subscription Rights	15th Share Subscription Rights
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 17, 2016	June 20, 2017	June 19, 2018	June 18, 2019
Before vesting (shares)				
End of previous fiscal year	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Unvested balance	—	—	—	—
After vesting (shares)				
End of previous fiscal year	66,600	33,900	110,400	317,700
Vested	—	—	—	—
Exercised	29,700	4,200	24,000	90,600
Forfeited	—	—	—	—
Unexercised balance	36,900	29,700	86,400	227,100

	16th Share Subscription Rights	17th Share Subscription Rights	18th Share Subscription Rights	19th Share Subscription Rights
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 23, 2020	June 17, 2021	June 21, 2022	June 20, 2023
Before vesting (shares)				
End of previous fiscal year	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Unvested balance	—	—	—	—
After vesting (shares)				
End of previous fiscal year	164,100	210,000	231,000	206,000
Vested	—	—	—	—
Exercised	50,100	151,500	—	—
Forfeited	—	—	—	—
Unexercised balance	114,000	58,500	231,000	206,000

	20th Share Subscription Rights
Company name	Reporting company
Resolution date	June 18, 2024
Before vesting (shares)	
End of previous fiscal year	—
Granted	160,800
Forfeited	—
Vested	160,800
Unvested balance	—
After vesting (shares)	
End of previous fiscal year	—
Vested	160,800
Exercised	—
Forfeited	—
Unexercised balance	160,800

(Note) The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the number of shares after the stock split.

2) Unit price information

	6th Share Subscription Rights	8th Share Subscription Rights	10th Share Subscription Rights	11th Share Subscription Rights
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 23, 2006	June 20, 2008	June 22, 2012	June 19, 2015
Exercise price (Yen)	1	1	1	1
Average share price upon exercise (Yen)	—	—	22,440.00	29,267.50
Fair value per unit at grant date (Yen)	2,401	1,806	945	2,303

	12th Share Subscription Rights	13th Share Subscription Rights	14th Share Subscription Rights	15th Share Subscription Rights
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 17, 2016	June 20, 2017	June 19, 2018	June 18, 2019
Exercise price (Yen)	1	1	1	1
Average share price upon exercise (Yen)	27,509.00	28,852.50	25,805.00	27,121.18
Fair value per unit at grant date (Yen)	1,958	4,386	5,485	3,754

	16th Share Subscription Rights	17th Share Subscription Rights	18th Share Subscription Rights	19th Share Subscription Rights
Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 23, 2020	June 17, 2021	June 21, 2022	June 20, 2023
Exercise price (Yen)	1	1	1	1
Average share price upon exercise (Yen)	26,961.61	29,714.91	—	—
Fair value per unit at grant date (Yen)	7,351	15,362	13,198	18,039

	20th Share Subscription Rights
Company name	Reporting company
Resolution date	June 18, 2024
Exercise price (Yen)	1
Average share price upon exercise (Yen)	—
Fair value per unit at grant date (Yen)	32,295

(Note) The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows the price after the stock split.

3. Valuation method of fair value per unit of stock options

Fair values for the 20th Share Subscription Rights granted for the current fiscal year are evaluated as set out below.

(1) Valuation method used: Black-Scholes model

(2) Major underlying assumptions and estimates

	20th Share Subscription Rights
Volatility (Note 1)	37.00%
Expected residual period (Note 2)	5.24 years
Expected dividends (Note 3)	¥481.67 per share
Risk-free interest rate (Note 4)	0.51%

(Notes) 1. Calculated based on the stock price performance for the period corresponding to the expected residual period (from March 2019 to June 2024).

2. Estimated based on past actual results and forecast of unexercised stock options (on the assumption that rights are exercised at the midpoint between the beginning of the current fiscal year and the date of expiration of the exercise period).

3. Based on the average of actual dividends for the fiscal years ended March 31, 2023 and March 31, 2024. The Company implemented a 3-for-1 common stock split on April 1, 2023. The table above shows figures after the stock split.

