



IBIDEN Co., Ltd.
Financial Review 2023
Year Ended March 31, 2023



Moving on to our
New Stage 115 Plan

Consolidated Financial Statements

**IBIDEN CO., LTD.
and
Consolidated Subsidiaries**

*Year Ended March 31, 2023
with Independent Auditor's Report*

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements

Year Ended March 31, 2023

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IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Assets			
Current assets:			
Cash and deposits (<i>Notes 7 and 22</i>)	¥ 302,420	¥ 185,592	\$ 2,264,637
Notes and accounts receivable (<i>Notes 4, 7 and 24</i>):			
Trade	75,942	88,483	568,684
Other	2,950	5,148	22,089
Allowance for doubtful accounts	(60)	(94)	(449)
Electronically recorded monetary claims (<i>Notes 4, 7 and 24</i>)	3,563	3,600	26,683
Inventories:			
Merchandise and finished goods	30,872	26,823	231,178
Work in process	21,191	19,786	158,687
Raw materials and supplies	27,133	27,960	203,181
Other current assets (<i>Notes 7 and 23</i>)	12,815	5,972	95,970
Total current assets	<u>476,826</u>	<u>363,270</u>	<u>3,570,660</u>
Property, plant and equipment:			
Land (<i>Notes 15 and 17</i>)	20,360	20,108	152,466
Buildings and structures (<i>Note 15</i>)	227,466	216,977	1,703,353
Machinery and equipment (<i>Note 15</i>)	540,210	503,270	4,045,303
Leased assets	628	636	4,704
Construction in progress (<i>Note 15</i>)	119,038	34,014	891,405
	<u>907,702</u>	<u>775,005</u>	<u>6,797,231</u>
Accumulated depreciation and impairment loss	(600,735)	(549,084)	(4,498,541)
Property, plant and equipment, net	<u>306,967</u>	<u>225,921</u>	<u>2,298,690</u>
Investments and other assets:			
Investment securities (<i>Notes 7, 8 and 10</i>):			
Unconsolidated subsidiaries and affiliates	27	26	203
Other	61,316	64,612	459,157
Long-term loans receivable	8	8	61
Deferred tax assets (<i>Notes 3 and 13</i>)	5,534	3,951	41,439
Other assets	7,069	6,793	52,937
Allowance for doubtful accounts	(238)	(248)	(1,786)
Total investments and other assets	<u>73,716</u>	<u>75,142</u>	<u>552,011</u>
Total assets (<i>Note 25</i>)	<u>¥ 857,509</u>	<u>¥ 664,333</u>	<u>\$ 6,421,361</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2023	2022	2023
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (<i>Notes 7 and 9</i>)	¥ 65,030	¥ 40,030	\$ 486,970
Notes and accounts payable (<i>Notes 4 and 10</i>):			
Trade	23,496	36,612	175,950
Other	27,076	22,259	202,754
Electronically recorded obligations (<i>Note 4</i>):			
Operating	12,169	10,562	91,127
Facilities	26,602	4,802	199,204
Lease obligations (<i>Note 11</i>)	93	135	698
Accrued expenses	7,695	7,055	57,623
Income taxes payable (<i>Note 13</i>)	14,269	14,910	106,852
Accrued bonuses for employees	5,139	5,385	38,479
Accrued bonuses for directors and audit and supervisory board members	186	173	1,393
Provision for loss on liquidation of subsidiaries and affiliates	-	177	-
Other current liabilities (<i>Notes 7, 23 and 24</i>)	41,566	14,061	311,268
Total current liabilities	223,321	156,161	1,672,318
Long-term liabilities:			
Long-term debt (<i>Notes 7 and 9</i>)	205,000	130,000	1,535,121
Lease obligations (<i>Note 11</i>)	167	200	1,253
Liability for retirement benefits (<i>Note 12</i>)	574	579	4,296
Provision for share-based compensation (<i>Note 5</i>)	548	493	4,104
Deferred tax liabilities (<i>Note 13</i>)	825	5,095	6,179
Other long-term liabilities	1,468	1,077	10,985
Total long-term liabilities	208,582	137,444	1,561,938
Net Assets:			
Shareholders' equity (<i>Note 140</i>):			
Common stock:			
Authorized – 230,000,000 shares			
Issued – 140,860,557 shares in 2023 and 2022	64,152	64,152	480,400
Capital surplus	64,494	64,494	482,959
Retained earnings	229,804	184,612	1,720,865
Less treasury stock, at cost	(3,127)	(3,265)	(23,416)
Total shareholders' equity	355,323	309,993	2,660,808
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	24,431	26,626	182,947
Surplus arising from land revaluation (<i>Note 17</i>)	160	160	1,199
Translation adjustments	39,324	27,796	294,468
Total accumulated other comprehensive income	63,915	54,582	478,614
Non-controlling interests (<i>Note 20</i>)	6,368	6,153	47,683
Total net assets (<i>Note 20</i>)	425,606	370,728	3,187,105
Total liabilities and net assets	¥ 857,509	¥ 664,333	\$ 6,421,361

