XILINX INC
Form 10-Q
July 27, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to _______ .
Commission File Number 000-18548

Xilinx, Inc.
(Exact name of registrant as specified in its charter)

Delaware	77-0188631
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 Logic Drive, San Jose, California	95124
(Address of principal executive offices)	(Zip Code)

(408) 559-7778
(Registrant's telephone number, including area code)
N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o
Smaller reporting company o	Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of July 13, 2018
Common Stock, $0.01 par value	252,913,557

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30, 2018	July 1, 2017 [1]
Net revenues	$684,370	$602,810
Cost of revenues	206,888	190,824
Gross margin	477,482	411,986
Operating expenses:		
Research and development	170,826	153,051
Selling, general and administrative	90,532	89,175
Amortization of acquisition-related intangibles	360	705
Total operating expenses	261,718	242,931
Operating income	215,764	169,055
Interest and other income (expense), net	(2,847)	1,839
Income before income taxes	212,917	170,894
Provision for income taxes	22,879	13,650
Net income	$190,038	$157,244
Net income per common share:		
Basic	$0.75	$0.63
Diluted	$0.74	$0.59
Cash dividends per common share	$0.36	$0.35
Shares used in per share calculations:		
Basic	252,682	247,911
Diluted	255,935	265,797

[1] Prior year balances have been restated to reflect the retrospective application of the new revenue recognition accounting standard. Please refer to "Note 2. Recent Accounting Changes and Accounting Pronouncements."

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended June 30, 2018	Three Months Ended July 1, 2017 [1]
Net income	$190,038	$157,244
Other comprehensive income (loss), net of tax:		
Change in net unrealized gains (losses) on available-for-sale securities	(1,660)	5,250
Reclassification adjustment for gains on available-for-sale securities	(51)	(48)
Net change in unrealized gains (losses) on hedging transactions	(5,619)	1,425
Reclassification adjustment for gains on hedging transactions	(441)	(338)
Cumulative translation adjustment, net	(2,050)	1,760
Other comprehensive (loss) income	(9,821)	8,049
Total comprehensive income	$180,217	$165,293

[1] Prior year balances have been restated to reflect the retrospective application of the new revenue recognition accounting standard. Please refer to "Note 2. Recent Accounting Changes and Accounting Pronouncements."

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	June 30, 2018 (unaudited)	March 31, 2018 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	$1,677,389	$2,179,328
Short-term investments	1,686,809	1,268,242
Accounts receivable, net	456,898	382,246
Inventories	247,001	236,077
Prepaid expenses and other current assets	57,448	88,695
Total current assets	4,125,545	4,154,588
Property, plant and equipment, at cost	871,411	855,023
Accumulated depreciation and amortization	(559,327)	(550,906)
Net property, plant and equipment	312,084	304,117
Long-term investments	91,700	97,896
Goodwill	162,421	162,421
Acquisition-related intangibles, net	3,763	4,123
Other assets	359,679	337,402
Total Assets	$5,055,192	$5,060,547
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$105,484	$98,999
Accrued payroll and related liabilities	198,602	206,367
Income taxes payable	82,410	47,713
Other accrued liabilities	56,696	59,680
Current portion of long-term debt	499,407	499,186
Total current liabilities	942,599	911,945
Long-term debt	1,207,387	1,214,440
Long-term income taxes payable	530,167	523,864
Other long-term liabilities	56,401	49,945
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, $.01 par value (none issued and outstanding)	—	—
Common stock, $.01 par value	2,515	2,534
Additional paid-in capital	894,588	878,672
Retained earnings	1,457,467	1,513,656
Accumulated other comprehensive loss	(35,932)	(34,509)
Total stockholders’ equity	2,318,638	2,360,353
Total Liabilities and Stockholders’ Equity	$5,055,192	$5,060,547

[1] Prior year balances have been restated to reflect the retrospective application of the new revenue recognition accounting standard. Please refer to "Note 2. Recent Accounting Changes and Accounting Pronouncements."

