

# Consolidated Financial Statements

## Consolidated Balance Sheets

IBIDEN CO., LTD. and Consolidated Subsidiaries  
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
<b>Assets</b>			
Current assets:			
Cash and time deposits (Note 18)	¥ 32,620	¥ 22,546	\$ 303,948
Short-term investments (Notes 5 and 18)	19,931	20,229	185,720
Notes and accounts receivable:			
Trade	57,506	52,789	535,839
Allowance for doubtful receivables	(1,182)	(857)	(11,017)
Inventories (Note 6)	20,866	20,008	194,427
Deferred income taxes (Note 9)	2,474	2,264	23,053
Other current assets	8,887	6,965	82,805
Total current assets	141,102	123,944	1,314,775
Property, plant and equipment:			
Land (Notes 7 and 12)	12,054	12,107	112,323
Buildings and structures	60,719	58,702	565,775
Machinery and equipment	125,839	114,809	1,172,558
Construction in progress	12,466	5,012	116,161
	211,078	190,630	1,966,817
Accumulated depreciation	(127,621)	(118,541)	(1,189,171)
Property, plant and equipment, net	83,457	72,089	777,646
Investments and other assets:			
Investment securities (Notes 5 and 7):			
Unconsolidated subsidiaries and affiliates	2,771	2,404	25,823
Other	24,518	23,153	228,453
Other assets	4,256	5,688	39,662
Total investments and other assets	31,545	31,245	293,938
Total assets	¥256,104	¥227,278	\$2,386,359

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 7)	¥ 16,331	¥ 14,212	\$ 152,175
Notes and accounts payable:			
Trade	40,580	44,426	378,119
Other	3,128	3,069	29,143
Accrued expenses	2,444	2,959	22,774
Accrued income taxes (Note 9)	4,471	1,759	41,659
Other current liabilities	20,154	9,230	187,798
Total current liabilities	87,108	75,655	811,668
Long-term liabilities:			
Long-term debt (Note 7)	45,153	40,273	420,734
Accrued retirement benefits (Note 8)	1,702	1,937	15,863
Deferred income taxes (Note 9)	1,426	1,030	13,287
Other long-term liabilities	2,481	2,913	23,114
Total long-term liabilities	50,762	46,153	472,998
Minority interests in consolidated subsidiaries	8,037	7,211	74,890
Contingent liabilities (Note 16)			
Shareholders' equity (Note 10):			
Common stock:			
Authorized — 230,000,000 shares			
Issued — 122,261,887 shares in 2005 and 122,258,620 shares in 2004	23,812	23,810	221,879
Capital surplus	24,288	24,252	226,312
Surplus arising from land revaluation (Note 12)	64	60	594
Retained earnings	62,547	51,794	582,808
Net unrealized holding gain on other securities	6,828	6,186	63,623
Translation adjustments	(770)	(1,007)	(7,172)
Less treasury stock, at cost: 4,273,123 shares in 2005 and 4,443,168 shares in 2004	(6,572)	(6,836)	(61,241)
Total shareholders' equity	110,197	98,259	1,026,803
Total liabilities and shareholders' equity	¥256,104	¥227,278	\$2,386,359

## Consolidated Statements of Income

IBIDEN CO., LTD. and Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
Net sales (Note 19)	<b>¥247,594</b>	¥220,541	<b>\$2,307,059</b>
Cost of sales	<b>195,693</b>	179,090	<b>1,823,454</b>
Gross profit	<b>51,901</b>	41,451	<b>483,605</b>
Selling, general and administrative expenses (Note 13)	<b>31,810</b>	27,867	<b>296,400</b>
Operating income (Note 19)	<b>20,091</b>	13,584	<b>187,205</b>
Other income (expenses):			
Interest and dividend income	<b>430</b>	311	<b>4,011</b>
Interest expense	<b>(726)</b>	(576)	<b>(6,767)</b>
Equity in earnings of an unconsolidated subsidiary and an affiliate	<b>384</b>	433	<b>3,582</b>
Other, net (Note 14)	<b>(958)</b>	1,897	<b>(8,930)</b>
Income before income taxes and minority interests	<b>19,221</b>	15,649	<b>179,101</b>
Income taxes (Note 9):			
Current	<b>(6,493)</b>	(4,705)	<b>(60,500)</b>
Deferred	<b>218</b>	(2,783)	<b>2,036</b>
	<b>(6,275)</b>	(7,488)	<b>(58,464)</b>
Minority interests	<b>(875)</b>	(894)	<b>(8,159)</b>
Net income (Note 17)	<b>¥ 12,071</b>	¥ 7,267	<b>\$ 112,478</b>

## Consolidated Statements of Shareholders' Equity

IBIDEN CO., LTD. and Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
<b>Common stock</b>			
Balance at beginning of year	¥23,810	¥23,808	\$221,856
Conversion of convertible bonds	2	2	23
Balance at end of year	¥23,812	¥23,810	\$221,879
<b>Capital surplus</b>			
Balance at beginning of year	¥24,252	¥24,245	\$225,980
Conversion of convertible bonds	2	1	23
Gain on sales of treasury stock	34	6	309
Balance at end of year	¥24,288	¥24,252	\$226,312
<b>Surplus arising from land revaluation</b>			
Balance at beginning of year	¥ 60	¥ 59	\$ 563
Net change during the year	4	1	31
Balance at end of year	¥ 64	¥ 60	\$ 594
<b>Retained earnings</b>			
Balance at beginning of year	¥51,794	¥45,954	\$482,609
Net income	12,071	7,267	112,478
Cash dividends	(1,180)	(1,309)	(10,993)
Bonuses to directors	(130)	(116)	(1,209)
Reversal of surplus arising from land revaluation	(3)	–	(31)
Decrease arising from increase in consolidated subsidiaries	(5)	(2)	(46)
Balance at end of year	¥62,547	¥51,794	\$582,808
<b>Net unrealized holding gain on other securities</b>			
Balance at beginning of year	¥ 6,186	¥ 1,778	\$ 57,642
Net change during the year	642	4,408	5,981
Balance at end of year	¥ 6,828	¥ 6,186	\$ 63,623
<b>Translation adjustments</b>			
Balance at beginning of year	¥ (1,007)	¥ (296)	\$ (9,383)
Net change during the year	237	(711)	2,211
Balance at end of year	¥ (770)	¥ (1,007)	\$ (7,172)

## Consolidated Statements of Cash Flows

IBIDEN CO., LTD. and Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

Thousands of  
U.S. Dollars  
(Note 3)