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2023	2022	2023
Net sales (Note 25)	¥ 417,549	¥ 401,139	\$ 3,126,771
Cost of sales	290,034	281,059	2,171,885
Gross profit	127,515	120,080	954,886
Selling, general and administrative expenses (Note 18)	55,153	49,259	413,007
Operating income (Note 25)	72,362	70,821	541,879
Other income (expenses):			
Interest and dividend income	2,506	1,411	18,767
Interest expense	(370)	(281)	(2,774)
Gain (loss) on sales of investment securities (Note 8)	295	91	2,211
Other, net (Notes 15, 16 and 19)	(3,091)	(12,790)	(23,148)
Profit before income taxes	71,702	59,252	536,935
Income taxes (Note 13):			
Current	(23,773)	(19,049)	(178,024)
Deferred	4,484	1,360	33,581
	(19,289)	(17,689)	(144,443)
Profit	52,413	41,563	392,492
Profit attributable to:			
Non-controlling interests	(226)	(330)	(1,694)
Owners of parent (Note 20)	¥ 52,187	¥ 41,233	\$ 390,798

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income

Year Ended March 31, 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2023	2022	2023
Profit	¥ 52,413	¥ 41,563	\$ 392,492
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on other securities	(2,196)	(1,989)	(16,447)
Translation adjustments	11,532	15,377	86,357
Total other comprehensive income (loss) <i>(Note 21)</i>	9,336	13,388	69,910
Comprehensive income (loss)	¥ 61,749	¥ 54,951	\$ 462,402
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 61,519	¥ 54,580	\$ 460,681
Non-controlling interests	230	371	1,721

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2023

Millions of yen

	Number of shares issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on other securities	Surplus arising from land revaluation	Translation adjustments	Non- controlling interests	Total net assets
Balance at March 31, 2021	140,861	¥ 64,152	¥ 64,433	¥ 149,380	¥ (3,286)	¥ 28,639	¥ 160	¥ 12,436	¥ 5,949	¥ 321,863
Cumulative effects of changes in accounting policies	-	-	-	(19)	-	-	-	-	-	(19)
Cash dividends	-	-	-	(5,596)	-	-	-	-	-	(5,596)
Profit attributable to owners of parent	-	-	-	41,233	-	-	-	-	-	41,233
Purchases of treasury stock	-	-	-	-	(11)	-	-	-	-	(11)
Retirement of treasury stock	-	-	1	-	32	-	-	-	-	33
Change of scope of consolidation	-	-	-	(386)	-	-	-	-	-	(386)
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	60	-	-	-	-	-	-	60
Other changes	-	-	-	-	-	(2,013)	-	15,360	204	13,551
Balance at March 31, 2022	140,861	¥ 64,152	¥ 64,494	¥ 184,612	¥ (3,265)	¥ 26,626	¥ 160	¥ 27,796	¥ 6,153	¥ 370,728
Cash dividends	-	-	-	(6,995)	-	-	-	-	-	(6,995)
Profit attributable to owners of parent	-	-	-	52,187	-	-	-	-	-	52,187
Purchases of treasury stock	-	-	-	-	(9)	-	-	-	-	(9)
Retirement of treasury stock	-	-	0	-	147	-	-	-	-	147
Other changes	-	-	-	-	-	(2,195)	-	11,528	215	9,548
Balance at March 31, 2023	140,861	¥ 64,152	¥ 64,494	¥ 229,804	¥ (3,127)	¥ 24,431	¥ 160	¥ 39,324	¥ 6,368	¥ 425,606