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended June 30, 2018	July 1, 2017 [1]
Cash flows from operating activities:		
Net income	$190,038	$157,244
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,075	11,232
Amortization	7,333	3,729
Stock-based compensation	35,608	32,036
Amortization of debt discounts	295	1,676
Provision (benefit) for deferred income taxes	(13,532)	24,694
Others	6,147	(446)
Changes in assets and liabilities:		
Accounts receivable, net	(74,652)	(23,654)
Inventories	(10,924)	11,691
Prepaid expenses and other current assets	2,140	(5,023)
Other assets	(7,770)	(8,690)
Accounts payable	9,320	(3,049)
Accrued liabilities	(32,437)	2,378
Income taxes payable	49,527	(12,910)
Net cash provided by operating activities	176,168	190,908
Cash flows from investing activities:		
Purchases of available-for-sale securities	(559,159)	(832,705)
Proceeds from sale and maturity of available-for-sale securities	155,230	613,396
Purchases of property, plant and equipment and other intangibles	(26,359)	(9,926)
Other investing activities	(13,900)	(3,008)
Net cash used in investing activities	(444,188)	(232,243)
Cash flows from financing activities:		
Repurchases of common stock	(137,300)	(67,062)
Taxes paid related to net share settlements of restricted stock units	(5,495)	(933)
Proceeds from issuance of common stock through various stock plans	214	2,003
Payment of dividends to stockholders	(90,675)	(87,303)
Repayment of convertible debt	—	(457,918)
Proceeds from issuance of long-term debt, net	—	745,871
Other financing activities	(663)	(663)
Net cash (used in) provided by financing activities	(233,919)	133,995
Net (decrease) increase in cash and cash equivalents	(501,939)	92,660
Cash and cash equivalents at beginning of period	2,179,328	966,695
Cash and cash equivalents at end of period	$1,677,389	$1,059,355
Supplemental disclosure of cash flow information:		
Interest paid	$21,174	$5,795
Income taxes (refunded) paid, net	$(13,328)	$1,873

[1] Prior year balances have been restated to reflect the retrospective application of the new revenue recognition accounting standard. Please refer to "Note 2. Recent Accounting Changes and Accounting Pronouncements."

See notes to condensed consolidated financial statements.

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XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 31, 2018. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending March 30, 2019 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2019 and fiscal 2018 are both 52-week years ending on March 30, 2019 and March 31, 2018, respectively. The quarters ended June 30, 2018 and July 1, 2017 each consisted of 13 weeks.

Note 2. Recent Accounting Changes and Accounting Pronouncements

Recent Accounting Pronouncements Adopted

Revenue Recognition

In April 2014, the Financial Accounting Standards Board (FASB) issued the authoritative guidance, as amended, that outlines a new revenue recognition standard that replaces virtually all existing U.S. GAAP guidance on contracts with customers and the related other assets and deferred costs. The authoritative guidance provides a five-step process for recognizing revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The new guidance also requires expanded qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new guidance is required to be applied retrospectively to each prior reporting period presented (Full Retrospective), or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company adopted the new guidance on April 1, 2018, using the Full Retrospective method and restated the comparative prior periods. The Company implemented internal controls and certain system functionality to enable the preparation of financial information on adoption.
As a result of the adoption of the authoritative guidance, the Company changed its accounting policy for revenue recognition and the details of the significant changes and quantitative impact of the changes are disclosed below:
Revenue from sales to the Company's distributors is recognized upon shipment of the product to the distributors (sell-in) and is reduced by estimated allowances for distributor price adjustments and rights of return. Previously, revenue was recognized upon reported resale of the product by the distributors to their customers (sell-through) as reduced by actual allowances for distributor price adjustments. Revenue from software license agreements, software license renewals, and other contracts are recognized at point of sales, whereas previously these were deferred and recognized over the contractual term before the implementation of the authoritative guidance. Revenue recognition related to the Company's other revenue streams, such as direct customers, remains unchanged.