	Millions of Yen		2005
	2005	2004	
<b>Operating activities</b>			
Income before income taxes and minority interests	¥19,221	¥15,649	\$179,101
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	14,438	13,846	134,529
Provision for doubtful receivables	172	252	1,600
Loss on devaluation of securities	40	2	376
Interest and dividend income	(430)	(311)	(4,011)
Interest expense	726	576	6,767
Gain on sales of property, plant and equipment	(30)	(40)	(280)
Loss on disposal of property, plant and equipment and other assets	1,157	823	10,784
Gain on sales of securities	(172)	(34)	(1,606)
Reversal of accrued retirement benefits	(234)	(10,276)	(2,182)
Increase in notes and accounts receivable	(4,748)	(550)	(44,239)
Increase in inventories	(853)	(4,833)	(7,946)
(Decrease) increase in notes and accounts payable	(978)	7,087	(9,109)
Other, net	(1,333)	3,809	(12,417)
Subtotal	26,976	26,000	251,367
Interest and dividends received	393	321	3,663
Interest paid	(726)	(576)	(6,767)
Income taxes paid	(3,545)	(5,581)	(33,035)
Net cash provided by operating activities	23,098	20,164	215,228
<b>Investing activities</b>			
Purchases of short-term investments	(2,802)	(6,001)	(26,109)
Proceeds from sales of short-term investments	103	3,034	957
Purchases of investment securities	(374)	(661)	(3,482)
Proceeds from sales of investment securities	189	2,732	1,762
Long-term loans made	(408)	(711)	(3,798)
Collection of long-term loans receivable	76	43	710
Purchases of property, plant and equipment	(20,117)	(11,737)	(187,448)
Proceeds from sales of property, plant and equipment	319	265	2,969
Additional acquisition of shares of consolidated subsidiaries	(305)	(196)	(2,846)
Other	489	(818)	4,560
Net cash used in investing activities	(22,830)	(14,050)	(212,725)
<b>Financing activities</b>			
Increase (decrease) in short-term borrowings, net	849	(1,098)	7,915
Increase in long-term debt	17,426	27,169	162,370
Repayment or redemption of long-term debt	(10,841)	(11,018)	(101,017)
Purchases of treasury stock	(13)	(3,245)	(120)
Proceeds from sales of treasury stock	1	8	11
Cash dividends paid to minority shareholders of consolidated subsidiaries	(43)	(45)	(403)
Cash dividends paid	(1,180)	(1,308)	(10,993)
Other	–	75	–
Net cash provided by financing activities	6,199	10,538	57,763
Effect of exchange rate changes on cash and cash equivalents	556	(418)	5,175
Increase in cash and cash equivalents	7,023	16,234	65,441
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	46	–	431
Cash and cash equivalents at beginning of year	39,597	23,363	368,965
Cash and cash equivalents at end of year (Note 18)	¥46,666	¥39,597	\$434,837

# Notes to Consolidated Financial Statements

IBIDEN CO., LTD. and Consolidated Subsidiaries

March 31, 2005

## 1. Basis of Presentation

IBIDEN CO., LTD. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan. Furthermore, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2004 to the 2005 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means.

All significant intercompany transactions and accounts have been eliminated in consolidation.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in the net assets of the subsidiary is treated as an asset or a liability as the case may be, and is amortized over a period of five years on a straight-line basis.

Investments in subsidiaries and affiliates, which are not consolidated or accounted for by the equity method, are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down.

Differences, not significant in amount, between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been credited or charged to income in the year of acquisition and are included in selling, general and administrative expenses.

### (b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Gain or loss resulting from foreign currency transactions is credited or charged to income in the period in which the gain or loss is recognized for financial reporting purposes.

The financial statements of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Adjustments resulting from translating financial statements denominated in a foreign currency are not included in the determination of net income, but are reported as translation adjustments in a separate component of shareholders' equity and in minority interests in the consolidated balance sheets.

**(c) Cash equivalents**

For the purpose of the consolidated statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

**(d) Inventories**

Inventories of the Company and its domestic consolidated subsidiaries are stated principally at cost determined primarily by the moving average method. Inventories of the overseas subsidiaries are stated principally at the lower of cost or market, cost being determined by the first-in, first-out method.

**(e) Short-term investments and investment securities**

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are carried at fair value. Gain and loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

**(f) Property, plant and equipment and depreciation**

Depreciation of property, plant and equipment of the

Company and its domestic consolidated subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives of the respective assets and the residual value determined by the Company.

Depreciation of property, plant and equipment of the overseas consolidated subsidiaries is calculated principally by the straight-line method.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

**(g) Leases**

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

**(h) Retirement benefits**

Accrued retirement benefits for employees are provided mainly at an amount calculated actuarially based on the retirement benefit obligation and the fair value of the pension plan assets at the end of the year, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is allocated to each year by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is credited or charged to income in the year following the year in which the gain or loss is recognized.

On April 1, 2003, the Company and certain domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare (the "MHLW") for the termination of Ibiden's employees' pension fund and immediately terminated the fund. Effective April 2, 2003, the Company received approval from the MHLW for the introduction of a defined contribution pension plan and changed from a defined benefit to a defined contribution pension plan. As a result, the Company introduced a monthly payment scheme

for retirement benefits as well as a defined contribution pension plan for its employees.

The Company and certain domestic consolidated subsidiaries have adopted the transitional provision for the derecognition of their retirement benefit obligation as stipulated in "Practical Guidelines for Accounting for Retirement Benefits." The Company has also adopted Financial Accounting Standards Implementation Guideline No. 1, "Accounting for Transfers among Retirement Benefit Plans" issued by the Accounting Standards Board of Japan. As a result, the Company recognized related profit of ¥4,107 million for the year ended March 31, 2004.

Directors and corporate auditors of the Company are customarily entitled to lump-sum payments under unfunded retirement benefit plans. The provision for retirement benefits for directors and corporate auditors has been made at estimated amounts based on the Company's internal regulations.

**(i) Income taxes**

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the amounts recorded for financial reporting purposes and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**(j) Research and development costs**

Research and development costs are charged to income when incurred.

**(k) Revenue recognition**

Revenue is generally recognized on sales of products at the time of shipment.

