

TOKYO ELECTRON  
ANNUAL  
REPORT 2020

For the Year Ended March 31, 2020

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### Corporate Philosophy

We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support.



### Vision

A truly global company generating high added value and profits in the semiconductor and flat panel display industries through innovative technologies and groundbreaking proactive solutions that integrate diverse technologies.

The Corporate Philosophy defines the purpose of Tokyo Electron's existence and its mission in society. It represents Tokyo Electron's basic way of thinking and forms the foundation for its corporate activities.

The Vision describes Tokyo Electron's medium- to long-term business aspirations and the direction of Tokyo Electron's near future. Jointly with the Medium-term Management Plan, the Vision defines Tokyo Electron's focus in the industry.

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### Disclaimer

Matters discussed in this annual report, including forecasts of future business performance of Tokyo Electron, management strategies, beliefs and other statements are based on Tokyo Electron's assumptions in light of information that is currently available. These forward-looking statements involve known or unknown risks, uncertainties and other factors that could cause actual results to differ materially from those referred to in the forward-looking statements.

Factors that have a direct or indirect impact on Tokyo Electron's future performance include, but are not limited to:

- Economic circumstances in Japan and overseas, consumption trends, and large fluctuations in foreign exchange rates
- Changes in semiconductor/FPD markets
- Changes in the demand for products and services manufactured or offered by Tokyo Electron's customers, such as semiconductor manufacturers, FPD manufacturers and electronics makers
- Tokyo Electron's capabilities to continue to develop and provide products and services that respond to rapid technology innovation and changing customer needs in a timely manner

For details, please refer to Business-Related and Other Risks on page 15.

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To Our Stakeholders

■ To Our Stakeholders

## To Our Stakeholders

## Unceasing Technological Evolution Powers Our Data-Driven Society



To begin, we would like to express our deepest gratitude for the ongoing support and confidence of our shareholders, investors and all of Tokyo Electron's stakeholders.

In 2019, the wafer fab equipment market declined year on year, as investment by memory chip manufacturers underwent a period of adjustment, but still surpassed US\$50 billion, supported by investment by logic chip manufacturers and

foundries. The flat panel display (FPD) production equipment market also contracted from 2018, but investment in this market began to recover in the second half of the year. Despite these market conditions and the impact of COVID-19 near the end of the fiscal 2020, Tokyo Electron exceeded its annual forecasts for net sales, operating income and net income attributable to owners of the parent.

The transition to a data-driven society is accelerating, reflecting the adoption of IoT, AI and 5G, as well as the growing use of remote work arrangements, distance learning and remote medicine in response to COVID-19. The importance of semiconductors and displays as the infrastructure underlying this data-driven society is growing, and as such, the production equipment markets are expected to continue to expand. We

aim to increase Tokyo Electron's corporate value while contributing to the development of a dream-inspiring society by delivering the Best Products and Best Service through the integration of our innovative and diverse technologies.

We look forward to your continued confidence and support.

  
**Tetsuo Tsuneishi**  
Corporate Director  
Chairman of the Board

  
**Toshiki Kawai**  
Representative Director  
President & CEO

Business Overview  
and Financial Highlights

**Business Overview and Financial Highlights**

## Business Overview and Financial Highlights

### Semiconductor Production Equipment

- Coater/Developer
- Cleaning System
- Etch System
- Wafer Prober
- Deposition System

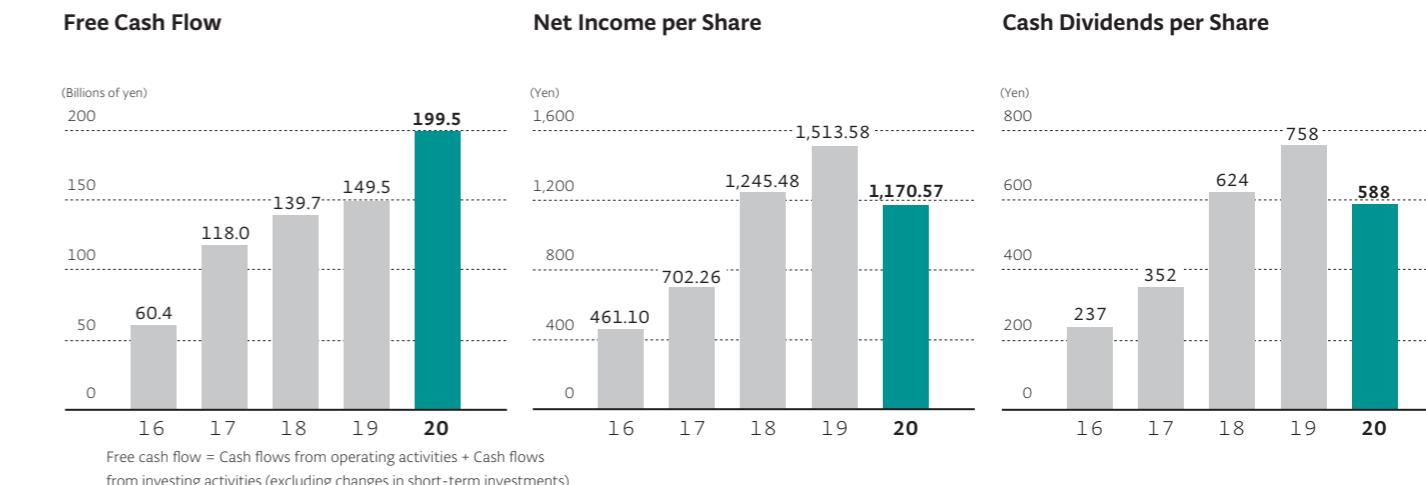
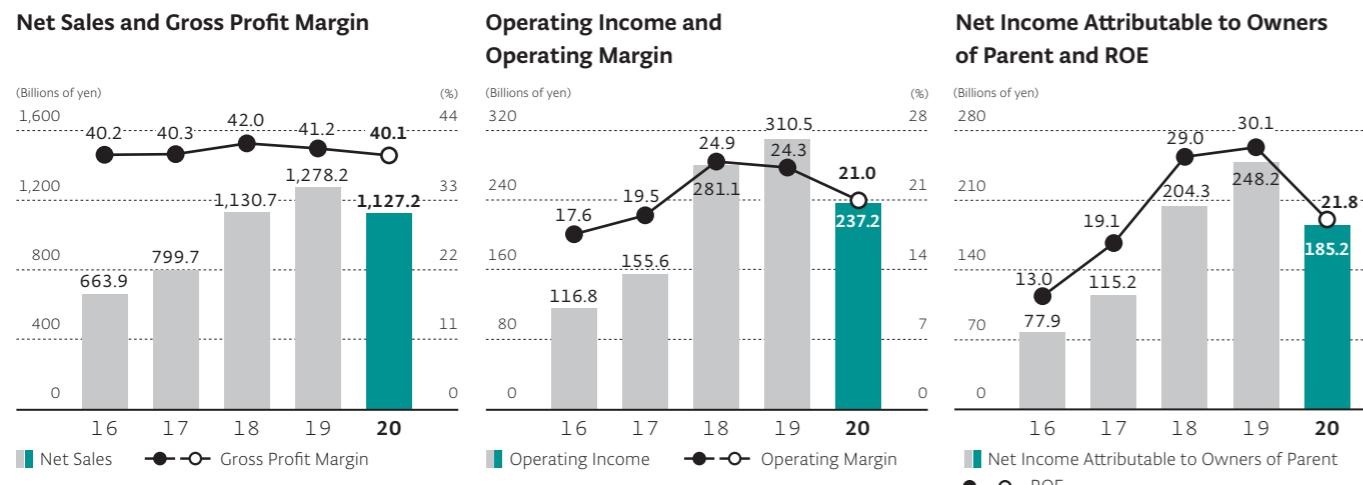
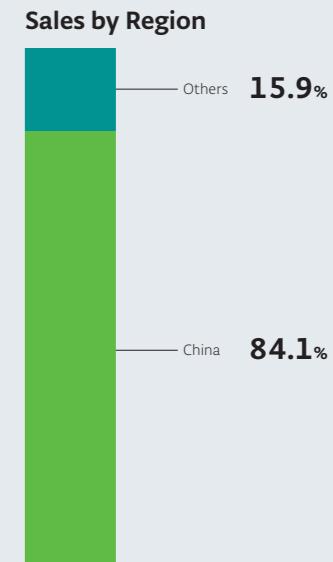
Semiconductor devices are broadly used in mobile devices, such as smartphones and tablets, as well as the data centers that are indispensable for the processing of big data. With the adoption of IoT, AI and 5G, as well as the growing use of remote work arrangements, distance learning and remote medicine, the semiconductor market is expected to expand. Tokyo Electron provides a wide range of semiconductor production equipment used to manufacture such semiconductors along with reliable technical support and service. The main categories of our product lineup are coater/developers, etch systems, deposition systems and cleaning systems used in wafer processing as well as wafer probers used in the wafer testing process. In addition, we also offer such products as wafer bonders/debonders used in advanced packaging processes.



### FPD Production Equipment

- FPD Coater/Developer
- FPD Etch/Ash System
- Inkjet Printing System for Manufacturing OLED Display

Flat panel displays (FPDs) are an essential part of everyday life, employed in such products as TVs, smartphones and tablets. Going forward, applications for FPDs are expected to expand even further with the adoption of flexible displays and higher resolution OLED displays. Tokyo Electron supplies coater/developers and etch/ash systems for manufacturing FPDs along with solid technical support and service. We also offer inkjet printing systems for manufacturing OLED displays to take advantage of the expanding OLED display market.



The amounts in this report in billions, millions and thousands of yen; thousands of U.S. dollars; and thousands of shares as of and for the years ended March 31, 2016 and prior are rounded to the nearest unit. Such amounts as of and for the years ended March 31, 2017 and onward, including year-on-year differences, are truncated at the nearest unit. Accordingly, totals for the years ended March 31, 2017 and onward do not necessarily agree with the sum of the corresponding individual amounts.

## Interview with the CEO

## ■ Interview with the CEO

## Interview with the CEO



# Realizing a Strong, Resilient Society

**Our Mission and Responsibility as  
a Globally Excellent Company**

**Toshiki Kawai**  
Representative Director  
President & CEO

## 01

Question

**In 2019, the wafer fab equipment (WFE)<sup>1</sup> market, which had been expanding for several years, underwent a period of adjustment. Given this, how do you evaluate Tokyo Electron's performance for fiscal 2020?**

In 2019, although investment by logic chip manufacturers and foundries grew, driven by demand for data centers and 5G smartphones, investment by memory chip manufacturers underwent an adjustment following several years of investing to increase production capacity. As a result, the global WFE market edged down year on year. In addition, there were concerns about the impact of COVID-19 near the end of fiscal 2020. Nevertheless, we met our financial estimates for all our key indicators, namely net sales, operating income and operating margin. The driving force behind Tokyo Electron is its rich technological prowess built up as an industry leader, customer trust based on solid technical service, and our employees, who are capable of flexibly and rapidly adapting to changes in the environment and always eager to take on new challenges. Fiscal 2020 was truly a year in which the strength of Tokyo Electron was put to the test, whether it was maintaining production amid the rising threat of COVID-19 or providing remote customer support and the flexible response of local employees overseas amid travel

restrictions. I believe Tokyo Electron rose to the challenge.

We announced a plan to invest approximately ¥400 billion in research and development over the three years beginning with fiscal 2020 to achieve the targets of the medium-term management plan. In line with the plan, in fiscal 2020, we invested ¥120.2 billion in research and development, a record high.

Amid this rapidly changing business environment, and while investing aggressively in growth, I think that our results for the year were satisfactory, precisely achieving our initial financial estimates for fiscal 2020s and achieving net sales of more than ¥1 trillion, an operating margin of over 20% and ROE over 20% for a third consecutive year. Going forward, all of Tokyo Electron will continue to work as one to achieve the upwardly revised targets of the medium-term management plan published in May 2019.

<sup>1</sup> Wafer fab equipment (WFE): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. WFE refers to the production equipment used in front-end production and in wafer-level packaging production.

## Interview with the CEO

## ■ Interview with the CEO

## Interview with the CEO



## 02

## Question Could you tell us your medium- to long-term outlook for the business environment?

In addition to IoT, which will connect all kinds of things to networks, the growing adoption of AI and 5G is bringing us into the true big data era. As a result, going forward, global data traffic is forecast to grow at a compound annual growth rate of 26%<sup>2</sup>. In addition, the spread of COVID-19 is accelerating the use of remote work arrangements, distance learning, remote medicine, and streaming video services, further increasing the importance of aggressively implementing information and communications technologies.

The big data era will require large quantities of diverse semiconductors as well as even higher performance. Technological innovation in semiconductors to increase storage capacity, processing speed, power efficiency and reliability will continue.

Against this backdrop, the global semiconductor market, which reached US\$412.3 billion<sup>3</sup> in 2019, is forecast to exceed US\$1 trillion<sup>4</sup> in 2030. This is like saying that, on top of the existing market, which has developed over the approximately 70 years since the invention of the transistor, another, even larger market will be created in a single decade. We are now right on the verge of a massive growth opportunity. As long as the semiconductor market continues to grow, the semiconductor production equipment market that underlies it will steadily grow as well. As I mentioned, Tokyo Electron recorded net sales of over ¥1 trillion for a third consecutive year in fiscal 2020, and we expect sales to continue to grow going forward.

Furthermore, alongside the evolution of semiconductors, displays, which translate data into visual form, are evolving too. New applications being created by high definition, higher power efficiency, increased display size and designs leveraging flexible structures are, in turn, driving technological innovation. As a result, display applications are expanding beyond the concept of the mere monitor. As long as efforts to make displays more beautiful and easier to use continue, technological innovation will continue. Like semiconductors, the importance of displays as a form of infrastructure in society is increasing, and we expect further growth going forward.

2 CAGR 26% is CISCO forecast for 2017-2022.  
Cisco Visual Networking Index, Updated: June 18, 2020  
3 WSTS  
4 IBS, January 2020

## Interview with the CEO

## 03

## Question

## Could you go over the medium-term management plan's financial model and the measures Tokyo Electron is taking to achieve them?

The medium-term management plan announced in May 2019 comprises targets for fiscal 2024 under three scenarios. Given the business environment, as we've been discussing, we expect the WFE market to grow to US\$65–70 billion within four years and are targeting net sales of ¥2 trillion, an operating margin of over 30% and ROE of over 30%. However, we have also included two downside scenarios to ensure that we can steadily generate profit and provide returns to stakeholders if the WFE market does not grow as anticipated due to the macro economy or changes in the semiconductor supply balance. As such, the financial model is designed to capture as much growth potential as possible while steadily reinforcing Tokyo Electron's financial strength.

To achieve the targets, we will fully leverage our 100% market share in mass production EUV coater/developers and reinforce product competitiveness in the key fields of etch, deposition and cleaning, where we expect major market growth going forward. Furthermore, in the field solutions business (encompassing sales of parts and used equipment, modifications

and maintenance services), which boasts wide profit margins, we will leverage our installed base of more than 72,000 units, the largest in the industry, to achieve steady growth.

Few companies in the world have the diverse management resources to meet leading-edge technological

needs like Tokyo Electron. Utilizing all these resources, we will contribute to society by creating high-value-added technologies never seen before.

 For details on the medium-term management plan, please visit our website. [www.tel.com/ir/policy/mplan/](http://www.tel.com/ir/policy/mplan/)

## Financial Model (within 4 years)

Net sales	¥1,500 billion	¥1,700 billion	¥2,000 billion
Operating margin	26.5%	28%	>30%
ROE	>30%		



## Interview with the CEO

## ■ Interview with the CEO

## Interview with the CEO

**Management Policies**

The Management Policies highlight the management values that Tokyo Electron regards as essential to achieving the objectives defined in its Corporate Philosophy. They express the logic that underscores our eight general rules of management.