The adoption of this authoritative guidance has an impact on the Company’s condensed consolidated statements of income and balance sheets, but has no impact on net cash provided by or used in operating, financing, or investing activities on the condensed consolidated statements of cash flows.
The impact on the Company's previously reported condensed consolidated statement of income resulting from the adoption of the authoritative guidance is as follows:

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	Three months ended July 1, 2017		
(In thousands, except per share amounts)	As Reported	Adjustment	As Adjusted
Net revenues	$615,446	$(12,636)	$602,810
Cost of revenues	192,095	(1,271)	190,824
Gross margin	423,351	(11,365)	411,986
Operating expenses:			
Research and development	153,051	—	153,051
Selling, general and administrative	89,175	—	89,175
Amortization of acquisition-related intangibles	705	—	705
Total operating expenses	242,931	—	242,931
Operating income	180,420	(11,365)	169,055
Interest and other income, net	1,839	—	1,839
Income before income taxes	182,259	(11,365)	170,894
Provision for income taxes	15,014	(1,364)	13,650
Net income	$167,245	$(10,001)	$157,244
Net income per common share:			
Basic	$0.67	$(0.04)	$0.63
Diluted	$0.63	$(0.04)	$0.59
Shares used in per share calculations:			
Basic	247,911		247,911
Diluted	265,797		265,797

The impact on the Company's previously reported condensed consolidated balance sheet line items affected by the adoption of the authoritative guidance is as follows:

	March 31, 2018		
(In thousands)	As Reported	Adjustment	As Adjusted
Accounts receivable	$372,144	$10,102	$382,246
Other assets	342,644	(5,242)	337,402
Deferred income on shipments to distributors	25,166	(25,166)	—
Other accrued liabilities	59,772	(92)	59,680
Retained earnings	1,483,538	30,118	1,513,656

Financial Instruments

In January 2016, the FASB issued final authoritative guidance regarding how companies measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The authoritative guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP on this matter. The authoritative guidance does not change the guidance for classifying and measuring investments in debt securities and loans. The authoritative guidance is effective for public business entities for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company adopted this authoritative guidance on April 1, 2018 and recorded the balance of the unrealized losses of $11.0 million as of the end of fiscal 2018 from its investment in debt mutual funds and equity securities to retained earnings, less the related deferred taxes of $2.6 million. Subsequent changes in fair value from such investments are recorded in the condensed consolidated statements of income.

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Income Taxes

In October 2016, the FASB issued authoritative guidance on income taxes which eliminates the deferred tax effects of intra-entity asset transfers other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of an asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. The authoritative guidance is effective for public business entities in fiscal years beginning after December 15, 2017 and requires the adoption be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings. The Company adopted this authoritative guidance on April 1, 2018. Accordingly, $13.8 million of prepaid taxes associated with prior period intra-entity asset transfers was reclassified to retained earnings.

Recent Accounting Pronouncements Not Yet Adopted

Leases

In February 2016, the FASB issued authoritative guidance on leases. The new authoritative guidance requires the recognition of assets and liabilities arising from lease transactions on the balance sheet and will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. The new authoritative guidance is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, which for Xilinx would be the first quarter of fiscal 2020. Early adoption is permitted. The new authoritative guidance must be adopted using a modified retrospective transition with application of the new authoritative guidance for leases that existed at or are entered into after the beginning of the earliest comparative period presented. To help with the transition to the new guidance, certain practical expedients are provided. The Company is currently evaluating the impact of this new authoritative guidance on its condensed consolidated financial statements.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company's distributors, distributes the Company's products worldwide. As of June 30, 2018 and March 31, 2018, Avnet accounted for 70% and 61% of the Company's total net accounts receivable, respectively. Net revenues from Avnet accounted for 51% and 41% of the Company's worldwide net revenues in the first quarter of fiscal 2019 and 2018, respectively. The Company expects its accounts receivable to be relatively higher than normal on a temporary basis as the Company partners with its distributors to manage their inventory requirements.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the condensed consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or distributors.