Thousands of U.S. dollars (Note 6)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on other securities	Surplus arising from land revaluation	Translation adjustments	Non- controlling interests	Total net assets
Balance at March 31, 2022	\$ 480,400	\$ 482,959	\$ 1,382,448	\$ (24,449)	\$ 199,387	\$ 1,199	\$ 208,144	\$ 46,073	\$ 2,776,161
Cash dividends	-	-	(52,381)	-	-	-	-	-	(52,381)
Profit attributable to owners of parent	-	-	390,798	-	-	-	-	-	390,798
Purchases of treasury stock	-	-	-	(65)	-	-	-	-	(65)
Retirement of treasury stock	-	0	-	1,098	-	-	-	-	1,098
Other changes	-	-	-	-	(16,440)	-	86,324	1,610	71,494
Balance at March 31, 2023	\$ 480,400	\$ 482,959	\$ 1,720,865	\$ (23,416)	\$ 182,947	\$ 1,199	\$ 294,468	\$ 47,683	\$ 3,187,105

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Operating activities			
Profit before income taxes	¥ 71,702	¥ 59,252	\$ 536,935
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	54,915	52,715	411,221
Loss on impairment of fixed assets	844	1,219	6,319
Reversal for accrued bonuses for employees	(246)	582	(1,844)
Reversal for accrued bonuses for directors	13	18	97
Reversal of allowance for doubtful accounts	(44)	(10)	(326)
Increase (decrease) in liability for retirement benefits	(5)	(500)	(39)
Interest and dividend income	(2,506)	(1,411)	(18,767)
Interest expense	370	281	2,774
Share of profit of entities accounted for using equity method	(2)	(2)	(11)
Gain on sales of property, plant and equipment	(82)	(136)	(614)
Loss on disposal of property, plant and equipment	3,732	6,113	27,947
Gain (loss) on sales of investment securities	(295)	(91)	(2,211)
Loss on sales of shares of subsidiaries and associates	-	7,098	-
Loss on valuation of investment securities	-	630	-
Decrease (increase) in notes and accounts receivable–trade	15,820	(1,922)	118,463
Decrease (increase) in inventories	(2,345)	(17,602)	(17,559)
Increase (decrease) in notes and accounts payable	(12,029)	4,368	(90,080)
Increase (decrease) in accrued expenses	640	1,140	4,790
Other, net	17,746	5,734	132,897
Subtotal	<u>148,228</u>	<u>117,476</u>	<u>1,109,992</u>
Interest and dividends received	2,507	1,411	18,772
Interest paid	(370)	(280)	(2,774)
Income taxes paid	(24,617)	(10,234)	(184,339)
Net cash provided by operating activities	<u>¥ 125,748</u>	<u>¥ 108,373</u>	<u>\$ 941,651</u>

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2023

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2023	2022	2023
Investing activities			
Purchases of property, plant and equipment	¥ (103,234)	¥ (66,200)	\$ (773,055)
Proceeds from sales of property, plant and equipment	192	433	1,441
Purchases of intangible assets	(799)	(1,014)	(5,984)
Purchases of investment securities	(40)	(36)	(296)
Proceeds from sales of investment securities	402	225	3,012
Sale of shares of subsidiaries resulting in change in scope of consolidation	-	(1,164)	-
Collection of long-term loans receivable	0	0	2
Other, net	(540)	33	(4,057)
Net cash used in investing activities	(104,019)	(67,723)	(778,937)
Financing activities			
Increase in short-term borrowings, net	-	(101)	-
Increase in long-term debt	70,000	-	524,188
Repayment of long-term debt	-	(44)	-
Proceeds from issuance of bonds	50,000	35,000	374,420
Redemption of bonds	(20,000)	(15,000)	(149,768)
Purchases of treasury stock	(9)	(11)	(65)
Proceeds from sales of treasury stock	147	33	1,098
Cash dividends paid	(6,995)	(5,596)	(52,381)
Cash dividends paid to non-controlling interests	(15)	(49)	(110)
Repayments of lease obligations	(542)	(233)	(4,064)
Other, net	-	(64)	-
Net cash provided by financing activities	92,586	13,935	693,318
Effect of exchange rate changes on cash and cash equivalents	2,513	4,122	18,818
Increase (decrease) in cash and cash equivalents	116,828	58,707	874,850
Cash and cash equivalents at beginning of year	185,592	126,885	1,389,787
Cash and cash equivalents at end of year (Note 22)	¥ 302,420	¥ 185,592	\$ 2,264,637

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2023

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 respective 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 have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements 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 certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Summary of Significant Accounting Policies

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

Under the principles of consolidation, companies are to include in their consolidated financial statements. Significant subsidiaries over which substantial control is exerted through majority ownership of voting stock and/or by other means. Accordingly, the accompanying consolidated financial statements include the accounts of the Company and its 34 significant consolidated subsidiaries for each of the years ended March 31, 2023 and 2022.