## ■ Profit is Essential

The TEL Group aims to contribute to the development of society and industry and to the enhancement of corporate value while continually pursuing profit.

## ■ Growth Philosophy

We will tirelessly take on the challenges of technological innovation to achieve continuous growth through business expansion and market creation.

## ■ Employees

The TEL Group's employees both create and fulfill company values, performing their work with creativity, a sense of responsibility, and a commitment to teamwork.

## ■ Safety, Health, and the Environment

The TEL Group gives the highest consideration to the safety and health of every person connected with our business activities as well as to the global environment.

## ■ Scope of Business

The TEL Group leads markets by providing high-quality products in leading-edge technology fields with a focus on electronics.

## ■ Quality and Service

The TEL Group strives to understand the true needs to achieve customer satisfaction and secure customer trust while continuously improving quality and service.

## ■ Organizations

The TEL Group builds optimal organizations that maximize corporate value in which all employees can realize their full potential.

## ■ Social Responsibility

Feeling a strong sense of corporate social responsibility, we strive to gain the esteem of society and to be a company where our employees are proud to work.

# 04

Question

**Please tell us about your management philosophy as CEO.**

In terms of management philosophy, Tokyo Electron has the Corporate Philosophy, which defines its reason for existence and social mission, as well as the Management Policies, eight general rules of management for achieving the Corporate Philosophy. I think that the judicious management decisions made by its leaders over the decades based on these are a major reason that Tokyo Electron has grown to where it is today. With this in mind, I try to always approach management with due consideration for the happiness of our shareholders, customers, and employees and their families. That is to say, I strive to generate world-class profit, creating value, to bring

happiness to all of our stakeholders through business activities.

In addition, those at the helm of corporate management must be aware of their company's core competence, take a medium- to long-term perspective, understand market environment trends and changes, and respond appropriately.

As I said, technological innovation in semiconductors and displays will continue. As long as technological innovation continues, the markets will grow. Tokyo Electron thus stands at the edge of tremendous future growth potential in these markets. To capture as much of this potential as possible, we will throw our full weight into developing next

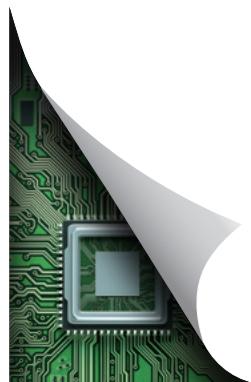


generation products. We will pursue Tokyo Electron's core competence—providing added value to customers through the Best Products and Best Service on the market to steadfastly put into action our Corporate Philosophy: "We strive to contribute to the development of a dream-inspiring society through our leading-edge technologies and reliable service and support." It will be our employees who make this happen. Employees are the source of value creation, and increasing employee motivation is crucial.

Employee motivation is determined by many factors, including expectations and dreams for the Company's future, fair human resource systems

that recognize employee effort, competitive compensation that is commensurate with results, relationships of trust with management and supervisors, and an open corporate culture. To that end, I strive to share my vision for the Company and initiatives to achieve it with all our employees. Whenever possible, I also value the opportunity to visit our factories and other sites around the world to hear from employees about issues at our front lines. Also, as profits increase, employees are better able to follow their dreams and take on challenges in pursuit of growth without fear of failure, creating a virtuous cycle that further increases motivation.

The spread of COVID-19 has affected the world in many ways. Tokyo Electron's social mission and responsibility of helping to build a strong, resilient society will only grow more important in the future. **Providing leading-edge technology products and the best technical services to pursue continued profit, increase corporate value and bring happiness to our shareholders, customers, employees and their families, and everyone else related to Tokyo Electron**—that is my management philosophy.



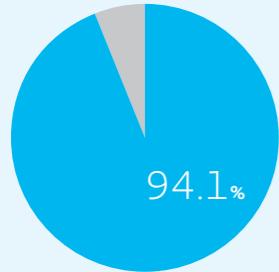
## Review of Operations and Business Outlook

## Review of Operations and Business Outlook

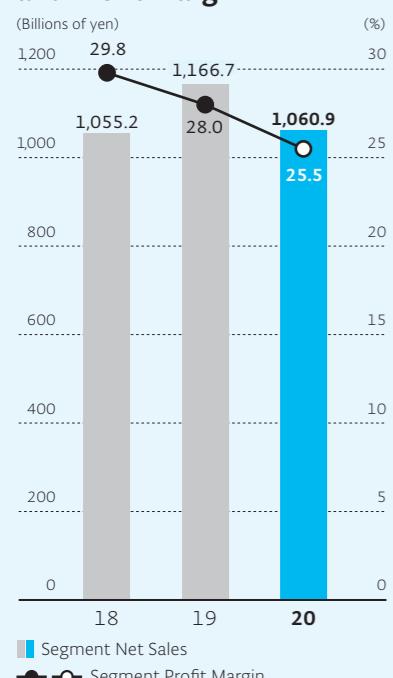
## Review of Operations and Business Outlook



## Share of Net Sales



## Segment Net Sales and Profit Margin



Segment profit corresponds to income before income taxes on the consolidated statements of income.

## 2019 Business Environment

Investment by logic chip manufacturers and foundries in expanding production capacity for leading-edge technologies was robust, reflecting growth in demand for high-performance processors used in data centers and 5G smartphones. In contrast, memory chip manufacturers' investment underwent an adjustment following several years of investment to increase production capacity. As a result, the global market for wafer fab equipment (WFE),<sup>1</sup> which had seen uninterrupted growth since 2013, shrank 8% year on year to about US\$55 billion.

<sup>1</sup>Wafer fab equipment (WFE): The semiconductor production process is divided into front-end production, in which circuits are formed on wafers and inspected, and back-end production, in which wafers are cut into chips, assembled and inspected again. WFE refers to the production equipment used in front-end production and in wafer-level packaging production.

## Fiscal 2020 Business Overview

Segment net sales came to ¥1,060.9 billion. While net sales and profit fell year on year due to the contraction of the WFE market, both exceeded forecasts.

- By application, sales to memory chip manufacturers declined, but sales to logic chip manufacturers and foundries grew.
- By product, the portion of net sales accounted for by coater/developers increased, reflecting the growth in investment by logic chip manufacturers and foundries.
- Sales in the field solutions business (encompassing sales of parts and used equipment, modifications and maintenance services) rose 5.7% year on year. Sales of parts and services remained firm due to growth in the installed base and the high utilization rate of customers' fabs.

The segment profit margin decreased from 28.0% in the previous fiscal year to 25.5%, as we continued forward-looking aggressive investment aimed at medium- and long-term growth in the midst of the adjustment in the WFE market.

## Business Outlook

The transition to a data-driven society is accelerating, reflecting the adoption of IoT, AI and 5G, as well as the growing use of remote work arrangements, distance learning and remote medicine. Accordingly, demand for the semiconductors that enable such a society is expected to expand over the medium to long term. Within the SPE market, Tokyo Electron particularly expects ongoing innovation and market expansion in etch, deposition and cleaning systems, and has designated these as its three key fields. By differentiating our technologies and services in these fields, we aim to grow sales and profit.

As the scaling of DRAM and logic chips continues and the number of layers in 3D NAND increases, the use of new materials and increasingly complex device structures are creating greater technological challenges. To turn these business opportunities into growth, in the area of etch, we will strengthen our competitive advantage based on process performance and productivity in HARC,<sup>2</sup> interconnects and patterning processes. In deposition, we boast technologies for batch, semi-batch and single wafer processes and will leverage this strength to offer optimal deposition methods while advancing the development of technologies for new materials. In cleaning, we will provide technologies to reduce fine pattern collapse and remove foreign particles and residue that degrade yields. In these ways, Tokyo Electron seeks to expand its SAM<sup>3</sup> share in its three key fields.

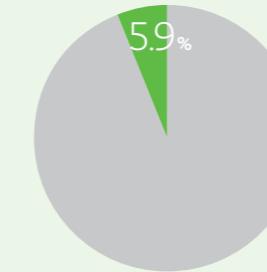
In the markets for power devices and discrete semiconductors for IoT and automotive applications, which are expected to see continued growth, we will increase our market share by introducing reengineered equipment leveraging technological assets from products we previously manufactured.

Furthermore, the importance of co-optimizing multiple processes is growing, creating greater needs for services that help increase uptime and yields. Tokyo Electron will leverage the insights provided by its diverse product lineup to conduct joint development with customers from the early stages of each new technology node. By doing so, we aim to be at the forefront in offering integration technologies that realize co-optimization. In addition, by providing services with higher added value, such as remote equipment maintenance and equipment diagnostics using AI, we aim to achieve further business growth.

<sup>2</sup>HARC (High aspect ratio contact) process: A process for forming deep holes or trenches that requires advanced processing technology  
<sup>3</sup>SAM: Served available market



## Share of Net Sales



## Segment Net Sales and Profit Margin



Segment profit corresponds to income before income taxes on the consolidated statements of income.

## 2019 Business Environment

Capital investment in generation 10.5 panel for LCD TVs remained strong. However, investment in OLED display softened, reflecting the end of a cycle of investment in the previous year. Although investment in generation 6 panels for OLED display began to improve in the second half of 2020, on a full-year basis, the equipment market for TFT array processes,<sup>1</sup> in which Tokyo Electron operates, shrank 25% year on year to about US\$6.5 billion.

<sup>1</sup>TFT (Thin-film transistor) array process: The process of manufacturing the substrates with the electric circuit functions that drive displays

## Fiscal 2020 Business Overview

Segment net sales fell 40.6% year on year to ¥66.0 billion. This was mainly because the market contracted 25% year on year and some sales were delayed due to the impact of COVID-19.

The segment profit margin decreased 5.8 percentage points from the previous fiscal year to 16.0%. While the profit margin fell with net sales, efforts to secure downward flexibility helped maintain profitability.

## Business Outlook

In the FPD market, efforts to enhance display resolution, functionality and design are expected to drive continued technological innovation. In response to increasingly advanced technological requirements, Tokyo Electron aims to achieve differentiation using its superior process technologies to expand its market share and raise the operating margin to 30%.

In small- and medium-sized panels for mobile devices, in addition to such technologies as LTPS<sup>2</sup> and IGZO<sup>3</sup> that enable even greater resolution, self-lighting OLED display and foldable devices made with flexible displays are expected to gain broader utilization going forward. These changes will drive an increase in the number of masks and dry etch processes as well as a need for more precise patterning. Tokyo Electron will further enhance the performance of its dry etch systems and coater/developers to leverage these expanding business opportunities and achieve business growth.

Looking at large-sized display, a shift from LCD to OLED is expected across a wide range of applications, including TVs, high-end monitors, and displays installed in vehicles and public places. Tokyo Electron will maintain its competitive advantage in generation 10.5 panels while expanding its PICP<sup>TM</sup><sup>4</sup> etch systems, which provide superior processing uniformity, to generation 8.5 and 10.5 panels.

Tokyo Electron has released inkjet printing systems, previously marketed only for generation 8.5 and 4.5 panels, for generation 2 panel development lines in order to accelerate technological development aimed at adoption for mass production. Our customers have been evaluating the inkjet printing system. In the medium to long term, we aim to further improve profitability based on differentiation in dry etch systems and coater/developers as well as the contributions of inkjet printing systems.

<sup>2</sup>LTPS: Low temperature poly-silicon

<sup>3</sup>IGZO: An oxide semiconductor containing indium, gallium and zinc

<sup>4</sup>PICP<sup>TM</sup>: A plasma module that produces extremely uniform high-density plasma on panel substrates

## ■ Message from the Chairman of the Board

**Message from the Chairman of the Board**

## **Board Effectiveness and Governance Quality Form the Foundation of Shareholder Value Enhancement**

Five years have passed since the introduction of Japan's Corporate Governance Code, and companies are now focusing their governance on further enhancing board effectiveness in order to increase shareholder value on an ongoing basis. Using the Audit & Supervisory Board System, Tokyo Electron seeks to implement aggressive governance based on fast, bold decision making in order to attain world-class profitability and capital efficiency while also reinforcing careful, prudent governance to ensure management transparency and fairness.

In fiscal 2020, we continued to create numerous opportunities for our corporate directors and Audit & Supervisory Board members to discuss a wide range of important matters beyond the Board of Directors meeting agenda items. Some discussions focused on initiatives going forward, based on a shared awareness that, in addition to reinforcing corporate governance, we must build a world-class, integrated governance, risk management and compliance (GRC) system covering the entire Group, including overseas sites. Considering the medium term, we shared information about progress toward the targets of the financial model under the medium-term management plan, as well as the remaining hurdles. From a long-term perspective, we deliberated business areas where we can leverage Tokyo Electron's strengths and the Company's future direction. We also actively discussed CSR initiatives related to ESG issues and the Sustainable Development Goals, considering the growing importance of non-financial value. Going forward, we will continue discussions aimed at growth over the medium to long term in order to enhance the effectiveness of the Board of Directors in its roles of establishing management strategy and vision and making major operational decisions based on strategic direction.

To enhance management transparency and fairness, in fiscal 2020 an outside director was appointed to chair the Compensation Committee, further enhancing the committee's independence. Looking at the composition of the Board of Directors, we made progress in terms of the Board's gender diversity and discussed the appropriate

ratio of outside directors on the Board. In fiscal 2021, we continue to benefit from the advice of our incumbent outside directors: Mr. Charles Ditmars Lake II, an American national and executive at an American life insurance company; Mr. Michio Sasaki, who served for many years as president of Keyence, a corporation well known for being highly profitable; and Ms. Makiko Eda, Chief Representative Officer at World Economic Forum Japan. We have also welcomed two new outside Audit & Supervisory Board members, Mr. Masataka Hama, who brings wide-ranging insight into global capital markets, and Mr. Ryota Miura, who boasts a wealth of experience as an attorney at law, primarily in the area of corporate law. The addition of these two members has further enhanced the Company's audit functions. Our sixteen corporate directors and Audit & Supervisory Board members (including six outside members) engage in brisk, open and constructive discussion based on their diverse insights and experience with a strong awareness of Tokyo Electron's corporate culture, further enhancing the effectiveness of the Board of Directors.

The importance of data and networks is growing, driven by the adoption of IoT, AI and 5G, as well as the growing use of remote work arrangements and teleconferencing as a result of the spread of COVID-19. These changes in lifestyles and business rely on semiconductors and FPDs, which are in turn taking on ever greater roles. Accordingly, the production equipment market, in which Tokyo Electron operates, is expected to continue expanding. As chairman, I will continue doing my utmost to contribute to sustainable growth and the medium- to long-term enhancement of shareholder value in this growing market.

**Tetsuo Tsuneishi**  
Corporate Director  
Chairman of the Board



## Corporate Governance

## Corporate Governance

## Corporate Governance

## ▼ Basic Stance

In an environment where over 80% of our sales come from overseas, Tokyo Electron regards maintaining governance as essential to becoming a truly global company that achieves sustainable growth.

To that end, Tokyo Electron strives to build frameworks to maximize the use of its worldwide resources. In addition to strengthening its management platform and technology base, the Company maintains a governance structure that will enable it to attain world-class profitability.

Tokyo Electron uses the Audit & Supervisory Board System, which consists of a Board of Directors and an Audit & Supervisory Board. Effective governance is achieved based on the supervision of management by the Audit & Supervisory Board.

## ▼ Board of Directors

## Roles and Responsibilities of the Board of Directors

The Board of Directors works to achieve sustainable growth and increase corporate value over the medium to long term based on its fiduciary responsibility to shareholders. The roles and responsibilities of the Board of Directors are as follows:

- (1) Establishing management strategy and vision
- (2) Making major operational decisions based on strategic direction
- (3) Engaging in constructive, open-minded debate

The Board of Directors seeks the active participation of those present in discussions in order to obtain a wide range of opinions, and supervises management and operational execution based on active debate.