No end customer accounted for more than 10% of the Company's worldwide net revenues for the first quarter of fiscal 2019 and 2018.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing approximately 91% of its portfolio in AA (or its equivalent) or higher grade securities as rated by Standard & Poor's or Moody's Investors Service. The Company's methods to arrive at investment decisions are not solely based on the rating agencies' credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company's forward currency exchange and interest rate swap contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer's credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of June 30, 2018, approximately 24% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio were issued by U.S. government-sponsored enterprises and agencies and are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

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Note 4. Fair Value Measurements

The authoritative guidance for fair value measurements established by the FASB defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analysis. The Company primarily uses a consensus price or weighted-average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first quarter of fiscal 2019 and the Company did not adjust or override any fair value measurements as of June 30, 2018.

Fair Value Hierarchy

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of U.S. government securities, money market funds and marketable equity securities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets consist of financial institution securities, non-financial institution securities, U.S. agency securities, foreign government and agency securities, mortgage-backed securities, debt mutual funds, asset-backed securities and commercial mortgage-backed securities. The Company's Level 2 assets and liabilities also include foreign currency forward contracts and interest rate swap contracts.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company has no Level 3 assets and liabilities measured at fair value on a recurring basis.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables present information about the Company’s assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and March 31, 2018:

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(In thousands)	June 30, 2018 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	$458,706	$—	$ —	$458,706
Financial institution securities	—	349,850	—	349,850
Non-financial institution securities	—	350,624	—	350,624
U.S. government and agency securities	114,664	206,945	—	321,609
Foreign government and agency securities	—	130,622	—	130,622
Short-term investments:				
Financial institution securities	—	249,982	—	249,982
Non-financial institution securities	—	263,922	—	263,922
U.S. government and agency securities	3,647	96,105	—	99,752
Foreign government and agency securities	—	43,783	—	43,783
Mortgage-backed securities	—	796,953	—	796,953
Asset-backed securities	—	89,028	—	89,028
Commercial mortgage-backed securities	—	143,389	—	143,389
Long-term investments:				
Debt mutual funds	—	85,633	—	85,633
Marketable equity securities	6,067	—	—	6,067
Total assets measured at fair value	$583,084	$2,806,836	$ —	$3,389,920
Liabilities				
Derivative financial instruments, net	$—	$41,289	$ —	$41,289
Total liabilities measured at fair value	$—	$41,289	$ —	$41,289
Net assets measured at fair value	$583,084	$2,765,547	$ —	$3,348,631

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(In thousands)	March 31, 2018 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	$1,291,891	$—	$ —	$1,291,891
Financial institution securities	—	359,901	—	359,901
Non-financial institution securities	—	242,904	—	242,904
U.S. government and agency securities	996	34,999	—	35,995
Foreign government and agency securities	—	179,957	—	179,957
Short-term investments:				
Financial institution securities	—	75,000	—	75,000
Non-financial institution securities	—	81,939	—	81,939
U.S. government and agency securities	3,639	19,008	—	22,647
Mortgage-backed securities	—	844,397	—	844,397
Asset-backed securities	—	91,389	—	91,389
Commercial mortgage-backed securities	—	152,870	—	152,870
Long-term investments:				
Debt mutual funds	—	89,670	—	89,670
Marketable equity securities	8,226		—	8,226
Total assets measured at fair value	$1,304,752	$2,172,034	$ —	$3,476,786
Liabilities				
Derivative financial instruments, net	$—	$26,091	$ —	$26,091
Total liabilities measured at fair value	$—	$26,091	$ —	$26,091
Net assets measured at fair value	$1,304,752	$2,145,943	$ —	$3,450,695

For certain of the Company’s financial instruments, including cash held in banks, accounts receivable and accounts payable, the carrying amounts approximate fair value due to their short maturities, and are therefore excluded from the fair value tables above.