**3. U.S. Dollar Amounts**

The U.S. dollar amounts in the accompanying financial statements have been translated from yen, solely for convenience and as a matter of arithmetic computation only, at ¥107.32 = U.S.\$1.00, the rate of exchange

**(l) Derivatives and hedging activities**

Derivative financial instruments are utilized by the Company principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest rates. The Company has established a control environment which includes policies and procedures for risk assessment, including an assessment of the effectiveness of the hedging, and for the approval, reporting and monitoring of transactions involving derivatives. The Company does not hold or issue derivatives for speculative trading purposes.

The Company is exposed to certain market risks arising from forward foreign exchange contracts, currency options and interest-rate swap agreements. The Company is also exposed to the risk of credit loss in the event of non-performance by any of the counterparties to the currency and interest-rate contracts; however, the Company does not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

**(m) Appropriation of retained earnings**

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations. (Refer to Note 20(a).)

prevailing on March 31, 2005. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

## 4. Change in Method of Accounting

Effective April 1, 2004, the Company and its domestic consolidated subsidiaries opted for early adoption of a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company and its domestic consolidated subsidiaries would be required to recognize an impairment loss in the statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of its disposition cost, and (2) the present value of future cash flows arising from the ongoing utilization of the asset and from its

disposition, if applicable. The standard covers land, factories, buildings and other items of property, plant and equipment as well as intangible assets.

As a result of the adoption of this new accounting standard, a loss on impairment of land, buildings and structures in the amount of ¥208 million (\$1,935 thousand) was recognized in the consolidated statement of income for the year ended March 31, 2005, and income before income taxes and minority interests decreased by the same amount from the corresponding amount which would have been recorded under the previous method.

The impairment loss on such assets has been deducted directly from the carrying amounts of the respective assets in the consolidated balance sheet at March 31, 2005.

## 5. Short-Term Investments and Investment Securities

(a) Marketable securities classified as other securities at March 31, 2005 and 2004 were as follows:

Millions of Yen				
2005				
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equity securities	¥7,862	¥11,517	¥ 8	¥19,371
Corporate bonds	2,000	7	6	2,001
Total	¥9,862	¥11,524	¥14	¥21,372

Millions of Yen				
2004				
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equity securities	¥7,848	¥10,482	¥10	¥18,320
Corporate bonds	1,499	6	23	1,482
Total	¥9,347	¥10,488	¥33	¥19,802

Thousands of U.S. Dollars				
2005				
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equity securities	\$73,256	\$107,319	\$ 77	\$180,498
Corporate bonds	18,635	69	59	18,645
Total	\$91,891	\$107,388	\$136	\$199,143

(b) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Proceeds from sales	<b>¥12,117</b>	¥8,734	<b>\$112,904</b>
Gross realized gain	<b>172</b>	39	<b>1,606</b>
Gross realized loss	<b>–</b>	5	<b>–</b>

(c) The redemption schedule for debt securities with maturity dates classified as other securities at March 31, 2005 is summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2005			2005		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Straight bonds	<b>¥300</b>	<b>¥900</b>	<b>¥800</b>	<b>\$2,795</b>	<b>\$8,387</b>	<b>\$7,454</b>

(d) A breakdown of other securities whose market value was not determinable at March 31, 2005 and 2004 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
MMF	<b>¥19,631</b>	¥20,128	<b>\$182,921</b>
Unlisted equity securities	<b>3,095</b>	3,149	<b>28,841</b>
Other	<b>351</b>	303	<b>3,267</b>
Total	<b>¥23,077</b>	¥23,580	<b>\$215,029</b>

## 6. Inventories

Inventories at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Finished products	<b>¥ 8,319</b>	¥ 7,524	<b>\$ 77,513</b>
Work in process	<b>8,600</b>	9,312	<b>80,134</b>
Raw materials	<b>1,736</b>	1,754	<b>16,175</b>
Supplies	<b>2,211</b>	1,418	<b>20,605</b>
	<b>¥20,866</b>	¥20,008	<b>\$194,427</b>

## 7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and the current portion of long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Loans from banks	¥ 5,808	¥ 3,861	\$ 54,120
Current portion of long-term debt	10,523	10,351	98,055
	¥16,331	¥14,212	\$152,175

The weighted-average annual interest rates applicable to short-term borrowings outstanding at March 31, 2005 and 2004 were 0.43% and 1.81%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Debt without collateral:			
Loans from banks at an average rate of 2.21%	¥ 5,989	¥ 5,624	\$ 55,809
Zero percent convertible bonds in yen due March 2006	9,699	10,000	90,375
Bonds in yen due February 2005 at 2.8%	—	10,000	—
Bonds in yen due December 2008 at 0.87%	10,000	10,000	93,179
Zero percent convertible bonds in yen due March 2009	14,988	15,000	139,657
Zero percent convertible bonds in yen due September 2014	15,000	—	139,769
	55,676	50,624	518,789
Less current portion	(10,523)	(10,351)	(98,055)
	¥45,153	¥40,273	\$420,734

The zero percent convertible bonds due March 2006, unless previously redeemed, are convertible at any time up to and including March 30, 2006 into shares of common stock of the Company at a conversion price of ¥1,760.00 per share at March 31, 2005.

The zero percent convertible bonds due March 2009, unless previously redeemed, are convertible at any time up to and including March 30, 2009 into shares of common stock of the Company at a conversion price of ¥1,530.00 per share at March 31, 2005.

The zero percent convertible bonds due September 2014, unless previously redeemed, are convertible at any time up to and including September 16, 2014 into

shares of common stock of the Company at a conversion price of ¥2,085.00 per share at March 31, 2005.

The conversion prices of the convertible bonds are subject to adjustment in certain cases which include stock splits. There are sufficient shares of common stock in issue for the conversion of all outstanding convertible bonds.

At March 31, 2005, if all outstanding zero percent convertible bonds had been converted at the then-current conversion prices, 22,501 thousand new shares would have been issuable.

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2006	¥10,523	\$ 98,055
2007	4,298	40,053
2008	567	5,280
2009 and thereafter	40,288	375,401
	¥55,676	\$518,789

The assets pledged as collateral for notes and accounts payable and other current liabilities of ¥386 million (\$3,597 thousand) at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	¥13	\$120
Land	14	135
	¥27	\$255

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees for present and future indebtedness will be given at the request of the lending bank, with reasonable and probable cause, and

that the bank shall have the right to offset cash deposits against any obligation that has become due or, in the event of default, against all obligations due to the bank. The Company has never been requested to provide additional collateral.