The Board of Directors respects minority or opposing viewpoints, including opinions voiced by outside directors; revises the conditions for implementation or the content of proposals as necessary; and engages in extensive debate with the goal of reaching decisions based on consensus. However, emphasis is placed on making necessary decisions quickly to avoid missing opportunities.

## Board Size and Independent Outside Directors

Tokyo Electron considers it essential to maintain a Board of Directors with the appropriate size to ensure high quality, active debate; a robust balance of knowledge, experience and skills among both executive directors and independent outside directors; and diversity, including gender and nationality. The current Board of Directors consists of 11 corporate directors, including one woman and one foreign national, and Tokyo Electron believes this to be the appropriate size, at present, to achieve a good balance in terms of knowledge, experience and skills.

The active expression of opinions, not only by independent outside directors, but also by Audit & Supervisory Board members, is the cornerstone that supports the sound decision making of the Board of Directors. Currently, six out of the 16 participants in the Board of Directors meetings, including the Audit & Supervisory Board members, are outside members, consisting of three independent outside directors and three outside Audit & Supervisory Board members. Board of Directors meetings currently achieve an appropriate sense of productive tension and constructive debate essential for making operational decisions due to the combined presence of executive directors, who are highly knowledgeable about Tokyo Electron's businesses, and outside members, who provide objectivity.

## Does Tokyo Electron have these major components of corporate governance?

(As of July, 2020)

Nomination Committee	Yes	Four corporate directors, including one outside director and excluding the CEO
Compensation Committee	Yes	Four corporate directors, including two outside directors and excluding representative directors Chaired by an outside director
Outside Directors	Yes	Three of the 11 corporate directors are outside directors
Outside Audit & Supervisory Board Members	Yes	Three of the five Audit & Supervisory Board members are outside members
Executive officer system	Yes	Adopted in 2003
Disclosure of individual remuneration of representative directors	Yes	Disclosed since 1999
Annual performance-linked compensation system	Yes	Cash bonuses and stock options for internal directors
Medium-term performance-linked compensation system	Yes	Stock-based compensation system for internal directors
Non-performance-linked compensation system	Yes	Stock-based compensation system for outside directors
Stock options system	Yes	Applies only to internal directors Adopted as an annual performance-linked compensation system
Retirement allowance system for executives	No	Discontinued after fiscal 2006
Anti-takeover measures	No	

## Nominations for Corporate Director and CEO

Tokyo Electron has established a Nomination Committee to ensure fairness and efficacy in management. The Nomination Committee has the authority to propose the appointment and removal of corporate directors or the CEO and proposes corporate director candidates to the Board of Directors prior to their election at the General Meeting of Shareholders and also nominates CEO candidates for appointment by the Board of Directors. The Nomination Committee is composed of four corporate directors, including one outside director; the CEO is not a member of the committee.

In addition, to develop the next generation of management and executive human resources, the Nomination Committee carefully surveys and analyzes the status of the successor pool, then reports to the Board of Directors, which provides appropriate supervision to ensure that adequate time and resources are being devoted to implementing the successor development plan.

## Corporate Director and CEO Compensation

Tokyo Electron's compensation policy prioritizes the following considerations.

- (1) Globally competitive compensation levels and systems that can secure excellent management human resources
- (2) Strong correspondence with short-term performance and medium- and long-term increases in corporate value aimed at sustainable growth
- (3) Assuring transparency and fairness in the process of determining compensation as well as the appropriateness of compensation

In line with this policy, Tokyo Electron maintains a Compensation Committee to ensure management transparency and fairness as well as the appropriateness of compensation and has adopted a director compensation system that is closely linked to performance and shareholder value.

The Compensation Committee is composed of four corporate directors, including two outside directors and excluding the representative directors. From fiscal 2020, the committee is chaired by an outside director. The Compensation Committee utilizes advice from external experts and conducts an analysis and comparison of compensation and related factors at companies in similar industries in and outside Japan. Based on this analysis, the committee proposes to the Board of Directors a policy and system for the compensation of the corporate directors and executive officers that will be globally competitive and optimally suited to the Company as well as individual compensation amounts for the representative directors.

The compensation of corporate directors (excluding the outside directors) comprises fixed basic compensation, annual performance-linked compensation and medium-term performance-linked compensation.

In principle, annual performance-linked compensation consists of cash bonuses and stock compensation-based stock options; the

ratio of these two components is roughly 1:1. Stock compensation-based stock options are awarded with the exercise price set at one yen per share, and a three-year exercise restriction period from the date of allotment of rights before the options may be exercised.

In order to incentivize the improvement of corporate performance, Tokyo Electron has designated net income attributable to owners of the parent and return on equity (ROE) as the main benchmarks for calculating annual performance-linked compensation.

The medium-term performance-linked compensation utilizes performance shares (share-based compensation) with the aim of using shareholdings to align the perspectives of corporate directors with those of shareholders and incentivize corporate directors to increase corporate value. The number of Tokyo Electron shares issued to corporate directors varies according to the payout rate based on the responsibilities and level of performance goal achievement over the relevant three-year term. The operating margin and ROE are used as indicators to assess the attainment of performance targets and appropriately link compensation with the medium-term enhancement of corporate value.

The compensation of outside directors comprises fixed basic compensation and non-performance-linked stock-based compensation. Non-performance-linked stock-based compensation was adopted from fiscal 2020 to create a compensation system better suited to the outside directors' role of providing advice aimed at enhancing corporate value over the medium to long term in addition to management supervision. Under this system, stock is granted after the expiration of the applicable period of three fiscal years.

## Evaluation of the Effectiveness of the Board of Directors

To evaluate the effectiveness of the Board of Directors, including the Nomination Committee and Compensation Committee, Tokyo Electron conducts a question-based survey of all corporate directors and Audit & Supervisory Board members as well as individual interviews with some of them.

In fiscal 2020, Tokyo Electron again hired a third-party institution to provide advice on the selection of the items to be evaluated, hold the interviews, and compile and analyze the results. Using the compiled data and analysis, the outside directors and outside Audit & Supervisory Board members held discussions of the Board of Director's effectiveness. These findings were then shared with and discussed by the entire Board of Directors, which deliberated and comprehensively evaluated its effectiveness and disclosed a summary of the results.

At meetings of the Board of Directors, corporate directors and Audit & Supervisory Board members actively engage in discussion based on their diverse viewpoints and experiences. Each matter is reviewed and deliberated in depth, leading to effective policy and conclusions from the perspective of sustainably increasing corporate value. The evaluation found that positive initiatives and improvements were moving forward. For example, the diversity of

## Corporate Governance

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the Board of Directors is advancing in terms of gender, the Board of Directors discusses the appropriate ratio of outside directors, and matters that are important in the medium and long term are discussed at off-site meetings. These matters include management strategy, risk management, Group governance and corporate social responsibility (CSR).

Tokyo Electron thus concludes that in general its Board of Directors is effectively ensuring that the key roles of the Board of Directors are being fulfilled, namely (1) Establishing management strategy and vision and (2) Making major operational decisions based on strategic direction, as prescribed in the Tokyo Electron Corporate Governance Guidelines. In addition, Tokyo Electron recognizes that the Board of Directors, including the Nomination Committee and Compensation Committee, is functioning effectively.

Based on the results of this evaluation, the Board of Directors will strive to secure ample opportunities and time for enhancing discussion of medium- and long-term management strategy while working to further reinforce risk management and Group governance. In addition, the Board of Directors will review the composition of the Nomination Committee to enhance its objectivity and examine how the committee relates to the board. It will also work to reinforce dialog with stakeholders with greater awareness of environment, social and governance (ESG) issues and the United Nations' Sustainable Development Goals (SDGs).

## ▼ Audit &amp; Supervisory Board

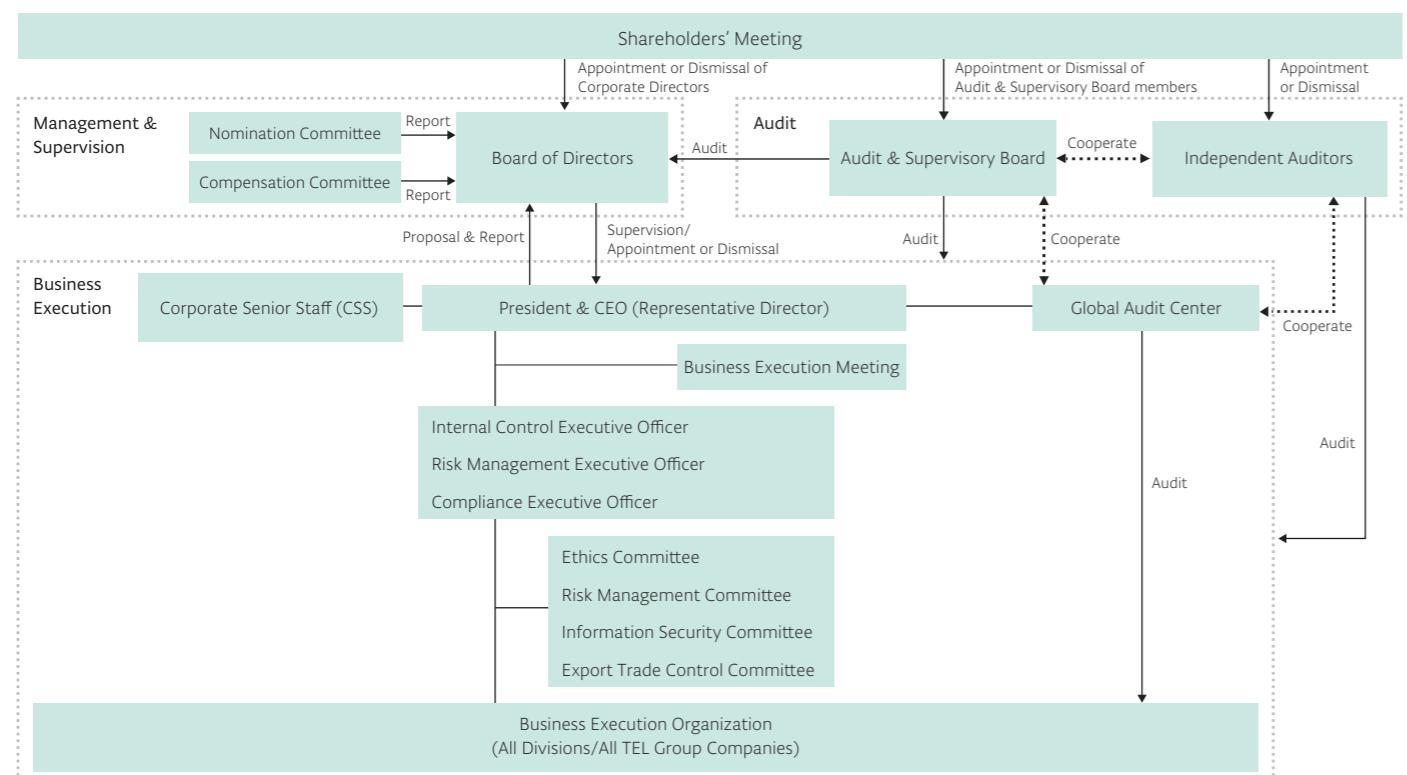
The Audit & Supervisory Board currently consists of five members and includes three outside members. Two members are full-time. The full-time Audit & Supervisory Board members collect information through onsite surveys, and the board maintains appropriate coordination with the Internal Audit Department and the independent auditors as part of a structure that enables Audit & Supervisory Board members to obtain all information necessary for audits.

Moreover, the composition of Audit & Supervisory Board members provides a good balance of knowledge required for operational audits and accounting audits, including financial and accounting knowledge, legal knowledge, and audit experience at other companies. Tokyo Electron thus believes its Audit & Supervisory Board members are able to perform their auditing functions effectively.

Tokyo Electron's full-time Audit & Supervisory Board members concurrently serve as Audit & Supervisory Board members of key subsidiaries, enhancing audit effectiveness. In addition, all of Tokyo Electron's Audit & Supervisory Board members, the Audit & Supervisory Board members of its subsidiaries, the head of the Internal Audit Department, and the head of the Risk Management Department hold Group Audit & Supervisory Board member meetings to share information and exchange opinions. In these ways, Tokyo Electron maintains a Group-wide audit system.

## Corporate Governance Framework, Internal Control System and Risk Management System

(As of July, 2020)



## ▼ Risk Management

## Approach to Risk Management

Reflecting changes in society and the business environment, the risks facing businesses are growing increasingly complex and diverse. Tokyo Electron considers understanding and appropriately addressing the risks that it may face in its businesses, as well as their impacts, to be essential to its sustainable growth.

## Risk Management System and Initiatives

In order to promote more effective risk management, Tokyo Electron carries out enterprise risk management<sup>1</sup> through a body established within the General Affairs Department at its headquarters. This body works with the respective departments responsible for each operation to identify a wide range of risks arising in corporate activities (such as compliance risk, human resource and labor risk, and business continuity risk). It then classifies risks with high impact and probability as key risks within the Tokyo Electron Group. The body also formulates and executes measures to minimize these key risks, monitors the effect of said measures, works to understand the status of risk control and implements the PDCA cycle for risk management. In fiscal 2020, in addition to these activities, the body conducted interviews with the responsible departments at the corporate headquarters, and Japanese and overseas subsidiaries to understand the status of risk management. From fiscal 2021 onward, it also plans to enhance the various functions and systems of risk management and internal audits to further promote highly effective risk management activities. The status of these activities is regularly reported to the Board of Directors and the Audit & Supervisory Board.

<sup>1</sup> Enterprise risk management: Group-wide systems and processes related to risk management activities

## Auditing by the Internal Audit Department

The Global Audit Center serves as the internal audit department for the entire Group and implements audits based on the audit plan. Based on the results of these audits, it provides instructions for making improvements as needed, confirms the progress of these improvements, and provides any necessary support. The Group's internal control over financial reporting in fiscal 2020 was also evaluated as effective by the independent auditors.

## Risk Management Initiatives

Each year, Tokyo Electron identifies key risks for the Group and steadily works to reduce those risks. In fiscal 2020, we reinforced measures in the following areas.

## Research and Development

To maintain a competitive advantage and continue growing in markets where technological innovation is rapid, it is important for

businesses to continuously create innovation and to provide high value-added products and services. While actively investing in research and development of leading-edge technologies to enhance its own research and development capabilities, Tokyo Electron is also focusing on collaboration with Japanese and international consortiums. In addition, we are sharing technology roadmaps with our customers and collaborating with them in the early stages of development to ensure our research and development activities properly reflect future needs. Going forward, we will continue to drive technological development for the next generation through a Group-wide development structure for collaboration between the Development & Production Divisions and Business Divisions.

## Supply Chain Management

For manufacturers of semiconductor and flat panel display production equipment, implementation of sustainable supply chain management is an essential part of such activities as development, production and providing services. To prepare for disruptions to the procurement of important parts or production due to earthquakes or other natural disasters, Tokyo Electron works, on an ongoing basis, to establish alternative production structures within its network and to develop a multisource system for important parts. In addition to formulating business continuity plans (BCPs) and holding regular drills, we are building seismically isolated production buildings, adopting appropriate inventory controls, and taking other steps to establish stable product supply systems.

## Information Security

With information security becoming increasingly important as more and more of society is data-driven, it is equally important that companies work to improve their information literacy and build robust information infrastructure. Tokyo Electron is focusing on information security risk from the two perspectives of cybersecurity and confidential information management. To improve cybersecurity, we use a combination of industry-leading security systems, provide security training for employees, and work to protect our information from the sabotage of our servers or computers as well as data theft, data manipulation and other forms of cyberattack. The information security environment, including cyberattack methods, is continually changing. Tokyo Electron is always working to stay ahead of these changes and formulating and implementing the necessary countermeasures on a global basis. To improve confidential information management, our Human Resources Department and Intellectual Property Department work in close collaboration to strengthen measures to prevent leaks of confidential information, particularly targeting employees who retire or resign to ensure proper management of confidential information, including the return and destruction of data.