As of June 30, 2018 and July 1, 2017, the Company held no marketable securities measured at fair value using Level 3 inputs.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company's $500.0 million principal amount of 2.125% notes due March 15, 2019 (2019 Notes), $500.0 million principal amount of 3.000% notes due March 15, 2021 (2021 Notes) and $750.0 million principal amount of 2.950% senior notes due June 1, 2024 (2024 Notes) are measured at fair value on a quarterly basis for disclosure purposes. The fair values of the 2019 Notes, 2021 Notes and 2024 Notes as of June 30, 2018 were approximately $498.0 million, $495.9 million and $713.4 million, respectively, based on the last trading price for the period (classified as Level 2 in fair value hierarchy due to relatively low trading volume).

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

As of June 30, 2018, the Company had non-marketable equity securities in private companies of $49.6 million, which were classified as Level 3 assets. The Company’s investments in non-marketable securities of private companies, together with its non-financial assets such as property, plant and equipment, goodwill and acquisition-related intangibles, are recorded at fair value only if the Company recognizes an impairment or an observable price adjustment. Such impairment losses or observable price adjustments were not material during all periods presented.

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Note 5. Financial Instruments

The following is a summary of cash equivalents and available-for-sale securities as of the end of the periods presented:

	June 30, 2018				March 31, 2018			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$458,706	$ —	$—	$458,706	$1,291,891	$ —	$—	$1,291,891
Financial institution securities	599,832	—	—	599,832	434,901	—	—	434,901
Non-financial institution securities	615,958	1	(1,413)	614,546	326,219	—	(1,376)	324,843
U.S. government and agency securities	421,679	9	(327)	421,361	58,913	1	(272)	58,642
Foreign government and agency securities	174,405	—	—	174,405	179,957	—	—	179,957
Mortgage-backed securities	820,305	580	(23,932)	796,953	866,048	660	(22,311)	844,397
Asset-backed securities	90,426	12	(1,410)	89,028	92,751	16	(1,378)	91,389
Debt mutual funds	101,350	—	(15,717)	85,633	101,350	—	(11,680)	89,670
Commercial mortgage-backed securities	146,984	—	(3,595)	143,389	156,296	1	(3,427)	152,870
Marketable equity securities	7,500	—	(1,433)	6,067	7,500	726	—	8,226
	$3,437,145	$ 602	$(47,827)	$3,389,920	$3,515,826	$ 1,404	$(40,444)	$3,476,786

Financial institution securities include securities issued or managed by financial institutions in various forms, such as commercial paper and time deposits. Substantially all time deposits were issued by institutions outside the U.S. as of June 30, 2018 and March 31, 2018.

The following tables show the fair values and gross unrealized losses of the Company’s investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of June 30, 2018 and March 31, 2018:

	June 30, 2018					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Non-financial institution securities	$57,501	$(1,193)	$7,910	$(220)	$65,411	$(1,413)
U.S. government and agency securities	52,351	(224)	4,586	(103)	56,937	(327)
Mortgage-backed securities	424,784	(10,639)	340,733	(13,293)	765,517	(23,932)

Asset-backed securities	53,832	(944)	33,333	(466)	87,165	(1,410)
Debt mutual funds	—	—	85,633	(15,717)	85,633	(15,717)
Commercial mortgage-backed securities	84,596	(1,830)	57,875	(1,765)	142,471	(3,595)
Marketable equity securities	6,067	(1,433)	—	—	6,067	(1,433)
	$679,131	$(16,263)	$530,070	$(31,564)	$1,209,201	$(47,827)

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(In thousands)	March 31, 2018					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Non-financial institution securities	$69,780	$(1,146)	$8,344	$(230)	$78,124	$(1,376)
U.S. government and agency securities	13,471	(176)	9,176	(96)	22,647	(272)
Mortgage-backed securities	510,988	(11,048)	299,663	(11,263)	810,651	(22,311)
Asset-backed securities	57,128	(876)	32,696	(502)	89,824	(1,378)
Debt mutual funds	—	—	89,670	(11,680)	89,670	(11,680)
Commercial mortgage-backed securities	95,435	(1,760)	56,051	(1,667)	151,486	(3,427)
	$746,802	$(15,006)	$495,600	$(25,438)	$1,242,402	$(40,444)