## 8. Retirement Benefits

The Company and certain domestic consolidated subsidiaries have defined contribution pension plans and a monthly payment scheme for retirement benefits. Other domestic consolidated subsidiaries have defined benefit plans, including tax-qualified pension plans and

lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2005 and 2004 for the defined benefit plans:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Retirement benefit obligation	¥(2,508)	¥(2,828)	\$(23,370)
Plan assets at fair value	844	973	7,867
Unfunded retirement benefit obligation	(1,664)	(1,855)	(15,503)
Unrecognized actuarial gain	(38)	(82)	(360)
Accrued retirement benefits	¥(1,702)	¥(1,937)	\$(15,863)

The effect of the change from defined benefit plans to the defined contribution plans for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Decrease in retirement benefit obligation	¥ 90	¥19,356	\$ 838
Decrease in plan assets at fair value	(36)	(8,117)	(339)
Decrease in unrecognized actuarial gain	-	(920)	-
Decrease in accrued retirement benefits	¥ 54	¥10,319	\$ 499

The pension assets, both those transferred and those to be transferred to the defined contribution pension plans, totaled ¥89 million (\$830 thousand). The plan assets transferred to the defined contribution pension plans through March 31, 2005 amounted to ¥66 million (\$615

thousand). Plan assets of ¥23 million (\$215 thousand) will also be transferred subsequent to March 31, 2005 and these have been included under “other current liabilities” and “other long-term liabilities” in the consolidated balance sheet.

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥194	¥201	\$1,804
Interest cost	43	45	404
Expected return on plan assets	(7)	(8)	(70)
Amortization of actuarial gain	(84)	(33)	(785)
Amortization of prior service cost	–	(1)	–
Cost of contributions to pension plans	5	674	51
Retirement benefit expenses	¥151	¥878	\$1,404

The actuarial assumptions used in accounting for the above plans were as follows:

	2005	2004
Discount rate	<b>2.0%–2.5%</b>	2.0%–2.5 %
Expected rates of return on plan assets	<b>0.75%–1.5%</b>	1.0%–1.5 %

## 9. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 39.77% and 41.09% for the years ended

March 31, 2005 and 2004, respectively. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates for the years ended March 31, 2005 and 2004 differ from the statutory tax rates for the following reasons:

	2005	2004
Statutory tax rates	<b>39.77%</b>	41.09%
Effect of:		
Elimination of dividend income received from overseas consolidated subsidiaries for consolidation purposes	<b>3.88</b>	–
Permanently non-deductible expenses	<b>1.43</b>	0.73
Valuation allowance	<b>0.33</b>	9.74
Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries	<b>(8.57)</b>	–
Tax credit	<b>(3.03)</b>	–
Permanently non-taxable dividends received	<b>(0.75)</b>	(0.76)
Change in statutory tax rate	–	(1.01)
Other, net	<b>(0.42)</b>	(1.94)
Effective tax rates	<b>32.64%</b>	47.85%

The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Accrued bonuses	¥ 1,056	¥ 995	\$ 9,841
Accrued enterprise tax	424	135	3,956
Accrued retirement benefits for employees	671	681	6,252
Accrued retirement benefits for directors	611	623	5,690
Depreciation	1,888	1,635	17,591
Intercompany profit on sales of property, plant and equipment	522	534	4,865
Provision for doubtful accounts	454	348	4,226
Other	2,339	2,856	21,797
Gross deferred tax assets	7,965	7,807	74,218
Less: valuation allowance	(1,460)	(1,524)	(13,605)
Total deferred tax assets	6,505	6,283	60,613
Deferred tax liabilities:			
Gain on revaluation of securities	(4,580)	(4,159)	(42,672)
Net unrealized gain on land revaluation resulting from inclusion of a consolidated subsidiary	(741)	(741)	(6,904)
Reserves for depreciation for tax purposes	(136)	(146)	(1,270)
Other	(91)	(3)	(847)
Total deferred tax liabilities	(5,548)	(5,049)	(51,693)
Net deferred tax assets	¥ 957	¥ 1,234	\$ 8,920

## 10. Shareholders' Equity

### (a) Capital surplus and retained earnings

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

Retained earnings include the legal reserve provided in accordance with the Code. The legal reserve of the Company included in retained earnings at March 31, 2005 and 2004 amounted to ¥3,548 million (\$33,066 thousand).

The Code further provides that, in general, an amount equal to the entire amount of the paid-in capital for new share issues be transferred to the common stock account. However, an amount equal to or less than 50% of the entire amount of the paid-in capital for new shares may be transferred to the capital surplus account.

### (b) Stock-based compensation plan

In accordance with the Code, effective the year ended March 31, 2000, the Company implemented a stock option plan for all directors and certain key employees.

In accordance with the Code, an additional stock option plan for directors, certain key employees of the Company was approved at the annual general meeting of the shareholders held on June 26, 2001. Under the terms of this plan, 213,000 shares of

common stock have been reserved at an exercise price of ¥1,794 per share. The options became exercisable on July 1, 2003 and are scheduled to expire on June 30, 2005.

In accordance with the Code, an additional stock option plan for directors, certain key employees of the Company and directors of certain consolidated subsidiaries was approved at the annual general meeting of the shareholders held on June 25, 2002. Under the terms of this plan, 354,000 shares of common stock have been reserved at an exercise price of ¥1,791 per share. The options became exercisable on July 1, 2004 and are scheduled to expire on June 30, 2006.

In accordance with the Code, an additional stock option plan for directors, certain key employees of the Company and directors of certain consolidated subsidiaries was approved at the annual general meeting of the shareholders held on June 25, 2003. Under the terms of this plan, 369,000 shares of common stock have been reserved at an exercise price of ¥1,773 per share. The options become exercisable on July 1, 2005 and are scheduled to expire on June 30, 2007.

In accordance with the Code, an additional stock option plan for directors, certain key employees of the Company and directors of certain consolidated

subsidiaries was approved at the annual general meeting of the shareholders held on June 24, 2004. Under the terms of this plan, 392,000 shares of common stock have been reserved at an exercise price of ¥1,514 per share. The options become exercisable on July 1, 2006 and are scheduled to expire on June 30, 2008.

In accordance with the Code, an additional stock option plan for directors, certain key employees of the Company and directors of certain consolidated subsidiaries was approved at the annual general meeting of the shareholders held on June 24, 2005. Under the terms of this plan, the issuance of up to 450,000 shares of common stock has been reserved. The eligible participants may purchase these stock options at an exercise price calculated by multiplying the average of the closing market price of the Company's shares on the Tokyo Stock Exchange for all trading days in the month immediately preceding the month of the date of the grant by 1.05; however, if this is less than the closing market price of the shares on the Tokyo Stock Exchange on the day on which the rights are granted, the closing market price is to be the purchase price. Each stock option is 100% vested as of the grant date and is exercisable within 4 years of that date. The options become exercisable on July 1, 2007 and are scheduled to expire on June 30, 2009.