## Corporate Governance

## Corporate Governance

## ▼ Compliance

**Approach to Compliance**

Stakeholder trust is essential to business activities. In order to maintain this trust, it is essential to continuously ensure compliance and enhance corporate ethics. The Code of Ethics of the Tokyo Electron Group establishes the "appropriate actions to be taken" in conducting business operations in an honest and fair manner in accordance with the laws and regulations of the countries and regions in which the Tokyo Electron Group operates as well as with internal regulations and rules, and stipulates that all executives and employees must understand and apply the Code of Ethics.

**Compliance System**

In order to strengthen our compliance system and to ensure efficacy, people responsible for compliance (Regional Compliance Controllers) have been appointed at key overseas sites, creating a system for direct reporting to the newly established Chief Compliance Officer and Compliance Department. The primary role of the Compliance Department is to formulate and review practical compliance programs for the Tokyo Electron Group, establish and implement corporate ethics, plan and implement education and training, and establish and operate internal reporting systems.

**Compliance Initiatives****Corporate Ethics**

In addition to establishing the Code of Ethics as common and minimum standards of conduct by which all executives and employees should abide, we have also established a Business Ethics Committee for the purpose of promoting and raising awareness of compliance and corporate ethics more effectively within the Tokyo Electron Group. We have also set up the Disciplinary Committee as a subordinate organization of the Business Ethics Committee for the purpose of ensuring that reasonable and appropriate punishments are imposed and proper procedures followed when taking disciplinary action.

To ensure awareness of the Code of Ethics, we arrange to translate it into five languages for local use, including Japanese, and distribute it in the form of a booklet to all executives and employees. In fiscal 2021, the Code of Ethics will be revised. In addition to reflecting standards required as a global company, we will add a number of new provisions on such important issues as personal data protection, information security and money laundering. The revisions, including changes to the booklet design and adoption of a bullet point format, will be made in pursuit of clarity and usability. We strive to further strengthen compliance and corporate ethics by annually obtaining confirmation from all executives and employees that they understand and comply with the Code of Ethics.

**Global Policies on Anti-Bribery and Competition Laws**

In fiscal 2021, we will establish common global policies on anti-bribery and competition laws. Under our anti-bribery policy, we

will review our standards concerning gifts, entertainment and donations, and we will thoroughly enforce a process requiring pre-approval if undertaking conduct outside these standards. As for our policy on competition laws, we will compile different types of violations in an easy-to-understand format, based on applicable laws and regulations in the countries and regions in which we operate.

**Compliance Training**

We conduct online and face-to-face training adapted to different levels for all employees.<sup>1</sup> In fiscal 2021, we will deploy a more comprehensive and systematic training program and advance multilingual support to reinforce efforts to foster compliance awareness and behavior-oriented awareness-building activities in the Tokyo Electron Group.

<sup>1</sup> Training and seminar topics include basics of corporate ethics and compliance, anticorruption, export compliance, insider trading prevention, the Act for Subcontracting and the prevention of harassment. Some training is limited to certain employees.

**Internal Reporting System**

As a means for employees to provide information and seek redress outside the chain of command about behavior that is, or may be, in violation of laws, regulations or corporate ethics, we have established internal reporting mechanisms that ensure confidentiality, anonymity and the prohibition of retribution. Apart from an internal point of contact that can also be accessed by suppliers, our reporting mechanisms include an external point of contact at a law firm that can be contacted directly. In March 2020, we enhanced the internal reporting system, and renamed Tokyo Electron Group Ethics & Compliance Hotline—a global common point of contact that uses a third-party system—thereby ensuring a greater level of confidentiality and anonymity. This hotline can be accessed via phone or a dedicated website 24 hours a day, 365 days a year, and accommodates all languages used by employees.

In the event of a report or request for advice, the Tokyo Electron Group undertakes an investigation in accordance with internal regulations. If, as a result, a compliance violation is found, a disciplinary action is imposed in accordance with the Rules of Employment.<sup>2</sup> Preventive measures and corrective measures, such as improvements to the workplace environment, are also implemented as necessary.

In fiscal 2020, a total of 64 cases were received via internal reporting mechanisms (excluding overseas subsidiaries), primarily concerning harassment, attendance management and work environment. Among these, there were no reports or cases of non-compliance with laws, regulations, or the Code of Ethics that could have had a material impact on the Tokyo Electron Group's business or local communities.

<sup>2</sup> A leniency system has been introduced whereby any disciplinary action may be reduced or exempted in the event the employee involved in a compliance violation has made a report or sought advice on his/her own volition.

## ■ Corporate Governance

## ▼ Promoting Dialog with Investors

**Basic Stance**

Tokyo Electron endeavors to provide opportunities for constructive dialog with as many investors around the world as possible to contribute to the Company's sustainable growth and increase corporate value over the medium and long term. Furthermore, to the extent that this is reasonable and possible, the Company places emphasis on having the Chairman of the Board and CEO communicate with investors through direct dialog.

**IR Activities**

Striving to maintain dialog with investors, Tokyo Electron maintains a dedicated Investor Relations Department under the direct control of the CEO. The Chairman of the Board and CEO serve as spokespersons for the Company at such events as earnings release conferences for securities analysts and institutional investors, IR conferences in and outside Japan, and individual meetings.

The spokespersons for the IR Department hold individual meetings with investors and periodically relay the opinions of investors at these events to the Chairman of the Board and CEO so that feedback can be of use in management.

**Shareholders' Meeting**

Tokyo Electron schedules its shareholders' meeting to avoid days on which many such meetings are concentrated as part of its measures to vitalize these meetings and to promote smooth and efficient voting. The Company also mails a Notice of Annual General Meeting of Shareholders to shareholders more than three weeks in advance of the meeting and discloses notices on its website before they are mailed, striving to provide shareholders with information as early as possible. Shareholders are free to cast their votes via the internet, and Tokyo Electron participates in the web based voting platform for institutional investors operated by IC, Inc.

To supplement the above shareholder meeting-related initiatives, Tokyo Electron's website carries the resolutions, voting results and presentation materials of shareholders' meetings.

 For more details on our corporate governance, please refer to the Tokyo Electron Corporate Governance Guidelines. [www.tel.com/about/cg/](http://www.tel.com/about/cg/)

## Third-Party Recognition

Tokyo Electron has been selected for inclusion in world-leading environmental, social and governance (ESG) investment indices, including DJSI<sup>1</sup> Asia Pacific 2019, FTSE4Good Index,<sup>2</sup> FTSE Blossom Japan Index,<sup>3</sup> MSCI World ESG Leaders Indexes,<sup>4</sup> MSCI Japan ESG Select Leaders Index,<sup>5</sup> and MSCI Japan Empowering Women Index (WIN).<sup>6</sup>

Furthermore, for a second consecutive year, Tokyo Electron was recognized as a White 500 company under the 2020 Certified Health & Productivity Management Outstanding Organization Recognition Program<sup>7</sup> administered jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. This year, the recognition was given not only to Tokyo Electron, but shared with all its domestic Group companies.



In collaboration with



2020 MSCI ESG Leaders Indexes Constituent<sup>8</sup>

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

<sup>1</sup> DJSI (Dow Jones Sustainability Indices): ESG investment indices operated by U.S.-based S&P Dow Jones Indices LLC. The DJSI Asia Pacific covers companies in that region.

<sup>2</sup> FTSE4Good Index: An index related to environmental performance and corporate social responsibility developed by the UK-based FTSE Russell

<sup>3</sup> FTSE Blossom Japan Index: An index that reflects the performance of Japanese companies that have demonstrated strong ESG practices

<sup>4</sup> MSCI World ESG Leaders Indexes: Companies that have high ESG performance are selected from the MSCI Global Sustainability Index, an ESG investment index developed by Morgan Stanley Capital International (MSCI)

<sup>5</sup> MSCI Japan ESG Select Leaders Index: An index featuring companies with high ESG performance selected from its parent index (MSCI Japan IMI Top 700 Index: Top 700 securities based on free float-adjusted market capitalization). The index targets 50% of the free float-adjusted market capitalization within each GICS® sector of the parent index.

<sup>6</sup> MSCI Japan Empowering Women Index (WIN): An index developed by MSCI featuring companies with excellent gender diversity selected from its parent index (MSCI Japan IMI Top 700 Index).

<sup>7</sup> White 500: A system for recognizing companies implementing especially outstanding health and productivity management based on initiatives to address local health issues or the health promotion initiatives of Nippon Kenko Kaigi. Based on the results of the Survey on Health and Productivity Management, the top 500 companies in the large enterprise category are designated as the White 500.

<sup>8</sup> Please check the link for the logo's disclaimer: [www.tel.com/csr/review/](http://www.tel.com/csr/review/)



For details on Tokyo Electron's ESG-related initiatives, please refer to our Sustainability Report 2020.

## Corporate Governance

## ■ Directors, Audit &amp; Supervisory Board Members and Executive Officers

## Directors, Audit &amp; Supervisory Board Members and Executive Officers (As of July 1, 2020)

## Directors



**Tetsuo Tsuneishi**  
Corporate Director  
Chairman of the Board



**Toshiki Kawai**  
Representative Director  
President & CEO



**Sadao Sasaki**  
Representative Director



**Yoshikazu Nunokawa**  
Corporate Director



**Tatsuya Nagakubo**  
Corporate Director



**Kiyoshi Sunohara**  
Corporate Director



**Seisu Ikeda**  
Corporate Director



**Yoshinobu Mitano**  
Corporate Director



**Charles Ditmars Lake II\***  
Corporate Director  
Chairman and Representative  
Director, Aflac Life Insurance  
Japan Ltd.  
President, Aflac International  
Incorporated  
Outside Director,  
Japan Post Holdings Co., Ltd.



**Michio Sasaki\***  
Corporate Director  
Outside Director,  
ZUIKO CO., LTD.  
Outside Director  
(Audit & Supervisory  
Committee Member),  
SHIFT, Inc.



**Makiko Eda\***  
Corporate Director  
Chief Representative Officer,  
World Economic Forum Japan  
Outside Director,  
FUJIFILM Holdings Corporation

## Executive Officers

## Toshiki Kawai

President & CEO  
GM, Corporate Innovation Division

## Sadao Sasaki

EVP & GM, Development & Production  
1st Division, Development & Production  
4th Division, EHS, Quality, Procurement,  
Production Technology  
President, Tokyo Electron Technology  
Solutions Ltd.

## Yoshikazu Nunokawa

EVP & GM, Global Business Platform Division  
(Finance, Export & Logistics Control, IT,  
Information Security, Intellectual Property)  
Finance Division, Internal Control

## Tatsuya Nagakubo

SVP & GM, Deputy GM, Global Business  
Platform Division (Human Resources,  
General Affairs, CSR, Branding, Legal,  
Compliance)  
GM, Human Resources, General Affairs, CSR,  
Branding Division, Legal, Compliance Division,  
Chairman of Ethics Committee

## Kiyoshi Sunohara

SVP & GM, Field Solutions Business Division,  
Business Innovation Project

## Seisu Ikeda

SVP & GM, Account Sales Division

## Yoshinobu Mitano

SVP & GM, SPE Business Division  
President, Tokyo Electron Technology  
Solutions Ltd.

## Barry Mayer

SVP & GM, Global Strategy

## David Brough

SVP & GM, Global Strategy

## Tetsuro Hori

SVP & GM, Business Innovation Project

## Kenji Washino

SVP & GM, Backend Process Business Division

## Tsuguhiko Matsuura

SVP & GM, FPD Business Division

## Hideyuki Tsutsumi

SVP & GM, Vice Division GM,  
Corporate Innovation Division

## Takeshi Okubo

SVP & GM, Global Sales Division

## Masaki Yoshizawa

VP & GM, Strategy  
President, Tokyo Electron Miyagi Ltd.

## Yutaka Nanasawa

VP & GM, IT Division, Business Innovation  
Project

## Shinichi Hayashi

VP & GM, Development & Production  
3rd Division, Deputy GM, Corporate  
Innovation Division

## Keiichi Akiyama

VP & GM, CTPS BU

## Isamu Wakui

VP & GM, ES BU

## Hiroshi Ishida

VP & GM, TFF BU

## Toshihiko Nishigaki

VP & GM, Deputy GM,  
Corporate Innovation Division  
(Digital Transformation)

## Masayuki Kojima

VP & GM, Development & Production  
2nd Division

## Shingo Tada

VP & GM, Deputy GM, Account Sales Division

## Masahiro Morita

VP & GM, Account Sales, Global Sales

EVP: Executive Vice President  
SVP: Senior Vice President  
VP: Vice President  
GM: General Manager

\* Outside Director

## Audit &amp; Supervisory Board Members



**Yoshiteru Harada**  
Audit & Supervisory Board  
Member



**Kazushi Tahara**  
Audit & Supervisory Board  
Member



**Kyosuke Wagai\***  
Audit & Supervisory  
Board Member  
Certified Public Accountant,  
Wagai CPA Office



**Masataka Hama\***  
Audit & Supervisory  
Board Member  
Partner, Miura &  
Partners Legal  
Profession Corporation



\* Outside Audit & Supervisory Board Member

**Financial Review****Financial Review****▼ Sales and Income****Operating Environment**

The overall world economy in fiscal 2020 continued to gradually expand, with the United States economy remaining solid and the recovery continuing in Europe, despite slowing growth due to such factors as Brexit-related concerns and weakness in China and other parts of Asia.

Demand for memory chips, which had been a major factor behind slowing investment in semiconductor production equipment (SPE), gradually improved. Although investment in memory chip underwent adjustment, as memory prices bottomed out, investment began to pick up near the end of the fiscal year. In contrast, investment by logic chip manufacturers and foundries grew considerably, reflecting growth in demand for high-performance microprocessors for personal computers and data centers as well as next generation application processors for 5G smartphones in conjunction with efforts to realize a data-driven society, which are expected to ramp up from 2020. Furthermore, demand for power devices, discreet devices and other semiconductors that utilize mature technologies increased. Accordingly, although investment in memory chip was restrained, the wafer fab equipment market remained strong, at over US\$50 billion for a third consecutive year.

In the display market, although investment in large generation 10.5 panels for LCD TVs remained strong, a slowdown in shipments of mobile devices led to adjustment in investment in small- and medium-sized panels for OLED display.

Accordingly, the market for flat panel display (FPD) production equipment shrank approximately 25% year on year. As

with semiconductors, however, demand for displays began to recover in the second half of the year. In 2020, the FPD production equipment market is expected to grow driven by the demand for OLED displays for mobile.

**Sales**

Net sales in fiscal 2020 came to ¥1,127.2 billion, down 11.8% year on year but surpassing the forecast despite concerns about the impact of COVID-19 in early 2020, reflecting recovery in capital investment for semiconductors and FPDs. By segment, net sales in the SPE segment fell 9.1% year on year to ¥1,060.9 billion. Net sales in the FPD production equipment segment decreased 40.6% year on year to ¥66.0 billion. For details on performance by segment, please refer to Review of Operations and Business Outlook on page 7. Furthermore, net sales in the field solutions business (encompassing sales of parts and used equipment, modifications and maintenance services) rose 5.7% year on year to ¥304.8 billion, accounting for 27.0% of consolidated net sales.

**Gross Profit and Operating Income**

Gross profit in fiscal 2020 was down 14.1% year on year to ¥451.9 billion, reflecting the decrease in net sales. The gross profit margin fell 1.1 percentage points to 40.1%, due to an increase in the production cost ratio as a result of the decrease in net sales. The operating margin similarly declined 3.3 percentage points to 21.0%. This was mainly due to an increase in the R&D expense ratio as a result of continued aggressive investment to maximize future growth opportunities even during this period of customer investment adjustment.