As of June 30, 2018, the gross unrealized losses that had been outstanding for less than twelve months were primarily related to mortgage-backed securities due to the general rising of the interest-rate environment, although the percentage of such losses to the total estimated fair value of the mortgage-backed securities was relatively insignificant. The gross unrealized losses that had been outstanding for more than twelve months were primarily related to debt mutual funds and mortgage-backed securities, which were primarily due to the general rising of the interest-rate environment and foreign currency movement.

Starting April 1, 2018, the Company records the change in the fair value of its investment in debt mutual funds and marketable equity securities as part of its interest and other income (expense), net. This change in fair value was a net decrease of $6.2 million for the three months ended June 30, 2018 and resulted in an expense within interest and other income (expense) net for the period.

The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of June 30, 2018 and March 31, 2018 were temporary in nature as evidenced by the fluctuations in the gross unrealized losses within the investment categories. These investments are highly rated by the credit rating agencies, there have been no defaults on any of these securities and the company has received interest payments as they become due. Therefore, the Company believes that it will be able to collect both principal and interest amount due to the Company. Additionally, in the past several years a portion of the Company's investment in the mortgage-backed securities was redeemed or prepaid by the debtors at par. Furthermore, the aggregate of individual unrealized losses that had been outstanding for twelve months or more was not significant as of June 30, 2018 and March 31, 2018. The Company neither intends to sell these investments nor concludes that it is more-likely-than-not that it will have to sell them until recovery of their carrying values.

The amortized cost and estimated fair value of marketable debt securities (financial institution securities, non-financial institution securities, U.S. and foreign government and agency securities, asset-backed securities, mortgage-backed securities and commercial mortgage-backed securities), by contractual maturity, are shown in the table below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

(In thousands)	June 30, 2018	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,758,865	$1,758,593

Due after one year through five years	176,391	172,941
Due after five years through ten years	148,349	143,894
Due after ten years	785,984	764,086
	$2,869,589	$2,839,514

As of June 30, 2018, $1.08 billion of marketable debt securities with contractual maturities of greater than one year were classified as short-term investments. Additionally, the above table does not include investments in money market, debt mutual funds and marketable equity securities because these investments do not have specific contractual maturities.

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Certain information related to available-for-sale securities is as follows:

(In thousands)	Three Months Ended June 30, 2018	July 1, 2017
Proceeds from sale of available-for-sale securities	$895	$119,922
Gross realized gains on sale of available-for-sale securities	$96	$832
Gross realized losses on sale of available-for-sale securities	(47)	(386)
Net realized gains on sale of available-for-sale securities	$49	$446
Amortization of premiums on available-for-sale securities	$2,491	$6,823

The cost of securities matured or sold is based on the specific identification method.

Note 6. Derivative Financial Instruments

The Company's primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk and interest rate risk. As a result of the use of derivative financial instruments, the Company is exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations. The Company manages counterparty credit risk in derivative contracts by reviewing counterparty creditworthiness on a regular basis, establishing collateral requirement and limiting exposure to any single counterparty. The right of set-off that exists with certain transactions enables the Company to net amounts due to and from the counterparty, reducing the maximum loss from credit risk in the event of counterparty default.

As of June 30, 2018 and March 31, 2018, the Company had the following outstanding forward currency exchange contracts (in notional amount), which were derivative financial instruments:

(In thousands and U.S. dollars)	June 30, 2018	March 31, 2018
Singapore Dollar	$26,392	$24,914
Euro	38,591	38,987
Indian Rupee	64,959	62,472
British Pound	8,125	8,155
Japanese Yen	3,882	3,859
Chinese Yuan	13,247	8,260
	$155,196	$146,647