4. Based on Japanese government bond yield corresponding to the expected residual period.

4. Method of estimating the number of vested stock options

Estimating the number of vested stock options is not applicable as the rights to exercise stock options are vested immediately when granted.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Deferred tax assets		
Unrealized profit in inventories	29,498	28,917
Loss on valuation of inventories	19,912	22,750
Research and development expenses	14,345	19,561
Net defined benefit liabilities	16,803	17,377
Software	18,774	16,880
Provision for warranty expenses	9,137	11,442
Provision for employees' bonuses	7,408	9,649
Other	31,812	32,835
Total gross deferred tax assets	147,694	159,415
Valuation allowance	(2,333)	(2,309)
Total deferred tax assets	145,361	157,106
Deferred tax liabilities		
Net unrealized gains (losses) on available-for-sale securities	(81,584)	(59,628)
Undistributed earnings of subsidiaries	(15,006)	(15,795)
Other	(12,496)	(13,934)
Total deferred tax liabilities	(109,087)	(89,359)
Net deferred tax assets	36,273	67,747

2. Significant components of the difference between the effective statutory tax rate and the effective income tax rate

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Effective statutory tax rate	30.62%	30.62%
(Adjustments)		
Tax credits	(6.87)%	(7.21)%
Difference in statutory tax rates of subsidiaries	(0.88)%	(0.82)%
Others, net	0.25%	0.35%
Effective income tax rate	23.12%	22.94%

3. Accounting for corporate tax and local tax and tax effect accounting related to such taxes

The Company and its domestic consolidated subsidiaries apply a group tax sharing system, and 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).

4. Revision of the amounts of deferred tax assets and deferred tax liabilities due to change in income tax rate

Since the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) passed the Diet on March 31, 2025, a special defense income tax will be imposed from the fiscal year starting on or after April 1, 2026.

The effective statutory tax rate has therefore been changed from 30.62% to 31.52% for the calculation of deferred tax assets and deferred tax liabilities for temporary differences that are expected to be settled in the fiscal year starting April 1, 2026 or later.

Due to this change, deferred tax assets (after deducting deferred tax liabilities), income taxes - deferred, and net unrealized gains (losses) on available-for-sale securities for the current fiscal year decreased by ¥584 million, ¥929 million, and ¥1,697 million, respectively.

(Business Combinations)

This section has been omitted since the amounts are immaterial.

(Asset Retirement Obligations)

This section has been omitted since asset retirement obligations are immaterial.

(Rental Properties)

This section has been omitted since the total amount of rental properties is immaterial.

(Revenue Recognition)

1. Breakdown of revenue arising from contracts with customers

Breakdown of revenue by geographic regions, and types of products and services are as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Geographic regions		
Japan	184,982	189,979
North America	168,116	242,964
Europe	119,408	75,524
South Korea	284,455	409,009
Taiwan	205,500	410,627
China	813,307	1,015,060
Others	54,756	88,402
Net sales to external customers	1,830,527	2,431,568
Products and services		
New equipment (Note 1)	1,401,819	1,893,080
Field solution services and others (Note 1)	428,707	538,488
Net sales to external customers	1,830,527	2,431,568

(Notes) 1. "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 of used equipment.

2. Net sales of ¥1,830,527 million and ¥2,431,568 million recorded in the consolidated statements of income for the previous fiscal year and the current fiscal year, respectively, are mainly "Revenue arising from contracts with customers." Revenue arising from other sources is included in the "Breakdown 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 a period of time, and revenue is recognized over time. However, it is not separately disclosed in the "Breakdown of revenue arising from contracts with customers" because it is immaterial.

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

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

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

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

Regarding sales of 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.

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

Revenue related to the delivery of equipment 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 to be 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 to be 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 to be satisfied.

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

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

(3) 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.

(4) 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.

(5) 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.

3. 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 the end of the current fiscal year

(1) Balances of contract assets and contract liabilities

(Millions of yen)

	Previous fiscal year	Current fiscal year
Receivables from contracts with customers (Balance at beginning of period)	440,009	378,772
Receivables from contracts with customers (Balance at end of period)	378,772	467,589
Contract assets (Balance at beginning of period)	24,879	12,650
Contract assets (Balance at end of period)	12,650	18,037
Contract liabilities (Balance at beginning of period)	289,169	289,905
Contract liabilities (Balance at end of period)	289,905	256,392

The contract assets principally relate to the TEL Group's rights to consideration for performance obligations completed but unclaimed at the fiscal year end. The contract assets are reclassified 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 previous fiscal year and the current fiscal year that was included in the contract liabilities balance as of the beginning of the previous fiscal year and the beginning of the current fiscal year was ¥240,506 million and ¥253,377 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 previous fiscal year and the current fiscal year 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 ¥263,711 million as of the end of the previous fiscal year, and approximately 80% of such performance obligations are expected to be recognized as revenue within one year after the end of the previous fiscal year. In addition, the amount of performance obligations not satisfied (or partially not satisfied) is ¥225,019 million as of the end of the current fiscal year, and approximately 80% of such performance obligations are expected to be recognized as revenue within one year after the end of the current fiscal year.