**R&D Expenses**

R&D expenses were up ¥6.2 billion year on year to ¥120.2 billion, a record high, due in large part to the continued reinforcement of R&D in the fields of etch, deposition and cleaning systems, in which the Company is working to expand its market share. The ratio of R&D expenses to net sales rose 1.8 percentage points to 10.7%. The Corporate Innovation Division also engaged in the development of equipment and processes in new fields in order to create markets. Furthermore, we are proactively developing new applications leveraging IoT and AI technologies to provide better customer service.

In FPD production equipment, while promotion of the PICP™ plasma etch system, which offers superior processing uniformity, has progressed as planned, Tokyo Electron is developing a new generation of the PICP™ in response to demand for higher resolution. In addition, the inkjet system is being evaluated to manufacture OLED displays, not only for large-size TVs, but also for high-resolution, rapid response gaming displays.

**Other Income (Expenses) and Net Income Attributable to Owners of Parent**

During fiscal 2020, net other expenses came to ¥0.3 billion, reflecting ¥0.5 billion in extraordinary loss due mainly to a loss on sales and disposal of property, plant and equipment, offsetting ¥0.1 billion in extraordinary income due in part to gain on change in equity. Income before income taxes came to ¥244.6 billion, down 23.9% year on year. As a result, net income attributable to owners of the parent totaled ¥185.2

billion in fiscal 2020, down 25.4% from fiscal 2019. Net income per share (basic) declined 22.7% year on year to ¥1,170.57.

**Comprehensive Income**

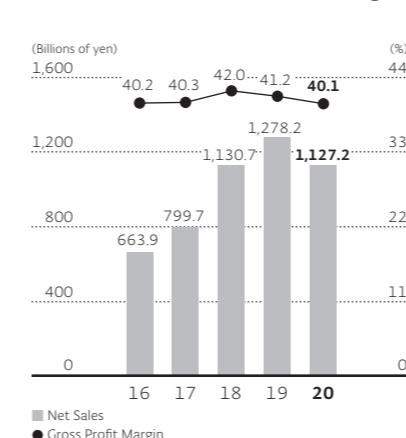
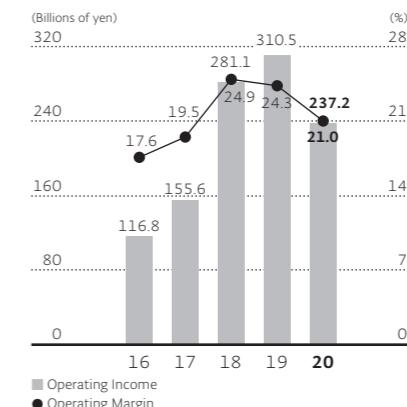
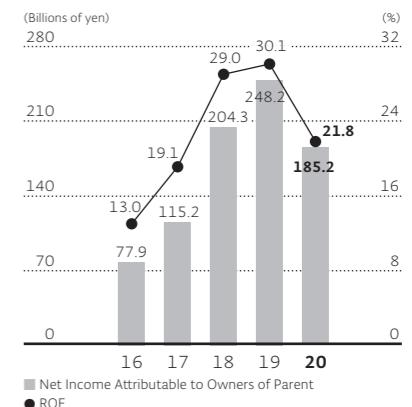
In fiscal 2020, Tokyo Electron recognized comprehensive income of ¥187.0 billion, compared with ¥242.6 billion in fiscal 2019. This was mainly due to the ¥185.2 billion in net income, ¥7.0 billion in unrealized gains on investment securities related to strategically held shares, ¥8.4 billion in loss on foreign currency translation adjustments and ¥3.2 billion in remeasurements of defined benefit plans.

**Dividend Policy and Dividends**

It is the policy of Tokyo Electron to pay dividends on the basis of business performance. The Company aims for a payout ratio of 50% of net income attributable to owners of the parent. Furthermore, with an eye to ensuring stable dividends, a lower limit of ¥150 per share has been set on annual dividends.<sup>1</sup> Accordingly, although the Company's markets were undergoing adjustment, Tokyo Electron paid annual dividends for fiscal 2020 of ¥588 per share (for a payout ratio of 50.2%), its third highest ever. Going forward, the Company will seek to build world-class profitability and reciprocate the support of shareholders by delivering profit growth.

<sup>1</sup> This lower limit may be revised in the event that the Company does not generate net income for two consecutive fiscal years.

Sales and Income		2016	2017	2018	2019	2020
Net sales		¥663,949	¥799,719	¥1,130,728	¥1,278,240	¥1,127,286
Gross profit		267,210	322,291	475,032	526,183	451,941
Gross profit margin		40.2%	40.3%	42.0%	41.2%	40.1%
Selling, general and administrative expenses		150,421	166,594	193,860	215,612	214,649
Operating income		116,789	155,697	281,172	310,571	237,292
Operating margin		17.6%	19.5%	24.9%	24.3%	21.0%
Income before income taxes		106,467	149,116	275,242	321,508	244,626
Net income attributable to owners of parent		77,892	115,208	204,371	248,228	185,206

**Net Sales and Gross Profit Margin****Operating Income and Operating Margin****Net Income Attributable to Owners of Parent and ROE**

ROE = Net income attributable to owners of parent / Average total equity x 100

**Financial Review****Financial Review****▼ Financial Position and Cash Flows****Assets, Liabilities and Net Assets****Assets**

Current assets decreased ¥20.4 billion from the end of the previous fiscal year to ¥962.4 billion, reflecting a ¥27.7 billion decrease in cash and deposits, a ¥26.5 billion decrease in short-term investments included in securities, and a ¥37.8 billion increase in inventories. The turnover period for trade notes and accounts receivable in fiscal 2020 was 49 days, compared with 42 days in fiscal 2019, and the inventory turnover period in fiscal 2020 was 127 days, compared with 101 days in fiscal 2019.

Net property, plant and equipment increased ¥25.5 billion year on year to ¥175.5 billion. This was largely due to an increase in construction in progress reflecting the new production buildings being built at the Yamanashi and Tohoku plants, and the acquisition of new evaluation tools.

Investments and other assets increased ¥13.9 billion year on year to ¥129.5 billion. Intangible assets increased ¥1.8

billion year on year to ¥10.9 billion, reflecting decreases due to depreciation and amortization (including of goodwill), as well as an increase related to the core business systems to be introduced from fiscal 2022. As a result, total assets as of March 31, 2020 stood at ¥1,278.4 billion, up ¥20.8 billion year on year.

**Liabilities and Net Assets**

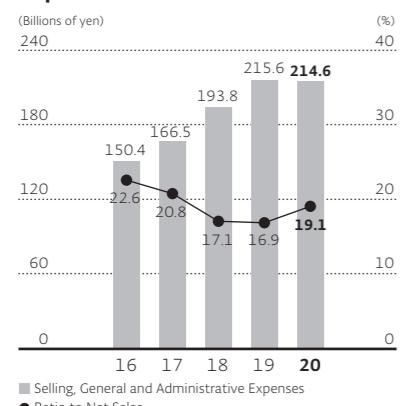
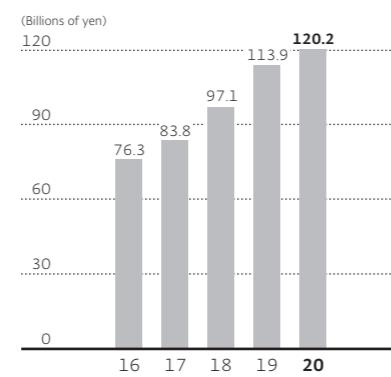
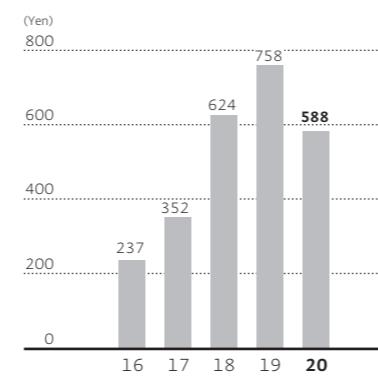
Current liabilities increased ¥77.6 billion from the end of fiscal 2019 to ¥382.5 billion at the end of fiscal 2020. This was mainly due to a ¥58.0 billion increase in customer advances and a ¥20.4 billion increase in trade notes and accounts payable.

Non-current liabilities increased ¥1.5 billion year on year to ¥66.2 billion.

Net assets came to ¥829.6 billion at the end of fiscal 2020, down ¥58.4 billion from the end of fiscal 2019. This was mainly due to ¥154.0 billion in repurchase of treasury stock and ¥95.5 billion paid in cash dividends (the fiscal 2019 year-end dividend and fiscal 2020 interim dividend), despite the recording of ¥185.2 billion in net income attributable to owners of the parent.

Financial Position	Millions of yen				
	2016	2017	2018	2019	2020
Total current assets	¥617,416	¥775,938	¥ 946,597	¥ 982,897	¥ 962,484
Net property, plant and equipment	96,317	100,441	125,952	150,069	175,580
Total investments and other assets	79,635	81,067	130,246	124,661	140,431
Total assets	793,368	957,447	1,202,796	1,257,627	1,278,495
Total current liabilities	166,061	247,770	368,452	304,882	382,578
Total liabilities	229,129	311,447	431,287	369,510	448,802
Total net assets	564,239	645,999	771,509	888,117	829,692

Note: From fiscal 2019, the Company applied the Accounting Standards Board of Japan's "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018). Total current assets, total investments and other assets, total assets and total liabilities for fiscal 2018 have been restated in accordance with the revised accounting standard.

**Selling, General and Administrative Expenses and Ratio to Net Sales****R&D Expenses****Cash Dividends per Share**

As a result, the equity ratio fell 5.9 percentage points year on year to 64.1% at the end of March 2020. ROE remained high at 21.8%, despite the decrease in net income attributable to owners of the parent due to market adjustment.

**Capital Expenditures<sup>1</sup> and Depreciation and Amortization<sup>2</sup>**

Capital expenditures totaled ¥54.6 billion in fiscal 2020, a 9.9% year on year increase. Major expenditures included the acquisition of equipment and measurement instruments for R&D in order to strengthen key areas in the SPE business as well as the construction of new production buildings at the Tohoku and Yamanashi plants to meet rising demand for deposition equipment and the seismic reinforcement of buildings at subsidiaries.

Depreciation and amortization increased 19.7% to ¥29.1 billion.

<sup>1</sup>Capital expenditures represent only the gross increase in property, plant and equipment.

<sup>2</sup>Depreciation and amortization does not include amortization of goodwill or losses on impairment.

**Cash Flows**

The balance of cash and cash equivalents at the end of March 2020 stood at ¥247.9 billion, an increase of ¥15.3 billion from

the end of fiscal 2019. The combined balance including ¥90.4 billion in deposits and short-term investments with original maturities of more than three months that are not included in cash and cash equivalents decreased ¥54.2 billion year on year to ¥338.4 billion at the end of March 2020. Cash flows during the fiscal year under review were as follows.

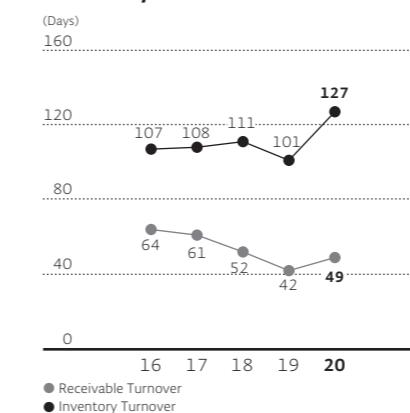
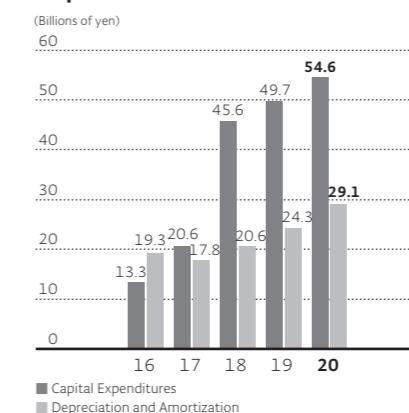
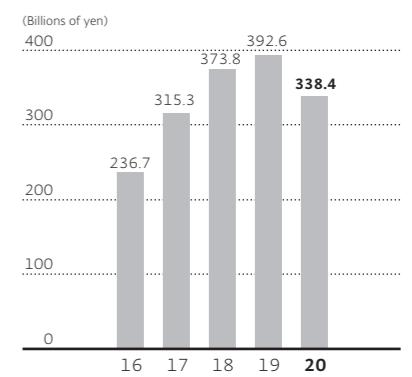
Net cash provided by operating activities came to ¥253.1 billion, up ¥63.5 billion from fiscal 2019. Major contributors were ¥244.6 billion in income before income taxes, a ¥58.6 billion increase in customer advances and ¥29.1 billion in depreciation and amortization. Major outflows included a ¥44.0 billion increase in inventories and ¥41.8 billion in income taxes paid.

Net cash provided by investing activities was ¥15.9 billion, compared with ¥84.0 billion used in the previous fiscal year. This was mainly due to an ¥80.0 billion inflow from the decrease in short-term investments, despite outflows of ¥49.3 billion used as payment for purchases of property, plant and equipment, and ¥10.4 billion due to an increase in deposits.

Net cash used in financing activities came to ¥250.3 billion, compared with ¥129.7 billion in fiscal 2019. This was mainly attributable to ¥154.0 billion in payment for purchases of treasury stock and ¥95.5 billion in dividends paid.

**Cash Flows**

Cash Flows	Millions of yen				
	2016	2017	2018	2019	2020
Cash flows from operating activities	¥ 69,398	¥136,948	¥186,582	¥189,572	¥253,117
Cash flows from investing activities	(150,014)	(28,893)	(11,833)	(84,033)	15,951
Cash flows from financing activities	(138,601)	(39,380)	(82,549)	(129,761)	(250,374)
Cash and cash equivalents at end of year	95,638	164,366	257,877	232,634	247,959

**Receivable Turnover and Inventory Turnover****Capital Expenditures and Depreciation and Amortization****Cash on Hand**

Cash on hand = Cash and cash equivalents at the end of the year + short-term investments with original maturities of more than three months that is not included in cash and cash equivalents

**■ Financial Review****Financial Review****▼ Business-Related and Other Risks**

The following risks may have a material impact on Tokyo Electron's business performance, financial position or stock price.

**(1) Changes in the Semiconductor Market**

The semiconductor market is influenced by a wide range of factors, including the global economy, demand for end products, trade and tariff policies, and geopolitical factors. As a result of such factors, supply and demand can become unbalanced and undergo significant short-term fluctuations. Unforeseen rapid contraction of the semiconductor market could lead to order cancellations, production capacity excess, increases in dead inventory, or losses from bad debts resulting from the worsening of a customer's financial position, or otherwise adversely affect Tokyo Electron's business performance. In addition, a rapid increase in demand that exceeds the Company's assumptions could lead to an inability to provide products to customers in a timely manner resulting in lost sales opportunities or otherwise adversely affect Tokyo Electron's business performance.

The semiconductor market is expected to expand over the medium and long terms, reflecting ongoing technological innovation in step with the adoption of IoT, next-generation (5G) telecommunications standards, AI and other technologies. Nevertheless, in order to respond to potential short-term market fluctuations, Tokyo Electron constantly works to appropriately adjust its capital investment, personnel, inventories and other aspects of its businesses based on the latest market forecasts, taking such steps as periodically reviewing market conditions and orders received at Board of Directors and other important meetings. Furthermore, Tokyo Electron's ability to respond to market fluctuations is enhanced by its wide-ranging lineup of semiconductor manufacturing products, all of which have high market shares in their respective categories and are mutually reinforcing.

**(2) Concentration of Transactions on Particular Customers**  
A large portion of Tokyo Electron's sales are to major, leading-edge semiconductor manufacturers. As such, Tokyo Electron's performance tends to be impacted by changes in capital investment by these major customers. Reductions in their capital investment could lead to temporary decreases in sales, while postponed payment due to the worsening of a major customer's financial position could delay the collection of trade notes and accounts receivable, and these could adversely affect Tokyo Electron's business performance.