## 11. Impairment Loss on Fixed Assets

During the period ended March 31, 2005, the Company and its domestic consolidated subsidiaries completed a review of their assets to identify those whose carrying amounts are not deemed recoverable. As a result of this review, the Company recorded an impairment loss on idle fixed assets totaling ¥208 million (\$1,935 thousand),

which included the write-down of land of ¥186 million (\$1,726 thousand) and write-downs of buildings and structures of ¥22 million (\$209 thousand) in the consolidated statement of income for the year ended March 31, 2005.

## 12. Land Revaluation

A consolidated subsidiary revalued its land held for business use in accordance with the "Land Revaluation Law" and the amended "Land Revaluation Law" at March 31, 2002. As a result, the consolidated subsidiary recognized a gain on revaluation and recorded a deferred tax liability related to this gain. The resulting gain, net of the tax effect, has been accounted for under

shareholders' equity as surplus arising from land revaluation. The method followed for this land revaluation was determined in accordance with the "Land Valuation Tax Law" as stipulated in the "Enforcement Act Concerning Land Revaluation" and other regulations.

### 13. Selling, General and Administrative Expenses

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Shipping and storage expenses	¥ 2,419	¥ 1,727	\$ 22,537
Salaries	7,456	7,160	69,476
Employees' bonuses	1,144	1,178	10,663
Provision for employees' bonuses	883	804	8,226
Employees' retirement benefit expenses	137	127	1,273
Provision for directors' retirement and severance benefits	98	109	915
Provision for doubtful accounts	274	300	2,555
Depreciation	1,018	871	9,484
Research and development costs	5,980	4,958	55,717
Other	12,401	10,633	115,554
<b>Total</b>	<b>¥31,810</b>	<b>¥27,867</b>	<b>\$296,400</b>

### 14. Other Income (Expenses)

The components of "other, net" in "other income (expenses)" for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Net realized gain on sales of securities	¥ 172	¥ 34	\$ 1,606
Loss on devaluation of securities	(40)	(2)	(376)
Loss on devaluation of inventories	–	(479)	–
Net loss on sales of property, plant and equipment	(443)	(623)	(4,130)
Loss on devaluation of property, plant and equipment	–	(323)	–
Impairment loss	(208)	–	(1,935)
Foreign exchange gain (loss), net	1,329	(819)	12,382
Gain on change in retirement benefit scheme	5	4,107	50
Loss on business restructuring	–	(145)	–
Loss on disposal of inventories	(834)	–	(7,767)
Quality analysis expenses	(1,164)	–	(10,850)
Litigation-related expenses	–	(4)	–
Other, net	225	151	2,090
<b>Total</b>	<b>¥ (958)</b>	<b>¥ 1,897</b>	<b>\$ (8,930)</b>

## 15. Leases

The following *pro forma* information represents the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2005 and 2004, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of Yen			Thousands of U.S. Dollars		
	2005 Acquisition cost	2005 Accumulated depreciation	Net book value	2005 Acquisition cost	2005 Accumulated depreciation	Net book value
Buildings and structures	¥1,224	¥ 392	¥ 832	\$11,403	\$ 3,648	\$ 7,755
Machinery and equipment	6,355	2,744	3,611	59,220	25,571	33,649
Other	427	361	66	3,976	3,368	608
Total	¥8,006	¥3,497	¥4,509	\$74,599	\$32,587	\$42,012

	Millions of Yen		
	2004 Acquisition cost	2004 Accumulated depreciation	Net book value
Buildings and structures	¥1,298	¥ 325	¥ 973
Machinery and equipment	5,448	2,266	3,182
Other	438	334	104
Total	¥7,184	¥2,925	¥4,259

The acquisition costs, accumulated depreciation and net book value presented above include the imputed interest expense.

Lease payments related to finance leases accounted for as operating leases for the years ended March 31, 2005 and 2004 and the corresponding depreciation calculated by the straight-line method over the respective lease terms are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Lease expenses	¥1,138	¥581	\$10,599
Depreciation	1,138	581	10,599

Future minimum lease payments subsequent to March 31, 2005 on finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2006	¥1,055	\$ 9,833
2007 and thereafter	3,454	32,179
	¥4,509	\$42,012

The amounts of the lease payments presented above include the imputed interest expense.

## 16. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes receivable discounted with banks	¥315	\$2,935

## 17. Amounts Per Share

	Yen		U.S. Dollars
	2005	2004	2005
Net income:			
Basic	¥101.14	¥ 60.10	\$0.94
Diluted	95.52	52.76	0.89
Net assets	932.66	832.81	8.69
Cash dividends applicable to the year	12.00	10.00	0.11

Basic net income per share has been computed based on the net income available to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the amount of net income available to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock

options and the conversion of convertible bonds. The amount per share of net assets has been computed based on the net assets available for distribution to the shareholders of common stock and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

## 18. Supplementary Cash Flow Information

A reconciliation of cash and cash equivalents in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheets at March 31, 2005 and 2004 is presented as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cash and time deposits	¥32,620	¥22,546	\$303,948
Short-term investments	14,130	17,128	131,670
Time deposits with maturities in excess of three months	(84)	(77)	(781)
Cash and cash equivalents	¥46,666	¥39,597	\$434,837

## 19. Segment Information

### (a) Business segments

The Company's and its consolidated subsidiaries' primary business activities include (1) electronics, (2) ceramics, (3) housing materials, (4) construction, and (5) other. A summary of net sales, operating expenses, and operating income by business segment for the years ended March 31, 2005 and 2004 is as follows:

Millions of Yen								
For the year ended March 31, 2005								
	Electronics	Ceramics	Housing materials	Construction	Other	Total	Eliminations or corporate assets	Consolidated
Sales to third parties	¥128,689	¥35,748	¥44,913	¥13,360	¥24,884	¥247,594	¥ –	¥247,594
Inter-segment sales and transfers	75	18	12	6,582	2,208	8,895	(8,895)	–
Total sales	128,764	35,766	44,925	19,942	27,092	256,489	(8,895)	247,594
Operating expenses	112,736	30,543	41,825	20,011	25,677	230,792	(3,289)	227,503
Operating income (loss)	¥ 16,028	¥ 5,223	¥ 3,100	¥ (69)	¥ 1,415	¥ 25,697	¥ (5,606)	¥ 20,091
Total assets	¥ 60,653	¥40,152	¥22,342	¥15,249	¥13,887	¥152,283	¥103,821	¥256,104
Depreciation	¥ 9,891	¥ 2,440	¥ 201	¥ 213	¥ 655	¥ 13,400	¥ 946	¥ 14,346
Capital expenditures	¥ 9,742	¥11,640	¥ 193	¥ 497	¥ 924	¥ 22,996	¥ 1,285	¥ 24,281