The total amount of transaction prices allocated to the remaining performance obligations does not include the estimated amounts of variable consideration described in "(4) Determination of transaction price" above.

(Segment Information)

[Segment Information]

This section has been omitted since TEL Group has a single segment of semiconductor production equipment.

[Related Information]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

1. Information by products and services

This section has been omitted since it is the same classification as the reportable segment.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America	Europe	South Korea	Taiwan	China	Others	Total
184,982	168,116	119,408	284,455	205,500	813,307	54,756	1,830,527

(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 ¥168,079 million.

(2) Property, plant and equipment

(Millions of yen)

Japan	Others	Total
252,076	85,290	337,366

3. Major customer information

(Millions of yen)

Name of customer	Net sales
Samsung Electronics Co., Ltd.	237,441

(Note) The amount includes sales to the customer and its subsidiaries.

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Information by products and services

This section has been omitted since it is the same classification as the reportable segment.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	North America	Europe	South Korea	Taiwan	China	Others	Total
189,979	242,964	75,524	409,009	410,627	1,015,060	88,402	2,431,568

(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 ¥242,795 million.

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.A.	South Korea	Others	Total
302,606	51,303	49,556	38,240	441,706

3. Major customer information

(Millions of yen)

Name of customer	Net sales
Samsung Electronics Co., Ltd.	286,800
Taiwan Semiconductor Manufacturing Company Ltd.	280,618

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

[Loss on impairment of non-current assets by reportable segment]

This section has been omitted since TEL Group has a single segment.

[Amortization of goodwill and unamortized balances by reportable segment]

This section has been omitted since TEL Group has a single segment.

[Gain on negative goodwill by reportable segment]

This section has been omitted since TEL Group has a single segment.

[Related-party transactions]

None

(Per-Share Information)

Item	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net assets per share (Yen)	3,773.11	4,016.34
Net income per share (Yen)	783.75	1,182.40
Fully diluted net income per share (Yen)	781.20	1,179.08

(Notes) 1. Net income per share and fully diluted net income per share are calculated based on the following information.

Item	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net income per share		
Net income attributable to owners of parent (Millions of yen)	363,963	544,133
Net income not pertaining to owners of common stock (Millions of yen)	—	—
Net income attributable to owners of parent pertaining to common stock (Millions of yen)	363,963	544,133
Average number of common stock (Thousands of shares)	464,389	460,192
Fully diluted net income per share		
Adjustments to net income attributable to owners of parent (Millions of yen)	—	—
Increase in common stock (Thousands of shares)	1,515	1,297
[Share subscription rights (Thousands of shares)]	[1,515]	[1,297]
Details of dilutive shares, not included in the computation of fully diluted net income per share as there is no dilutive effect.	—	—

2. The shares of the Company held by the Executive compensation BIP Trust and the Share-delivering ESOP Trust, which are recorded in "Treasury stock" under shareholders' equity, are included in the treasury stock which is deducted from the number of shares issued and outstanding as of the end of the period when calculating net assets per share. The shares held by the trusts are also included in the treasury stock which is deducted from the number of shares used to calculate the average number of shares outstanding for the period when calculating net income per share and fully diluted net income per share. The number of treasury shares deducted in the calculation of net assets per share was 1,386 thousand shares and 1,383 thousand shares as of the end of the previous fiscal year and the end of the current fiscal year, 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 1,425 thousand shares and 1,384 thousand shares for the previous fiscal year and the current fiscal year, respectively.

(Significant Subsequent Events)

None

5) Consolidated Supplementary Schedules

[Consolidated Supplementary Schedule of Corporate Bonds]

None

[Consolidated Supplementary Schedule of Borrowings]

Classification	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Due date
Short-term borrowings	—	—	—	—
Current portion of long-term borrowings	—	—	—	—
Current portion of lease liabilities	4,625	3,715	3.6	—
Long-term borrowings (excluding current portion)	—	—	—	—
Lease liabilities (excluding current portion)	8,699	17,684	4.0	2026 to 2041
Other interest-bearing debt	—	—	—	—
Total	13,325	21,400	—	—

(Notes) 1. The “average interest rate” represents the weighted-average applicable to the ending balance.