The semiconductor market is expected to expand over the medium and long terms. Tokyo Electron has established an Account Sales Division, which works in close coordination with major customers and quickly grasps trends in their capital investment outlook, as well as a Global Sales Division, which responds to a wide range of customer needs and cultivates new customers emerging in step with growth in semiconductor demand. Through such efforts, the Company strives to strengthen and expand its sales framework and customer base.

**(3) Research and Development**

Through ongoing R&D investment in leading-edge technologies, Tokyo Electron quickly brings to market new products incorporating such technologies, succeeding in capturing high market share in each product category and achieving a high profit margin. However, delays in the launch of new products that meet customers' technological needs, the mismatch of newly developed products with such needs, or the launch of new technologies or products by competitors

before such launches by Tokyo Electron could negatively affect the competitiveness of the Company's products, impede the recovery of R&D costs and the maintenance of a high profit margin, or otherwise adversely affect Tokyo Electron's business performance.

Tokyo Electron has established a Corporate Innovation Division, which develops innovative technology and makes groundbreaking technology proposals that integrate the products and technologies of other development divisions, as part of a Groupwide development framework. In addition, the Company shares technology roadmaps spanning multiple technology generations with leading-edge customers in order to constantly provide highly competitive next-generation products that meet future needs ahead of its competitors.

**(4) Production and Supply**

Tokyo Electron's key production sites are located in Japan, and it supplies products to customers in and outside Japan. As such, earthquakes or other natural disasters, war, acts of terrorism, infectious disease outbreaks or other unavoidable events occurring in Japan could cause interruptions in production that, if not promptly resolvable, could delay the supply of products to customers. Furthermore, the stable supply of components provided by suppliers is indispensable to smooth production. As such, in addition to the risk of disasters, delays in component procurement due to the worsening of a supplier's management situation or similar factors could result in delays in the supply of products to customers and adversely affect Tokyo Electron's business performance.

Tokyo Electron formulates and periodically reviews business continuity plans (BCPs) and works to establish alternate production structures, develop multiple sources of important parts, seismically reinforce its plants, maintain backups of information systems and implement appropriate inventory control. Through these and other measures, the Company strives to maintain stable product supply.

**(5) Safety**

Damages to customers or order cancellations due to safety-related issues or other problems related to Tokyo Electron's products could result in liability for damages, decrease sales, diminish trust in the Company, or otherwise adversely affect Tokyo Electron's business performance.

Tokyo Electron's "Safety First" approach entails the constant consideration of safety and health in the execution of business activities, including development, manufacturing, sales, services and management. In accordance with this approach, Tokyo Electron works actively and continuously to improve the safety of its products and to eliminate any harmful impact on health. Measures to this end include thoroughgoing safety design at the product development phase, safety training and maintaining an accident reporting system.

**(6) Quality**

Tokyo Electron's products are based on the integration and optimization of numerous leading-edge technologies. The occurrence of unforeseen defects could lead to recalls or responsibility for other damages based on product or quality liability, necessitate additional costs related to implementing defect countermeasures, decrease sales, diminish trust in the Company, or otherwise adversely affect Tokyo Electron's business performance.

Based on a uniform Groupwide quality control policy, Tokyo Electron provides quality training for its employees and suppliers and strives to maintain a quality assurance system, including ISO 9001 certification, as well as a world-class

service system. The Company also seeks to solve customer issues by working with customers from the early stages of product development and design. When defects occur, the Company investigates the root of the problem and takes thoroughgoing measures to prevent recurrences and similar issues. Moreover, in order to increase the quality of procured components, the Company constantly monitors supplier quality, conducting audits and providing support for suppliers in accordance with its regulations.

**(7) Laws and Regulations**

Tokyo Electron operates globally and is therefore subject to the various laws and regulations of the countries and regions where it does business, including those regarding imports and exports, the environment, competition, labor, the prevention of corruption and bribery, and transfer pricing taxation. Tokyo Electron strives to ensure compliance with such laws and regulations. However, violations of such laws or regulations could result in diminished public confidence in the Company, fines, damages or restrictions on business activities, or otherwise adversely affect Tokyo Electron's business performance. Furthermore, unanticipated future legal amendments or tightening of regulations could, if the Company is unable to respond appropriately, result in liability for costs related to such response or restrictions on business activities, or otherwise adversely affect Tokyo Electron's business performance.

Tokyo Electron has built a system for monitoring compliance activities at key sites in and outside Japan under the direction of a Chief Compliance Officer. The Company conducts compliance assessments, and the identified issues are reported to the CEO, Board of Directors and Audit & Supervisory Board so that they can be dealt with quickly and effectively.

**(8) Intellectual Property Rights**

Tokyo Electron's products are based on the integration and optimization of numerous leading-edge technologies. Obtaining and legally protecting Tokyo Electron's intellectual property rights and preventing infringements of such rights by third parties are crucial to differentiating and reinforcing the competitiveness of its products. Furthermore, infringements by Tokyo Electron of the intellectual property rights of third parties could lead to restrictions on the production and sale of the Company's products or liability for damages, or otherwise adversely affect Tokyo Electron's business performance.

By advancing R&D strategy, business strategy and intellectual property strategy in an integrated manner, Tokyo Electron strives to build an appropriate intellectual property portfolio and obtain exclusive rights to numerous proprietary technologies to capture high market share and achieve high profit margins in each of its product fields.

**(9) Information Security**

In the course of its business activities, Tokyo Electron obtains, holds and utilizes confidential information, customer information and personal information. The unintentional leak of such information could result in diminished public confidence in the Company, liability for damages or reduced product competitiveness, or otherwise adversely affect Tokyo Electron's business performance. In addition, Tokyo Electron's businesses rely on information systems and networks. Problems with these systems and networks due to cyberattacks, unauthorized access, natural disasters, power outages, equipment malfunctions, human errors or other factors could cause interruptions to operations or a loss of trust.

Tokyo Electron has established regulations and systems for appropriate information management. In addition, the Company reinforces its information and network system by monitoring the reliability of its security through such means as security assessments.

**(10) Securing Human Resources**

Securing and developing human resources in and outside Japan is crucial to the continued innovation and growth of Tokyo Electron's global businesses. The inability to hire and maintain the necessary human resources on an ongoing basis or the loss of important human resources could lead to staffing shortages, resulting in diminished product development capability or customer support quality and adversely affecting Tokyo Electron's business performance.

Tokyo Electron believes that its employees are the source of ongoing value creation and that increasing employee engagement is one of the most important factors in increasing corporate value. The Company has introduced a globally unified human resources system and incentive plans linked to medium-term business performance, and is advancing ongoing measures to improve work environments as well as health and productivity management, including steps to prevent excessively long work hours and workplace harassment.

**(11) Environmental Issues**

Requests from Tokyo Electron's stakeholders related to reducing environmental burden are growing. Given this, difficulties in adequately conforming to environmental laws and regulations, or meeting industry standards of conduct or customer needs, could result in related costs, reduce product competitiveness, damage public confidence in the Company, or otherwise adversely affect Tokyo Electron's business performance.

Tokyo Electron strives to comply with environmental laws and regulations and industry standards of conduct, sets its own medium- to long-term environmental goals, and works to reduce greenhouse gas emissions from the use of its products as well as energy consumption at its facilities. In addition, the Company works to protect the global environment through its business activities by such means as providing technologies to reduce semiconductor power consumption, promoting used equipment and parts businesses, reducing equipment size, and increasing productivity by improving throughput.

**(12) The Novel Coronavirus (COVID-19)**

The spread of COVID-19 could affect Tokyo Electron's business continuity, including its manufacturing and sales activities. In addition, restrictions on the worldwide movement of people and things, the deterioration of global economic conditions, and other such impacts from the spread of COVID-19 could adversely affect Tokyo Electron's business performance.

Tokyo Electron has established an Emergency Task Force headed by the CEO and is implementing related counter-measures, including restricting travel to high infection-risk countries and regions, steps to maintain supply chains, and thoroughgoing infection prevention measures at its facilities.

**(13) Other Risks**

Tokyo Electron's businesses are influenced by many factors, including economic conditions worldwide and in specific regions, financial and stock markets, product and real estate markets, foreign exchange rates, the success or failure of corporate acquisitions, major lawsuits, and competition over standardization. The Company expects that such factors will sometimes adversely affect performance and takes appropriate measures to counter such risks.

## ■ Consolidated Eleven-Year Summary

## Consolidated Eleven-Year Summary

Tokyo Electron Limited and Subsidiaries  
As of and for the years ended March 31

	Thousands of U.S. dollars		Millions of yen										
	2020	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Net sales <sup>1</sup>	\$10,358,232	¥1,127,286	¥1,278,240	¥1,130,728	¥799,719	¥663,949	¥613,125	¥612,170	¥497,300	¥633,091	¥668,722	¥418,637	
Semiconductor production equipment	9,749,122	1,060,997	1,166,781	1,055,234	749,893	613,033	576,242	478,842	392,027	477,873	511,332	262,392	
FPD production equipment	607,299	66,092	111,261	75,068	49,387	44,687	32,710	28,317	20,077	69,889	66,721	71,361	
PV production equipment	—	—	—	—	—	—	3,618	3,806	83	—	—	—	
Electronic components and computer networks	—	—	—	—	—	—	—	100,726	84,665	84,868	90,216	84,473	
Other	1,810	197	197	425	438	6,229	555	479	448	461	453	411	
Operating income (loss)	2,180,397	237,292	310,571	281,172	155,697	116,789	88,113	32,205	12,549	60,443	97,870	(2,181)	
Income (loss) before income taxes	2,247,788	244,626	321,508	275,242	149,116	106,467	86,828	(11,756)	17,767	60,602	99,579	(7,768)	
Net income (loss) attributable to owners of parent	1,701,799	185,206	248,228	204,371	115,208	77,892	71,888	(19,409)	6,076	36,726	71,924	(9,033)	
Comprehensive income (loss)	1,719,056	187,084	242,696	206,152	119,998	60,984	80,295	(10,889)	15,826	36,954	69,598	(4,751)	
Domestic sales	1,486,835	161,812	208,796	148,760	101,122	121,808	95,046	161,631	118,504	171,364	182,165	162,609	
Overseas sales	8,871,396	965,474	1,069,443	981,967	698,597	542,141	518,079	450,539	378,796	461,727	486,557	256,028	
Depreciation and amortization <sup>2</sup>	267,459	29,107	24,323	20,619	17,872	19,257	20,878	24,888	26,631	24,198	17,707	20,002	
Capital expenditures <sup>3</sup>	502,307	54,666	49,754	45,603	20,697	13,341	13,184	12,799	21,774	39,541	39,140	14,919	
R&D expenses	1,105,100	120,268	113,980	97,103	83,800	76,287	71,350	78,664	73,249	81,506	70,568	54,074	
Total assets <sup>6</sup>	11,747,636	1,278,495	1,257,627	1,202,796	957,447	793,368	876,154	828,592	775,528	783,611	809,205	696,352	
Total net assets	7,623,747	829,692	888,117	771,509	645,999	564,239	641,163	590,614	605,127	598,603	584,802	523,370	
Number of employees		13,837	12,742	11,946	11,241	10,629	10,844	12,304	12,201	10,684	10,343	10,068	
Net income (loss) per share of common stock:	U.S. dollars												
Basic	\$ 10.76	¥ 1,170.57	¥ 1,513.58	¥ 1,245.48	¥ 702.26	¥ 461.10	¥ 401.08	¥(108.31)	¥ 33.91	¥ 205.04	¥ 401.73	¥ (50.47)	
Diluted <sup>4</sup>	10.70	1,164.02	1,507.22	1,241.22	700.35	460.00	400.15	—	33.85	204.72	401.10	—	
Net assets per share of common stock	48.41	5,267.96	5,371.78	4,674.49	3,919.50	3,428.37	3,567.23	3,225.92	3,309.58	3,275.14	3,198.66	2,859.37	
Cash dividends per share of common stock	5.40	588.00	758.00	624.00	352.00	237.00	143.00	50.00	51.00	80.00	114.00	12.00	
Number of shares outstanding (thousands)		157,210	165,210	165,210	165,210	165,211	180,611	180,611	180,611	180,611	180,611	180,611	
Number of shareholders		30,348	50,843	35,186	21,937	24,664	20,829	30,563	41,287	42,414	44,896	39,285	
ROE		21.8	30.1	29.0	19.1	13.0	11.8	(3.3)	1.0	6.3	13.3	(1.8)	
Operating margin		21.0	24.3	24.9	19.5	17.6	14.4	5.3	2.5	9.5	14.6	(0.5)	
Equity ratio <sup>6</sup>		64.1	70.0	63.8	67.2	70.9	73.0	69.8	76.5	74.9	70.8	73.5	
Total asset turnover (times) <sup>6</sup>		0.89	1.04	1.05	0.91	0.80	0.72	0.76	0.64	0.79	0.89	0.61	
Net sales per employee	U.S. dollars		Thousands of yen										
	\$ 748,589	¥ 81,468	¥ 100,317	¥ 94,653	¥ 71,143	¥ 62,466	¥ 56,540	¥ 49,754	¥ 40,759	¥ 59,256	¥ 64,655	¥ 41,581	

<sup>1</sup> From fiscal 2015, Electronic components and computer networks was excluded because Tokyo Electron Device Limited, a former consolidated subsidiary, became an equity method affiliate. Photovoltaic panel (PV) production equipment was included in FPD production equipment until fiscal 2012 but from fiscal 2016, it has been included in Other.

<sup>2</sup> Depreciation and amortization does not include amortization and loss on impairment of goodwill.

<sup>3</sup> Capital expenditures only represent the gross increase in property, plant and equipment.

<sup>4</sup> From fiscal 2011, the Company calculated net income per share of common stock (diluted) in accordance with "Accounting Standard for Earnings Per Share" (Statement No. 2) and "Guidance on Accounting Standard for Earnings Per Share" (Guidance No. 4) released by the ASB. Dilution is not assumed for the years ended March 31, 2014 and 2010.

<sup>5</sup> The amounts in this summary are in millions and thousands of yen; thousands of U.S. dollars; and thousands of shares as of and for the years ended March 31, 2016 and prior are rounded to the nearest unit. Such amounts as of and for the years ended March 31, 2017 and onward are truncated at the nearest unit. Accordingly, totals for the years ended March 31, 2017 and onward do not necessarily agree with the sum of the corresponding individual amounts.

<sup>6</sup> From fiscal 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28, revised on February 16, 2018) released by the ASB. Accordingly, total assets, equity ratio and total asset turnover for fiscal 2018 have been restated.