Millions of Yen								
For the year ended March 31, 2004								
	Electronics	Ceramics	Housing materials	Construction	Other	Total	Eliminations or corporate assets	Consolidated
Sales to third parties	¥113,069	¥25,011	¥44,509	¥15,017	¥22,935	¥220,541	¥ –	¥220,541
Inter-segment sales and transfers	66	–	11	5,866	2,764	8,707	(8,707)	–
Total sales	113,135	25,011	44,520	20,883	25,699	229,248	(8,707)	220,541
Operating expenses	102,742	22,187	42,516	20,213	24,403	212,061	(5,104)	206,957
Operating income	¥ 10,393	¥ 2,824	¥ 2,004	¥ 670	¥ 1,296	¥ 17,187	¥ (3,603)	¥ 13,584
Total assets	¥ 61,998	¥22,799	¥20,883	¥15,128	¥13,486	¥134,294	¥92,984	¥227,278
Depreciation	¥ 9,981	¥ 1,858	¥ 251	¥ 218	¥ 672	¥ 12,980	¥ 757	¥ 13,737
Capital expenditures	¥ 9,147	¥ 2,256	¥ 166	¥ 240	¥ 524	¥ 12,333	¥ 629	¥ 12,962

Thousands of U.S. Dollars

For the year ended March 31, 2005

	Electronics	Ceramics	Housing materials	Construction	Other	Total	Eliminations or corporate assets	Consolidated
Sales to third parties	\$1,199,120	\$333,093	\$418,499	\$124,484	\$231,863	\$2,307,059	\$ -	\$2,307,059
Inter-segment sales and transfers	702	167	111	61,328	20,578	82,886	(82,886)	-
Total sales	1,199,822	333,260	418,610	185,812	252,441	2,389,945	(82,886)	2,307,059
Operating expenses	1,050,465	284,596	389,729	186,458	239,258	2,150,506	(30,652)	2,119,854
Operating income (loss)	\$ 149,357	\$ 48,664	\$ 28,881	\$ (646)	\$ 13,183	\$ 239,439	\$ (52,234)	\$ 187,205
Total assets	\$ 565,164	\$374,131	\$208,177	\$142,090	\$129,400	\$1,418,962	\$967,397	\$2,386,359
Depreciation	\$ 92,164	\$ 22,734	\$ 1,874	\$ 1,986	\$ 6,106	\$ 124,864	\$ 8,813	\$ 133,677
Capital expenditures	\$ 90,778	\$108,456	\$ 1,800	\$ 4,632	\$ 8,610	\$ 214,276	\$ 11,970	\$ 226,246

**(b) Geographical segments**

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is summarized as follows:

Millions of Yen

For the year ended March 31, 2005

	Japan	Asia	North America	Europe	Total	Eliminations or corporate assets	Consolidated
Sales to third parties	¥191,961	¥12,327	¥24,887	¥18,419	¥247,594	¥ -	¥247,594
Inter-area sales and transfers	45,086	15,284	1,035	154	61,559	(61,559)	-
Total sales	237,047	27,611	25,922	18,573	309,153	(61,559)	247,594
Operating expenses	216,073	24,294	25,464	17,350	283,181	(55,678)	227,503
Operating income	¥ 20,974	¥ 3,317	¥ 458	¥ 1,223	¥ 25,972	¥ (5,881)	¥ 20,091
Total assets	¥138,885	¥20,758	¥ 7,122	¥25,815	¥192,580	¥ 63,524	¥256,104

Millions of Yen

For the year ended March 31, 2004

	Japan	Asia	North America	Europe	Total	Eliminations or corporate assets	Consolidated
Sales to third parties	¥184,679	¥ 9,211	¥17,634	¥ 9,017	¥220,541	¥ -	¥220,541
Inter-area sales and transfers	31,965	9,711	482	182	42,340	(42,340)	-
Total sales	216,644	18,922	18,116	9,199	262,881	(42,340)	220,541
Operating expenses	200,436	18,017	18,699	8,922	246,074	(39,117)	206,957
Operating income (loss)	¥ 16,208	¥ 905	¥ (583)	¥ 277	¥ 16,807	¥ (3,223)	¥ 13,584
Total assets	¥126,836	¥22,368	¥ 6,340	¥ 9,439	¥164,983	¥ 62,295	¥227,278

Thousands of U.S. Dollars

	For the year ended March 31, 2005						
	Japan	Asia	North America	Europe	Total	Eliminations or corporate assets	Consolidated
Sales to third parties	\$1,788,677	\$114,857	\$231,894	\$171,631	\$2,307,059	\$ —	\$2,307,059
Inter-area sales and transfers	420,110	142,414	9,647	1,433	573,604	(573,604)	—
Total sales	2,208,787	257,271	241,541	173,064	2,880,663	(573,604)	2,307,059
Operating expenses	2,013,355	226,364	237,273	161,667	2,638,659	(518,805)	2,119,854
Operating income	\$ 195,432	\$ 30,907	\$ 4,268	\$ 11,397	\$ 242,004	\$ (54,799)	\$ 187,205
Total assets	\$1,294,124	\$193,424	\$ 66,362	\$240,541	\$1,794,451	\$ 591,908	\$2,386,359

### (c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen				
	For the year ended March 31, 2005				
	Asia	North America	Europe	Other foreign countries	Total
Overseas sales	¥68,454	¥27,563	¥28,797	¥14,332	¥139,146
Consolidated net sales					¥247,594
Overseas sales as a percentage of consolidated net sales	27.7%	11.1%	11.6%	5.8%	56.2%

	Millions of Yen				
	For the year ended March 31, 2004				
	Asia	North America	Europe	Other foreign countries	Total
Overseas sales	¥70,293	¥19,521	¥18,714	¥14,215	¥122,743
Consolidated net sales					¥220,541
Overseas sales as a percentage of consolidated net sales	31.9%	8.9%	8.5%	6.4%	55.7%