2. Regarding the average interest rate on lease liabilities, lease liabilities recorded in the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease payments is not included in the calculations of average interest rate.

3. The total annual maturities of lease liabilities (excluding current portion) within five years of the consolidated balance sheet date are as follows.

Classification	After 1 through 2 years (Millions of yen)	After 2 through 3 years (Millions of yen)	After 3 through 4 years (Millions of yen)	After 4 through 5 years (Millions of yen)
Lease liabilities	3,646	3,809	2,707	2,277

[Consolidated Supplementary Schedule of Asset Retirement Obligations]

The description has been omitted since the amounts of asset retirement obligations for the beginning of the current fiscal year and the end of the current fiscal year do not exceed 1% of the total liabilities and net assets at the beginning of the current fiscal year and the end of the current fiscal year.

(2) Other

Semi-annual information for the current fiscal year

	Six months ended September 30, 2024	Current fiscal year
Net sales (Millions of yen)	1,121,626	2,431,568
Income before income taxes (Millions of yen)	320,855	706,114
Net income attributable to owners of parent (Millions of yen)	243,903	544,133
Net income per share (Yen)	528.67	1,182.40

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 16, 2025

To the Board of Directors of Tokyo Electron Limited:

KPMG AZSA LLC
Tokyo Office, Japan

Noriaki Habuto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Akira Nishino
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kohei Shingaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

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") provided in the "Financial Information" section in the Japanese original Annual Securities Report, which comprise the consolidated balance sheet as at March 31, 2025 and the consolidated statement of income and comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

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, 2025, and its consolidated financial performance and its consolidated cash flows for the year 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 related to semiconductor production equipment	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet for the current fiscal year, the Company recognized “Merchandise and finished goods” of ¥291,523 million, “Work in process” of ¥190,021 million and “Raw materials and supplies” of ¥267,580 million. These inventories totaled ¥749,126 million, representing approximately 29% of total assets in the consolidated financial statements. Most of these inventories were related to semiconductor production equipment.</p> <p>As described in the Note on “(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 their 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 their estimated disposal value.</p> <p>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 involved 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 related to semiconductor production equipment of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess whether the Company’s valuation of inventories related to semiconductor production equipment was reasonable included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the valuation of inventories.</p> <p>In this assessment, we focused our testing on controls over the determination of the rates of write-down for each holding period on the carrying amount of inventories aged over a certain holding period and those designed to identify finished goods and work in process inventories to be disposed of in a comprehensive manner.</p> <p>(2) Assessment of the reasonableness of the valuation of inventories aged over a certain holding period</p> <p>The rates of write-down by holding period adopted by management in applying the method that systematically writes down the carrying amount of inventories 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:</p> <ul style="list-style-type: none"> • 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 write-down on 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 on those inventories. <p>(3) Assessment of the completeness of the identification of finished goods and work in process inventories to be disposed of</p> <p>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 among those aged over a certain holding period, with their actual sales results and examining the causes of any 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:</p> <ul style="list-style-type: none"> • 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 Japanese original Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Audit & supervisory board members and the audit & supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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.

Audit & supervisory board members and the audit & supervisory board are responsible for overseeing the directors' performance of their duties including 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit & supervisory board members and the audit & supervisory board 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 audit & supervisory board members and the audit & supervisory board 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with audit & supervisory board members and the audit & supervisory board, 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.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Tokyo Electron Limited. as at March 31, 2025, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2025, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report 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.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit & supervisory board members and the audit & supervisory board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Plan and perform the audit of the internal control report to obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the internal control report. We remain solely responsible for our audit opinion.

We communicate with audit & supervisory board members and the audit & supervisory board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide audit & supervisory board members and the audit & supervisory board 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, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Corporate Governance, (3) Status of Audit included in "IV. Information on the Reporting Company" in the Japanese original Annual Securities Report.

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.

Notes to the Reader of Audit Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

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- (Notes) 1. The original copy of the Audit Report above is in the custody of the Company (company filing the Annual Securities Report).
2. XBRL data is not included in the scope of audit.



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