## ■ Consolidated Balance Sheets

## Consolidated Balance Sheets

Tokyo Electron Limited and Subsidiaries  
As of March 31, 2020 and 2019

ASSETS	Thousands of U.S. dollars			LIABILITIES AND NET ASSETS	Thousands of U.S. dollars		
	2020	2019	2020		2020	2019	2020
Current assets:				Current liabilities:			
Cash and cash equivalents	¥ 247,959	¥ 232,634	\$ 2,278,408	Trade notes and accounts payable	¥ 95,938	¥ 75,448	\$ 881,543
Short-term investments	90,447	160,000	831,087	Income taxes payable	52,654	57,671	483,826
Trade notes and accounts receivable	150,134	146,971	1,379,532	Customer advances	135,326	77,247	1,243,462
Allowance for doubtful accounts	(105)	(84)	(968)	Accrued employees' bonuses	29,139	33,139	267,749
Inventories	392,064	354,219	3,602,544	Accrued warranty expenses	14,534	14,097	133,549
Prepaid consumption tax	69,034	49,617	634,332	Other current liabilities	54,986	47,277	505,248
Other current assets	12,949	39,538	118,986	Total current liabilities	382,578	304,882	3,515,380
Total current assets	962,484	982,897	8,843,923	Non-current liabilities:			
Property, plant and equipment:				Net defined benefit liabilities	60,745	60,975	558,168
Land	26,298	26,849	241,649	Other liabilities	5,478	3,652	50,341
Buildings	179,379	169,682	1,648,251	Total non-current liabilities	66,224	64,628	608,509
Machinery and equipment	173,505	153,711	1,594,282	Total liabilities	448,802	369,510	4,123,889
Construction in progress	29,413	19,643	270,273	Net assets:			
Other property, plant and equipment	4,139	118	38,032	Shareholders' equity			
Total property, plant and equipment	412,736	370,005	3,792,489	Common stock Authorized: 300,000,000 shares Issued: 157,210,911 and 165,210,911 shares as of March 31, 2020 and 2019, respectively	54,961	54,961	505,018
Less: Accumulated depreciation	237,156	219,936	2,179,147	Capital surplus	78,011	78,011	716,815
Net property, plant and equipment	175,580	150,069	1,613,342	Retained earnings	702,990	748,827	6,459,531
Investments and other assets:				Treasury stock, at cost 1,685,556 and 1,252,517 shares as of March 31, 2020 and 2019, respectively	(29,310)	(11,821)	(269,326)
Investment securities	38,374	27,853	352,611	Accumulated other comprehensive income			
Deferred tax assets	64,729	63,925	594,780	Net unrealized gains on investment securities	20,126	13,024	184,939
Net defined benefit assets	5,837	3,065	53,637	Net deferred losses on hedging instruments	(52)	(34)	(485)
Intangible assets	10,921	9,054	100,357	Foreign currency translation adjustments	(4,111)	4,366	(37,783)
Other assets	21,980	22,189	201,971	Accumulated remeasurements of defined benefit plans	(3,313)	(6,585)	(30,444)
Allowance for doubtful accounts	(1,413)	(1,426)	(12,986)	Share subscription rights	10,391	7,368	95,482
Total investments and other assets	140,431	124,661	1,290,371	Total net assets	829,692	888,117	7,623,747
<b>Total assets</b>	<b>¥1,278,495</b>	<b>¥1,257,627</b>	<b>\$11,747,636</b>	<b>Total liabilities and net assets</b>	<b>¥1,278,495</b>	<b>¥1,257,627</b>	<b>\$11,747,636</b>

See accompanying Notes to Consolidated Financial Statements.

## ■ Consolidated Statements of Income ■ Consolidated Statements of Comprehensive Income

**Consolidated Statements of Income**

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

	2020	2019	Thousands of U.S. dollars
	Millions of yen	Millions of yen	2020
<b>Net sales</b>	<b>¥1,127,286</b>	<b>¥1,278,240</b>	<b>\$10,358,232</b>
Cost of sales	675,344	752,057	6,205,500
<b>Gross profit</b>	<b>451,941</b>	<b>526,183</b>	<b>4,152,732</b>
Selling, general and administrative expenses	214,649	215,612	1,972,334
<b>Operating income</b>	<b>237,292</b>	<b>310,571</b>	<b>2,180,397</b>
<b>Other income (expenses):</b>			
Interest and dividend income	1,920	2,573	17,646
Foreign exchange gain, net	2,539	3,623	23,333
Revenue from grants	1,330	833	12,228
Gain on sales of property, plant and equipment	34	101	317
Gain on change in equity	136	—	1,257
Gain on sales of investment securities	—	768	—
Commission for purchases of treasury stock	(174)	—	(1,599)
Additional payment of customs duty	(173)	—	(1,594)
Maintenance and operation costs of closed facilities	—	(57)	—
Loss on sales and disposal of property, plant and equipment	(483)	(967)	(4,442)
Other, net	2,203	4,060	20,243
<b>Income before income taxes</b>	<b>244,626</b>	<b>321,508</b>	<b>2,247,788</b>
Income taxes:			
Current	65,177	72,478	598,892
Deferred	(5,757)	801	(52,904)
<b>Net income</b>	<b>185,206</b>	<b>248,228</b>	<b>1,701,799</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 185,206</b>	<b>¥ 248,228</b>	<b>\$ 1,701,799</b>

	Yen	U.S. dollars
<b>Per share of common stock:</b>		
Net income — basic	¥1,170.57	¥1,513.58
Net income — diluted	1,164.02	1,507.22
Net assets	5,267.96	5,371.78
Cash dividends	588.00	758.00

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Comprehensive Income**

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

	2020	2019	Thousands of U.S. dollars
	Millions of yen	Millions of yen	2020
<b>Net income</b>	<b>¥185,206</b>	<b>¥248,228</b>	<b>\$1,701,799</b>
<b>Other comprehensive income (loss):</b>			
Net unrealized gains (losses) on investment securities	7,099	(4,102)	65,238
Net deferred gains (losses) on hedging instruments	6	(272)	63
Foreign currency translation adjustments	(8,461)	(1,170)	(77,752)
Remeasurements of defined benefit plans	3,278	(106)	30,127
Share of other comprehensive income of associates accounted for using the equity method	(45)	119	(419)
<b>Total other comprehensive income (loss)</b>	<b>1,878</b>	<b>(5,531)</b>	<b>17,256</b>
<b>Comprehensive income</b>	<b>187,084</b>	<b>242,696</b>	<b>1,719,056</b>
<b>Total comprehensive income attributable to:</b>			
Owners of parent	187,084	242,696	1,719,056

See accompanying Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

## ■ Consolidated Statements of Changes in Net Assets ■ Consolidated Statements of Cash Flows

## Consolidated Statements of Changes in Net Assets

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

	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on investment securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Share subscription rights	Total net assets
Balance as of March 31, 2018	¥54,961	¥78,011	¥625,390	¥(7,518)	¥17,134	¥278	¥5,507	¥(6,618)	¥ 4,363	¥771,509
Cash dividends	—	—	(124,754)	—	—	—	—	—	—	(124,754)
Net income attributable to owners of parent	—	—	248,228	—	—	—	—	—	—	248,228
Repurchase of treasury stock	—	—	—	(5,004)	—	—	—	—	—	(5,004)
Disposal of treasury stock	—	—	(36)	701	—	—	—	—	—	664
Net changes except for shareholders' equity	—	—	—	—	(4,109)	(313)	(1,141)	33	3,005	(2,526)
Balance as of March 31, 2019	¥54,961	¥78,011	¥748,827	¥(11,821)	¥13,024	¥(34)	¥4,366	¥(6,585)	¥ 7,368	¥888,117
Cash dividends	—	—	(95,513)	—	—	—	—	—	—	(95,513)
Net income attributable to owners of parent	—	—	185,206	—	—	—	—	—	—	185,206
Repurchase of treasury stock	—	—	—	(154,096)	—	—	—	—	—	(154,096)
Disposal of treasury stock	—	—	(1,616)	2,684	—	—	—	—	—	1,067
Cancellation of treasury stock	—	—	(133,922)	133,922	—	—	—	—	—	—
Others	—	—	10	—	—	—	—	—	—	10
Net changes except for shareholders' equity	—	—	—	—	7,102	(17)	(8,478)	3,271	3,022	4,900
Balance as of March 31, 2020	¥54,961	¥78,011	¥702,990	¥(29,310)	¥20,126	¥(52)	¥(4,111)	¥(3,313)	¥10,391	¥829,692

	Shareholders' equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on investment securities	Net deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total net assets	
Balance as of March 31, 2019	\$505,018	\$716,815	\$6,880,707	\$(108,627)	\$119,675	\$(320)	\$ 40,120	\$(60,507)	\$67,708	\$8,160,592
Cash dividends	—	—	(877,643)	—	—	—	—	—	—	(877,643)
Net income attributable to owners of parent	—	—	1,701,799	—	—	—	—	—	—	1,701,799
Repurchase of treasury stock	—	—	—	(1,415,935)	—	—	—	—	—	(1,415,935)
Disposal of treasury stock	—	—	(14,857)	24,666	—	—	—	—	—	9,809
Cancellation of treasury stock	—	—	(1,230,569)	1,230,569	—	—	—	—	—	—
Others	—	—	94	—	—	—	—	—	—	94
Net changes except for shareholders' equity	—	—	—	—	65,263	(165)	(77,903)	30,062	27,773	45,030
Balance as of March 31, 2020	\$505,018	\$716,815	\$6,459,531	\$(269,326)	\$184,939	\$(485)	\$(37,783)	\$(30,444)	\$95,482	\$7,623,747

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

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

	Millions of yen	Thousands of U.S. dollars	
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥244,626	¥321,508	\$2,247,788
Depreciation and amortization	29,107	24,323	267,459
Amortization of goodwill	196	354	1,806
Decrease in accrued employees' bonuses	(3,802)	(1,165)	(34,940)
Increase in accrued warranty expenses	480	2,968	4,411
Interest and dividend income	(1,920)	(2,573)	(17,646)
Decrease (increase) in trade notes and accounts receivable	(5,370)	10,541	(49,345)
Increase in inventories	(44,065)	(14,765)	(404,903)
Increase (decrease) in trade notes and accounts payable	22,337	(31,752)	205,248
Decrease (increase) in prepaid consumption tax	(19,508)	6,818	(179,257)
Increase (decrease) in accrued consumption tax	6,140	(2,845)	56,426
Increase (decrease) in customer advances	58,630	(22,077)	538,731
Other, net	5,828	(1,569)	53,553
<b>Subtotal</b>	292,679	289,766	2,689,331
Receipts from interest and dividends	2,326	2,738	21,378
Income taxes paid	(41,888)	(102,932)	(384,901)
<b>Net cash provided by operating activities</b>	253,117	189,572	2,325,808
<b>Cash flows from investing activities:</b>			
Payment for purchases of short-term investments	(100,449)	(209,500)	(922,998)
Proceeds from maturities of short-term investments	170,000	165,500	1,562,069
Payment for purchases of property, plant and equipment	(49,369)	(46,517)	(453,637)
Payment for acquisition of intangible assets	(3,383)	(1,563)	(31,092)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	10,754	—
Other, net	(845)	(2,707)	(7,771)
<b>Net cash provided by (used in) investing activities</b>	15,951	(84,033)	146,568
<b>Cash flows from financing activities:</b>			
Payment for purchases of treasury stock	(154,096)	(5,004)	(1,415,935)
Dividends paid	(95,513)	(124,754)	(877,643)
Other, net	(764)	(3)	(7,023)
<b>Net cash used in financing activities</b>	(250,374)	(129,761)	(2,300,602)
Effect of exchange rate changes on cash and cash equivalents	(3,369)	(1,020)	(30,964)
<b>Net increase (decrease) in cash and cash equivalents</b>	15,324	(25,243)	140,810
Cash and cash equivalents at beginning of year	232,634	257,877	2,137,598
<b>Cash and cash equivalents at end of year</b>	¥247,959	¥232,634	\$2,278,408

See accompanying Notes to Consolidated Financial Statements.

## ■ Notes to Consolidated Financial Statements

### Notes to Consolidated Financial Statements

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

#### **1. Basis of Presentation of Consolidated Financial Statements**

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

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

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

The amounts in the consolidated financial statements and associated notes shown in millions and thousands of yen; thousands of U.S. dollars; and thousands of shares as of and for the years ended March 31, 2020 and 2019 are truncated at the nearest unit. Accordingly, totals do not necessarily agree with the sum of the corresponding individual amounts.

U.S. dollar amounts included herein are solely for the convenience of readers and are presented at the rate of ¥108.83 to \$1.00, the approximate rate as of March 31, 2020. The translation should not be construed as a representation that the Japanese yen amounts shown could be converted into U.S. dollars at that or any other rate.

#### **2. Summary of Significant Accounting Policies**

##### **(a) Principles of consolidation**

The consolidated financial statements include the accounts of the Company and its 29 and 33 subsidiaries as of March 31, 2020 and 2019, respectively. All significant inter-company accounts, transactions and unrealized profits or losses have been eliminated through consolidation procedures.

There are 9 affiliates accounted for using the equity method as of March 31, 2020 and 2019.

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

##### **(b) Foreign currency translation**

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

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

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

##### **(c) Cash and cash equivalents**

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

##### **(d) Short-term investments**

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

##### **(e) Investment securities**

Tokyo Electron examines the intent of holding each security and classifies those securities as trading securities, held-to-maturity debt securities or other securities. Tokyo Electron has no trading securities as of March 31, 2020 and 2019. Held-to-maturity debt securities are stated mainly at amortized cost. Other securities with market prices are valued at fair value at the balance sheet date. The differences between the book value and fair value of other securities, net of applicable income taxes, are presented in net assets as a component of accumulated other comprehensive income. Other securities without market prices are valued at cost using the weighted-average method.

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

##### **(f) Inventories**

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

##### **(g) Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment of the Company and its domestic subsidiaries is computed using the declining-balance method, except for buildings acquired since April 1, 1998 and facilities attached to buildings and structures acquired since April 1, 2016 which are depreciated using the straight-line method, based on the estimated useful lives of assets. Foreign subsidiaries mainly apply the straight-line method over the estimated useful lives of assets.

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

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

##### **(h) Intangible assets (excluding goodwill)**

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

##### **(i) Goodwill**

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

##### **(j) Impairment of fixed assets**

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

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

##### **(k) Allowance for doubtful accounts**

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

##### **(l) Employee benefits**

The Company and its domestic subsidiaries provide defined benefit plans for their employees. Expected benefits are attributed to accounting periods by the benefit formula basis. Prior service costs are charged to earnings on a straight-line basis, beginning from the fiscal year in which they are incurred, over a fixed number of years (4 years) within the average remaining years of service of employees when the changes occur. Actuarial differences are charged to earnings on a straight-line basis, beginning from the following fiscal year after they are incurred, over a fixed number of years (4 years) within the average remaining years of service of employees when the differences occur.

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

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

##### **(m) Accrued warranty expenses**

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

##### **(n) Derivatives and hedge accounting**

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

Derivatives are carried at fair value in the consolidated balance sheet with changes in unrealized gain or loss charged or credited to earnings, except for those which meet the criteria for hedge accounting. Unrealized gains or losses on hedging instruments, net of taxes, are reported in net assets as

## ■ Notes to Consolidated Financial Statements

### Notes to Consolidated Financial Statements

a component of accumulated other comprehensive income (loss). Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

#### (o) Income taxes

Tokyo Electron records deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and net operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws which are expected to be in effect when net operating loss carryforwards and temporary differences are expected to be realized.

#### (p) Revenue recognition

Revenue from Semiconductor and FPD (Flat Panel Display) production equipment is principally recognized at the time of the customer confirmation of set-up and testing of products. Revenue from equipment not requiring substantial installation is recognized at the time of shipment. Service revenue for maintenance is recognized ratably over the term of the maintenance contract.

#### (q) Research and development expenses

Research and development expenses are charged to earnings as incurred and amounted to ¥120,268 million (\$1,105,100 thousand) and ¥113,980 million for the years ended March 31, 2020 and 2019, respectively.

#### (r) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended March 31, 2020.

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

#### Year ended March 31, 2020

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

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

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

#### 4. Additional Information

Stock delivering schemes linked to medium-term performance

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

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

#### 1. Executive compensation BIP (Board Incentive Plan) Trust

##### (1) Overview of the transactions

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

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

Tokyo Electron recorded the Company's shares held by the trust in "Treasury stock, at cost" under "Net assets" at the book value in the trust (excluding ancillary expenses). The book value and the number of such treasury shares were ¥1,154 million (\$10,604 thousand) and 60,538 shares as of March 31, 2020, respectively, and were ¥674 million and 34,038 shares as of March 31, 2019, respectively.

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

##### (1) Overview of the transactions

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

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

Tokyo Electron recorded the Company's shares held by the trust in "Treasury stock, at cost" under "Net assets" at the book value in the trust (excluding ancillary expenses). The book value and the number of such treasury shares were ¥7,840 million (\$72,045 thousand) and 411,492 shares as of March 31, 2020, respectively, and were ¥4,274 million and 215,663 shares as of March 31, 2019, respectively.