	Thousands of U.S. Dollars				
	For the year ended March 31, 2005				
	Asia	North America	Europe	Other foreign countries	Total
Overseas sales	\$637,848	\$256,828	\$268,328	\$133,552	\$1,296,556
Consolidated net sales					\$2,307,059

## 20. Subsequent Events

- (a) The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2005, were approved at a shareholders' meeting held on June 24, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends (¥7 = U.S.\$0.07 per share)	¥827	\$7,706
Bonuses to directors	70	652

- (b) On April 27, 2005, the Company acquired a certain portion of the outstanding shares of IBIDEN DPF France S.A.S., a consolidated subsidiary, in order to manage business operations in the ceramic segment in Europe more effectively. As a result, the percentage of shares in this subsidiary owned by the Company has increased from 60% to 95%.
- (c) The Company entered into an agreement for an exchange of shares with IBIDEN GREENTEC CO., LTD., a consolidated subsidiary, in order to make this company a wholly-owned subsidiary based on a resolution approved by the Boards of Directors of both companies at meetings held on May 9, 2005.

The purpose of this share exchange is to establish a structure for rapid response in terms of joint business strategy by both companies.

The Company will deliver 604,632 shares of its own common stock in treasury to the shareholders of IBIDEN GREENTEC CO., LTD. in an exchange of 118 shares of its own common stock for one share of common stock of IBIDEN GREENTEC CO., LTD. This agreement will be subject to approval at the annual general meeting of the shareholders of IBIDEN GREENTEC CO., LTD. scheduled to be held on June 29, 2005.

## Report of Independent Auditors

The Board of Directors  
IBIDEN CO., LTD.

We have audited the accompanying consolidated balance sheets of IBIDEN CO., LTD. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IBIDEN CO., LTD. and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

### *Supplemental Information*

As described in Note 4, effective April 1, 2004, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

As described in Note 20(b), on April 27, 2005, the Company acquired a certain portion of the outstanding shares of IBIDEN DPF France S.A.S, a consolidated subsidiary.

As described in Note 20(c), the Company entered into an agreement for an exchange of shares with IBIDEN GREENTEC CO., LTD., a consolidated subsidiary, in order to make this company a wholly-owned subsidiary based on a resolution approved by the Boards of Directors of both companies at meetings held on May 9, 2005.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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 3.

*Ernst & Young Shin Nihon*

June 24, 2005

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## **IBIDEN U.S.A. Corp. Montreal Office**

1009 Marie Anne E Rue Montreal, Quebec H2J 2B5, Canada  
Tel.: +1-514-522-7756

## **IBIDEN DPF France S.A.S.**

24, Ruete de Joigny, 45320 Courtenay, France  
Tel.: +33-2-3897-2650

## **IBIDEN European Holdings B.V.**

Polaris Avenue 85 F, 2132 JH, Hoofddrop, The Netherlands  
Tel.: +31-23-554-3184

## **IBIDEN Hungary Kft.**

2326 Dunavarsany, Ipari Park, Neumann Janos u.1, Hungary  
Tel.: +36-24-501-300

## **IBIDEN Deutschland GmbH.**

Zettachring 6, 70567 Stuttgart, Germany  
Tel.: +49-711-7287-2050

## **IBIDEN France S.A.S.**

19, Rue Alphonse de Neuville, 75017 Paris, France  
Tel.: +33-1-4401-7025

## **IBIDEN Europe B.V.**

Polaris Avenue 85 F, 2132 JH, Hoofddrop, The Netherlands  
Tel.: +31-23-554-3180

## **IBIDEN Europe B.V. Finnish Branch**

Kaisaniemenkatu 1Ba 72, 00100 Helsinki, Finland  
Tel.: +358-9-6812-6211

## **IBIDEN UK Ltd.**

Level 7, Westec Building, Earling, West London W5 1YY, UK  
Tel.: +44-20-8799-0352

## **IBIDEN Electronics (Beijing) Co., Ltd.**

15# Rongchang East Street, BDA, Beijing 100176, P.R.C.  
Tel.: +86-10-6788-2288

## **IBIDEN Electronics (Shanghai) Co., Ltd.**

B Dong No. 51 Rijing Road, Trade Free Zone, Waigaoqiao Pudong, Shanghai, P.R.C.  
Tel.: +86-21-5866-5530

## **IBIDEN Electronics Technology (Shanghai) CO., LTD.**

1#-704, 3000, Longdong Ave., Pudong New Area, Shanghai, P.R.C.  
Tel.: +86-21-6879-0103

## **Nannig Danan Foods. Co., Ltd.**

No.310 Xinyang Road, Nanning, Guangxi 530003, P.R.C.  
Tel.: +86-21-6390-7081

## **IBIDEN Hong Kong Co., Ltd.**

Suite 3201, 32/F., Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong  
Tel.: +852-2377-1115

## **IBIDEN Taiwan Co., Ltd.**

Room A5, 4F-1, No. 6 Siwei 3rd Rd., Lingya District, Kaohsiung City 802, Taiwan R.O.C.  
Tel.: +886-7-535-7711

## **IBIDEN Korea Co., Ltd.**

12th Fl.,Yosam Bldg., 648-23, Yeoksam-dong, Kangnam-ku, Seoul 135-748, South Korea  
Tel.: +82-2-564-8182

## **IBIDEN Philippines, Inc.**

First Philippines Industrial Park Brgy. Sta. Anastacia, Sto. Tomas, Batangas, Philippines  
Tel.: +63-43-405-5250

## **IBIDEN Singapore PTE. LTD**

31 Kaki Bukit Road 3 #06-21/23 Techlink, Singapore 417818  
Tel.: +65-6296-0096

## **IBIDEN (Malaysia) SDN. BHD.**

2717, Lorong Perusahaan 6B, Kawasan Perusahaan Prai, 13600 Prai, Penang, Malaysia  
Tel.: +60-4-399-2833

## **IBIDEN GREENTEC CO., LTD.**

3-55, Gama-cho, Ogaki, Gifu 503-0021, Japan  
Tel.: +81-584-81-6111

## **IBIDEN ELECTRONICS INDUSTRIES CO., LTD.**

300, Aoyanagi-cho, Ogaki, Gifu 503-8503, Japan  
Tel.: +81-584-89-2725

## **IBIDEN CHEMICALS CO., LTD.**

5-16, Kowa Bldg. 4F, 5-18 Hayashi-machi, Ogaki, Gifu 503-0015, Japan  
Tel.: +81-584-81-8533