Significant investments in affiliates over which the Company has the ability to exercise significant influence with regard to the operating and financial policies of the investees are also accounted for by the equity method. There were 2 companies accounted for by the equity method for each of the years ended March 31, 2023 and 2022.

Investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost or less. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material. When there has been a permanent decline in the value of such investments, the Company has written them down.

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

The financial statements of certain overseas consolidated subsidiaries whose fiscal year end is December 31 have been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

The Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (“PITF”) No. 18, June 28, 2019 amendment), and necessary modifications have made for consolidation.

(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 of exchange in effect at the respective transaction dates. Gain or loss resulting from foreign currency transactions is credited or charged to income in the year in which the gain or loss is recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that components of net assets excluding non-controlling interests are translated at their historical exchange rates. Revenue and expense accounts are translated into yen at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements denominated in a foreign currency are not included in the determination of profit attributable to the owners of the parent but are reported as translation adjustments and non-controlling interests in net assets in the consolidated balance sheet.

(c) Cash equivalents

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

(d) Allowance for doubtful accounts

An allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries is provided at an amount based on historical experience of bad debts for ordinary receivables plus an estimate of specific bad debts from customers experiencing financial difficulties.

An allowance for doubtful accounts of the Company’s overseas consolidated subsidiaries is provided based principally on estimates of specific bad debts.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

(e) Inventories

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

(f) Investment securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities, consisting of debt and marketable equity securities, are carried at fair value. Gains and losses, both realized and unrealized, are 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 change in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Nonmarketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Depreciation of property, plant and equipment (other than leased assets)

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 life of the asset and the residual value determined by the Company and each domestic consolidated subsidiary.

Depreciation of property, plant and equipment of the overseas consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful life of the asset and the residual value determined by each subsidiary.

Estimated useful lives of property, plant and equipment are generally 3 to 75 years for building and structures and 3 to 22 years for machinery and equipment.

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

(h) Intangible assets included in other assets (other than leased assets)

Amortization of intangible assets is calculated by the straight-line method. Capitalized computer software intended for internal use is amortized over its estimated useful life of 5 years.

(i) Leases

Leased assets under finance leases are depreciated to their residual value of zero by the straight-line method using the contract term as the useful life.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

(j) Goodwill

Amortization of goodwill is calculated by the straight-line method over 5 years.

(k) Accrued bonuses for employees

Accrued bonuses for employees of the Company and its domestic consolidated subsidiaries are provided for the estimated amount of bonuses to be paid in the following year attributable to the current fiscal year.

(l) Accrued bonuses for directors and audit and supervisory board members

Accrued bonuses for directors and audit and supervisory board members of the Company are provided at the estimated amount of bonuses to be paid in the following year attributable to the current fiscal year.

(m) Provision for loss on liquidation of subsidiaries and affiliates

Accrued loss on liquidation of subsidiaries and affiliates is provided for the current portion of the estimated amount to be occurred in the future.

(n) Retirement benefits for employees

Liability for retirement benefits for employees of certain consolidated subsidiaries is provided principally at an amount based on the retirement benefit obligation.

The retirement benefit obligation of certain consolidated subsidiaries is attributed to each year on a straight-line basis over the estimated remaining years of service of eligible employees. Prior service cost and actuarial gain or loss incurred at certain consolidated subsidiaries are credited or charged to income in the year in which the gain or loss is recognized.

Certain consolidated subsidiaries have adopted a simplified method for retirement benefits calculation. Under this simplified method, liability for retirement benefits is stated at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

(o) Provision for share-based compensation

A provision is recognized for the estimated share-based compensation for directors, etc., to be incurred in the future based on the plan for share-based compensation.

(p) Income taxes

Deferred tax assets and liabilities have been recognized in the accompanying consolidated financial statements with respect to the differences between the amounts

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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 are expected to be in effect when the differences are expected to reverse.

(q) Deferred assets

Bond issuance costs and share issuance costs are charged to expense as incurred.

(r) Research and development costs

Research and development costs are charged to expense as incurred.