#### 5. Accounting Standards Issued but Not yet Adopted

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

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

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

##### (1) Overview

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

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

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

##### (2) Effective date

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

##### (3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries have not determined the effects of these new standards on the consolidated financial statements yet.

##### (3) Effects of the application of the standards

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

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

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

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

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

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

##### (1) Overview

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

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

ASB's basic policy in developing the new fair value measurement standards is to basically incorporate all principles of IFRS 13 in light of improving the international comparability of financial statements by using a unified measuring method, and then provide other treatments for individual items to the extent that international comparability would not be significantly impaired where any business practices operated in Japan need to be considered.

##### (2) Effective date

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

##### (3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries have not determined the effects of these new standards on the consolidated financial statements yet.

## ■ Notes to Consolidated Financial Statements

### Notes to Consolidated Financial Statements

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

#### (1) Overview

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

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

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

#### (2) Effective date

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

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

#### (1) Overview

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

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

#### (2) Effective date

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

### 6. Securities

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

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

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

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

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

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

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

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

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

For the year ended March 31, 2019, the Company recognized the following gain and loss on sale:

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

### Defined benefit plans

#### (1) Movement of defined benefit obligations

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

#### (2) Movement of plan assets

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

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

	Thousands of U.S. dollars	
	2020	2019
Funded defined benefit obligations	¥58,536	¥58,453
Plan assets	(63,931)	(60,925)
Funded status	(5,395)	(2,472)
Unfunded defined benefit obligations	60,193	60,008
Net defined benefit liabilities at March 31, 2020 and 2019	¥54,797	¥57,535
Net defined benefit liabilities	60,635	60,600
Net defined benefit assets	(5,837)	(3,065)
Net defined benefit liabilities at March 31, 2020 and 2019	¥54,797	¥57,535
		\$503,518

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

### 8. Pledged Assets

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

### 9. Short-term Borrowings

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

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

### 10. Employee Benefits

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

## ■ Notes to Consolidated Financial Statements

### Notes to Consolidated Financial Statements

#### (4) Defined benefit costs

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

#### (5) Remeasurements of defined benefit plans

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

#### (6) Accumulated remeasurements of defined benefit plans

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

#### (7) Plan assets

##### 1. Plan assets comprise:

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

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

##### 2. Long-term expected rate of return

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

#### (8) Actuarial assumptions

The principal actuarial assumptions as of and for the years ended March 31, 2020 and 2019 are as follows:

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

The expected rates of salary increase for the years ended March 31, 2020 and 2019 are also considered as one of the actuarial assumptions, and are set based on the salary increase index by age group as of January 1, 2019.

#### Defined contribution plans

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

#### 11. Income Taxes

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

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

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which temporary differences become

deductible and net operating loss carryforwards are available to be utilized. For assessment of the realizability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, future estimated taxable income, tax planning strategies and level of net operating loss carryforwards, if any, in accordance with accounting principles generally accepted in Japan.

Based on the level of historical taxable income and future estimated taxable income over the periods which the temporary differences are deductible and net operating loss carryforwards are available to be utilized, management believes Tokyo Electron will realize the benefits of deferred tax assets, net of valuation allowance, as of March 31, 2020 and 2019.

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

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

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

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

#### Year ended March 31, 2019

The Company received notification from the National Tax Agency, Japan (NTA) dated January 24, 2019, that agreement had been reached through the Mutual Agreement Procedure (MAP) between the NTA and Korean income tax authorities concerning the transfer pricing adjustments assessed during

prior historical periods relating to the transactions between the Company and its Korean subsidiary. As a result, ¥862 million of tax benefit is included in current income tax expense as the difference between the actual tax refunds and the estimated amount recorded in prior fiscal year.

#### 12. Net Assets

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

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

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

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

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

The Company is subject to restriction of dividends based on the Japanese Corporate Act, which restricts the amount of dividends to retained earnings on a consolidated basis.

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

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

## ■ Notes to Consolidated Financial Statements

## Notes to Consolidated Financial Statements

**13. Other Comprehensive Income**

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

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

**14. Share Subscription Rights****Stock option plan**

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

an exercise period of seventeen years from the date on which the options become exercisable.

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

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

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

**Amounts expensed related to stock options**

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

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

**Valuation method of fair value per unit of stock options**

Fair value as of the grant date for stock options granted for the year ended March 31, 2020 was ¥11,264 (\$103.50) per unit, which was evaluated as follows:

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

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

Notes: 1. Calculated based on the stock price performance for the period corresponding to the expected residual period (from October 2013 to June 2019).  
 2. Calculated based on past actual results and forecast of the exercise of stock options.  
 3. Based on the dividends paid for the years ended March 31, 2019 and 2018.  
 4. Based on Japanese government bond yield corresponding to the expected residual period.

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

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

**15. Leases**

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

	Thousands of U.S. dollars		
	Millions of yen	2020	2019
Due within one year	¥ 3,915	\$ 3,694	\$ 35,979
Due over one year	7,608	8,577	69,909
Total	¥11,523	\$12,272	\$105,888

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

**16. Fair Value of Financial Instruments****Policy for financial instruments**

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

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

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

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

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

See note 17 for detailed discussion on derivative financial instruments.

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**Fair value of financial instruments**

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

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

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

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

Notes: 1. Fair value calculation of financial instruments  
Cash and cash equivalents, short-term investments, trade notes and accounts receivable and trade notes and accounts payable.

The carrying amounts approximate fair value because of the short maturity of these instruments.

**Investment securities**

The fair values of marketable securities are based on quoted market prices.

See note 6 for further information by classification of investment securities.

**Derivatives**

See note 17 for detailed discussion on derivative financial instruments.

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

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

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

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

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

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

**17. Derivative Financial Instruments**

Tokyo Electron is subject to risk from adverse fluctuations in foreign currency exchange rates in its operating and financing activities. The Company and certain subsidiaries enter into forward foreign exchange contracts in order to hedge such risks, but do not enter into such transactions for speculative purposes. The Company implements a ratio analysis of the total cumulative cash flow fluctuations to assess effectiveness of hedging for all derivative transactions,

except for transactions where the critical terms of the hedging instrument and hedged item match and the Company could conclude that changes in fair value or cash flows are expected to completely offset. Execution and management of all derivative transactions are conducted pursuant to the internal management rule.

The estimated fair values of the derivative financial instruments as of March 31, 2020 and 2019 are as follows:

**1. Derivative financial instruments not designated as hedging instruments**

	Millions of yen		
	Contract amount	Fair value	Gains (losses)
2020:			
Sell U.S. dollars	¥ 1,201	¥14	¥14
Buy U.S. dollars	11,967	53	53
Buy Chinese yuan	2,720	9	9
Buy Taiwan dollars	1,213	(3)	(3)
Buy GBP	593	0	0
Buy EURO	360	0	0
Buy Singapore dollars	326	(0)	(0)
Total	¥18,383	¥74	¥74

	Thousands of U.S. dollars		
	Contract amount	Fair value	Gains (losses)
2020:			
Sell U.S. dollars	\$ 6,146	\$ (78)	\$ (78)
Sell EURO	4,826	(7)	(7)
Sell Swiss francs	561	0	0
Buy U.S. dollars	201,902	1,497	1,497
Buy Chinese yuan	19,349	(265)	(265)
Buy GBP	3,076	(9)	(9)
Buy Singapore dollars	2,791	0	0
Buy Taiwan dollars	419	13	13
Total	\$239,074	\$1,151	\$1,151

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

**2. Derivative financial instruments designated as hedging instruments**

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

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

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

## Notes to Consolidated Financial Statements

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**18. Segment Information****General information about reportable segments**

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

The operation of Tokyo Electron consists of segments by products and services based on business units (BUs), and Tokyo Electron identifies as a reportable segment, "semiconductor production equipment (SPE)" and "flat panel display (FPD) production equipment".

Products of the SPE segment consist of coater/developers, etch systems, deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment. The SPE segment principally develops, manufactures, sells such products and provide services on them.

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

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

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

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

Reportable segment information as of and for the years ended March 31, 2020 and 2019 is as follows:

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

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

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

- Notes: 1. "Other" includes all other operating segments which are not included in the reportable segments, including group-wide logistic services, facility maintenance and insurance.  
 2. (1) "Adjustments" for segment profit (loss) totaling ¥(37,310) million (\$(342,834) thousand) and ¥(30,484) million for the years ended March 31, 2020 and 2019, respectively, mainly consists of research and development costs of ¥(19,796) million (\$181,902 thousand) and ¥(15,999) million for the years ended March 31, 2020 and 2019, respectively, pertaining to the Company's fundamental research and element research and other general and administrative costs that do not belong to the reportable segments.  
 (2) "Adjustments" for segment assets totaling ¥694,882 million (\$6,385,031 thousand) and ¥712,501 million as of March 31, 2020 and 2019, respectively, mainly consist of cash and cash equivalents, short-term investments and buildings not allocated to any of the reportable segments.  
 (3) "Adjustments" for capital expenditures totaling ¥33,312 million (\$306,092 thousand) and ¥29,082 million for the years ended March 31, 2020 and 2019, respectively, mainly consist of capital expenditures for buildings not allocated to any of the reportable segments.

**Other information**

(1) Domestic and overseas net sales by destination for the years ended March 31, 2020 and 2019 are as follows:

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

Notes: 1. Sales are classified in countries or regions based on location of customers.

2. Net sales of North America include sales in the U.S.A. of ¥205,783 million.

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

Notes: 1. Sales are classified in countries or regions based on location of customers.

2. Net sales of North America include sales in the U.S.A. of ¥131,914 million.

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

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

### ■ Notes to Consolidated Financial Statements

## Notes to Consolidated Financial Statements

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

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

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

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

### (3) Major customer information

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

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

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

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

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

### Information about reportable segment goodwill

Reportable segment information about amortization of goodwill for the years ended March 31, 2020 and 2019, and unamortized balances as of March 31, 2020 and 2019 are as follows:

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

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

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

### 19. Per-Share Information

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

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

The basis for the calculation of net income per share for the fiscal years ended March 31, 2020 and 2019 is as follows:

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

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

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

**■ Independent Auditor's Report****Independent Auditor's Report****To the Board of Directors of Tokyo Electron Limited:****Opinion**

We have audited the accompanying consolidated financial statements of Tokyo Electron Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

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

**Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements**

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties 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.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

/S/ 穴戸 通孝 (SEAL)

Michitaka Shishido

Designated Engagement Partner

Certified Public Accountant

/S/ 西野 聰人 (SEAL)

Akira Nishino

Designated Engagement Partner

Certified Public Accountant

/S/ 鈴木 紳 (SEAL)

Shin Suzuki

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 23, 2020

**Notes to the Reader of Independent Auditor's Report:**

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

**Consolidated Subsidiaries** ■ **Investor Information****Consolidated Subsidiaries** (As of March 31, 2020)

## ►► JAPAN

- Tokyo Electron Technology Solutions Limited
- Tokyo Electron Kyushu Limited
- Tokyo Electron Miyagi Limited
- Tokyo Electron FE Limited
- Tokyo Electron BP Limited
- Tokyo Electron Agency Limited

## ►► U.S.

- Tokyo Electron U.S. Holdings, Inc.
- Tokyo Electron America, Inc.
- TEL Technology Center, America, LLC
- TEL Venture Capital, Inc.
- TEL Manufacturing and Engineering of America, Inc.

## ►► EUROPE

- Tokyo Electron Europe Limited
- Tokyo Electron Israel Limited
- TEL Magnetic Solutions Limited

## ►► ASIA

- Tokyo Electron Korea Limited
- Tokyo Electron Taiwan Limited
- Tokyo Electron (Shanghai) Limited
- Tokyo Electron (Kunshan) Limited
- Tokyo Electron Singapore Pte. Limited

29 consolidated subsidiaries in total, including the above 19 companies

**Investor Information** (As of March 31, 2020)**Corporate Name and Head Office:**

Tokyo Electron Limited  
Akasaka Biz Tower  
3-1 Akasaka 5-chome, Minato-ku,  
Tokyo 107-6325, Japan

**Established:**

November 11, 1963

**Annual General Meeting of Shareholders:**

June

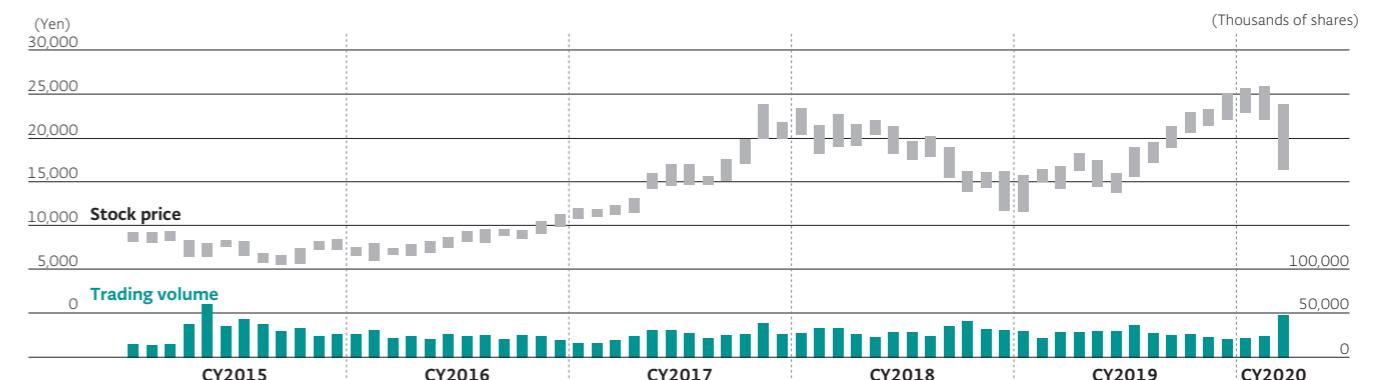
**Common Stock:**

Stock trading unit	100 shares
Authorized	300,000,000 shares
Issued	157,210,911 shares
Number of shareholders	30,348

**Major Shareholders:**

	Number of shares held (thousands)	Voting share ratio (%)
The Master Trust Bank of Japan Limited (trust account)	31,397	20.12
Japan Trustee Services Bank Limited (trust account)	14,888	9.54
JP Morgan Chase Bank 385632	8,712	5.58
Tokyo Broadcasting System Holdings, Inc.	5,991	3.84
Japan Trustee Services Bank Limited (trust account 7)	4,145	2.65
Trust & Custody Services Bank, Limited (securities investment trust account)	3,049	1.95
Japan Trustee Services Bank Limited (trust account 4)	2,902	1.86
SSBTC CLIENT OMNIBUS ACCOUNT	2,628	1.68
JP Morgan Chase Bank 385151	2,599	1.66
Japan Trustee Services Bank Limited (trust account 5)	2,584	1.65

Notes: 1. Shares of less than one thousand have been rounded down in the "Number of shares held."  
2. Voting share ratios are calculated excluding treasury stock (1,213,526 shares). Figures are truncated after the second decimal place. Treasury stock excludes the 472,030 Company shares owned by the executive compensation Board Incentive Plan (BIP) trust account and the share-delivering Employee Stock Ownership Plan (ESOP).

**Stock Price and Trading Volume**

Years ended March 31	2016	2017	2018	2019	2020
High (yen)	8,450	12,285	23,875	21,935	25,875
Low (yen)	5,519	6,603	11,455	11,595	13,760
Total shareholder return (%)	90.3	152.0	253.3	214.4	273.4
(TOPIX, dividends reinvested)	(89.2)	(102.3)	(118.5)	(112.5)	(101.8)

**For Further Information, Contact:**

Investor Relations  
Tokyo Electron Limited  
Akasaka Biz Tower  
3-1 Akasaka 5-chome, Minato-ku,  
Tokyo 107-6325, Japan  
Tel: +81-3-5561-7000

**Website:**  
[www.tel.com](http://www.tel.com)

**Distribution of Ownership among Shareholders:**