## **IBIKEN CO., LTD.**

1-60, Gama-cho, Gifu 503-8561, Japan  
Tel.: +81-584-74-3355

## **IBIDEN GRAPHITE CO., LTD.**

300, Aoyanagi-cho, Ogaki, Gifu 503-8503, Japan  
Tel.: +81-584-89-6425

## **IBIDEN INDUSTRIES CO., LTD.**

1-197, Uchihara, Ogaki, Gifu 503-0936, Japan  
Tel.: +81-584-89-0777

## **IBIDEN JUSHI CO., LTD.**

360, Shiratori, Ikeda-cho, Ibi-gun, Gifu 503-2413, Japan  
Tel.: +81-585-45-2405

## **TAK CO., LTD.**

4-35-12, Kono, Ogaki, Gifu 503-0803, Japan  
Tel.: +81-584-75-6501

## **IBIDEN BUSSAN CO., LTD.**

339, Arisato, Motosu, Gifu 501-0415, Japan  
Tel.: +81-58-324-1151

## **IBIDEN ENGINEERING CO., LTD.**

1122, Kido-cho, Ogaki, Gifu 503-0973, Japan  
Tel.: +81-584-75-2300

## **IBITECH CO., LTD.**

300, Aoyanagi-cho, Ogaki, Gifu 503-8503, Japan  
Tel.: +81-584-89-6212

## **IBIDEN CAREER TECHNO CORP.**

5-65-1 Gakuden-cho, Ogaki, Gifu 503-0008, Japan  
Tel.: +81-584-75-1344

## **IBIDEN KENSO CO.,LTD.**

300, Aoyanagi-cho, Ogaki, Gifu 503-8503, Japan  
Tel.: +81-584-89-0552

## **TIBC CO., LTD.**

8, Cyaya, Kyowa-cho, Obu, Aichi 474-8601, Japan  
Tel.: +81-562-48-7732

## Corporate Data (As of March 31, 2005)

**Established:** November 1912

**Capital:** ¥23,812 million

**Employees (Consolidated):** 7,891

**Independent Auditors:** Shin Nihon & Co.

### Major Offices:

**Head Office** 2-1, Kanda-cho, Ogaki, Gifu, 503-8604, Japan  
TEL.: +81-584-81-3111

**Tokyo Branch** 29F, Marunouchi Bldg., 2-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan  
TEL.: +81-3-3213-7322

**Osaka Branch** Shin-Osaka Hashimoto Bldg., 1-2-6, Miyahara, Yodogawa-ku, Osaka 532-0003, Japan  
TEL.: +81-6-6399-1671

## Board of Directors and Auditors (As of June, 2005)

### Directors:

#### Executive Directors

Yoshifumi Iwata  
Takeshi Sugimoto  
Yoshitsugu Aoyama  
Osamu Fujikawa

#### Directors

Hiroki Takenaka  
Mafumi Kunishima  
Yoshio Hirabayashi  
Hironobu Kodaka  
Masataka Sekiya  
Toshiaki Matsuo  
Yoshitoshi Toyoda  
Seiichi Takayanagi  
Norio Sato

### Executive Officers:

#### President & CEO

Yoshifumi Iwata

#### Executive Vice Presidents

Takeshi Sugimoto  
Yoshitsugu Aoyama

#### Senior Executive Officers

Osamu Fujikawa  
Hiroki Takenaka  
Mafumi Kunishima

#### Managing Executive Officers

Yoshio Hirabayashi  
Hironobu Kodaka  
Masataka Sekiya  
Toshiaki Matsuo

#### Executive Officers

Takahiro Uno  
Koji Hosoda  
Katsumi Mabuchi  
Takayuki Takagi  
Keiichi Sakashita  
Takashi Sakai  
Shigeyasu Kurita

### Auditors:

Yoshitsugu Takahashi  
Yutaka Kawase  
Tadao Kuribayashi  
Yasuhiro Kumagai

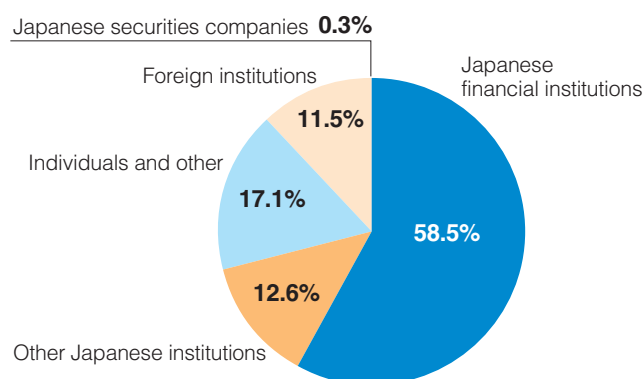
# Shareholder Information (As of March 31, 2005)

**Authorized Shares:** 230,000,000  
**Shares Issued and Outstanding:** 122,261,887  
**Number of Shareholders:** 13,677

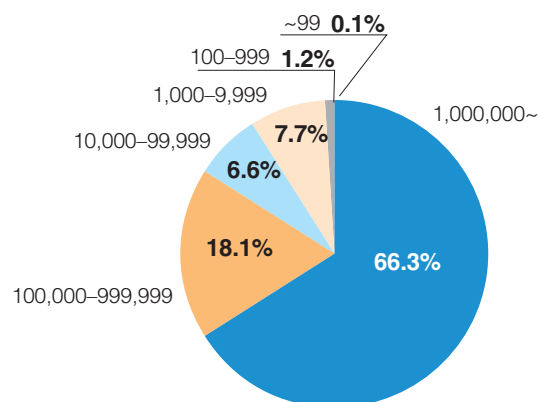
## Principal Shareholders

Name of Shareholder	Number of Shares (thousands)	Percentage of Total Equity (%)
The Master Trust Bank of Japan, Ltd. (Trust A/C)	17,501	14.31
Japan Trustee Services Bank, Ltd. (Trust A/C)	17,000	13.90
Toyota Industries Corporation	5,300	4.33
The Juroku Bank, Ltd.	3,899	3.19
The Ogaki Kyoritsu Bank, Ltd.	3,696	3.02
Mitsui Life Insurance Co., Ltd.	3,171	2.59
The Sumitomo Trust & Banking Co, Ltd.	2,258	1.85
Aioi Insurance Co., Ltd.	2,151	1.76
Sumitomo Mitsui Banking Corporation	2,134	1.75
Tschiya-gumi Co., Ltd.	2,111	1.73

## Breakdown by Type of Shareholder



## Breakdown by Size of Holding



## Common Stock Price Range