(s) Recognition criteria for revenue and expenses

Revenue related to the sale of products and finished goods is primarily from sales of manufactured products and finished goods with an obligation to deliver the products or finished goods based on contracts made with customers. This obligation is deemed to be fulfilled at the time the products or finished goods are delivered to the customer and the customer acquires control of the products or finished goods. Revenue is recognized at the time of shipment or delivery.

Revenue of an obligation performed over a defined period of time is recognized according to the degree of progress for which that obligation has been met.

(t) Derivatives

Derivative 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 and reported as deferred gain or loss on hedges in a separate component of accumulated other comprehensive income (loss).

(u) Distribution of retained earnings

Under the Corporation Law of Japan (the “Law”), the distribution of retained earnings with respect to a given fiscal year is made by resolution at a meeting of the Board of Directors of the Company held subsequent to the close of the fiscal year. The accounts for that fiscal year do not, therefore, reflect such distributions. (Refer to Note 26.)

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

3. Significant Accounting Estimates

Recoverability of deferred tax assets

Carrying amounts in the current year's financial statements were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Deferred tax assets	¥ 14,217	¥ 10,634	\$ 106,461

(Information on the nature of significant accounting estimates for identified items)

Deferred tax assets are estimated based on the generation timing and the amount of taxable income from future business plans. This estimate may be affected by uncertain economic conditions, and if the timing and the amount of taxable income actually generated differ from estimates, it may have a significant impact on the amounts of deferred tax assets in the consolidated financial statements for the next consolidated fiscal year.

4. Change in presentation method

For improved clarity, electronically recorded monetary claims, which were accounted for in notes and accounts receivable under current assets until and including the previous consolidated fiscal year, are stated independently beginning with the fiscal year under review. To reflect this change in description, a reclassification of accounts has been made for the balance sheet for the previous fiscal year. As a result, ¥92,083 million reported for notes and accounts receivable in the previous consolidated fiscal year has been reclassified as notes and accounts receivable of ¥88,483 million and electronically recorded monetary claims of ¥3,600 million.

For improved clarity, electronically recorded obligations, which were accounted for in notes and accounts payable under current liabilities until and including the previous consolidated fiscal year, are stated independently beginning with the fiscal year under review. To reflect this change in description, a reclassification of accounts has been made for the balance sheet for the previous fiscal year. As a result, ¥47,174 million reported for notes and accounts payable—trade in the previous consolidated fiscal year has been reclassified as notes and accounts payable—trade of ¥36,612 million and electronically recorded obligations—operating of ¥10,562 million, and ¥27,061 million reported for notes and accounts payable—other in the previous consolidated fiscal year has been reclassified as notes and accounts payable—other of ¥22,259 million and electronically recorded obligations—facilities of ¥4,802 million.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

5. Additional Information

(a) Share-based compensation plan for directors

The annual shareholders meeting of the Company held on June 16, 2017 resolved to introduce a share-based compensation plan for the Company's directors (excluding outside directors and directors who are members of the audit and supervisory committee) and senior executive officers (hereinafter in this section "directors, etc.") and introduced the plan.

The board of directors meeting of the Company held on February 28, 2020 resolved to include some directors of the domestic consolidated subsidiaries in this share-based compensation plan.

(Outline of the plan)

The plan is a share-based compensation plan in which the Company will grant points to directors and some directors of the domestic consolidated subsidiaries, and distribute to them the number of shares of the Company equivalent to the cumulative number of points granted to them.

(The Company's own stock in the trust)

The Company own stock in the possession of the trust is recorded as treasury stock under net assets at book value. The book value and number of shares of treasury stock were ¥695 million (\$5,206 thousand) and 205 thousand shares and ¥840 million and 248 thousand shares as of the year ended March 31, 2023 and 2022, respectively.

(Scope of those eligible to receive beneficiary rights for the trust and other rights)

Directors (excluding outside directors and directors who are members of the audit and supervisory committee), managing officers and some directors of the domestic consolidated subsidiaries

(b) Share-based compensation plan for employees

The board of directors meeting of the Company held on February 28, 2020 resolved to introduce a share-based compensation plan for the Company's senior management and introduced the plan.

(Outline of the plan)

The plan is a share-based compensation plan in which the Company will grant points to the Company's senior management and distribute to them the number of shares of the Company equivalent to the cumulative number of points granted to them.

(The Company's own stock in the trust)

The Company's own stock in the possession of the trust is recorded as treasury stock under net assets at book value. The book value and number of shares of treasury stock were ¥154 million (\$1,154 thousand) and 41 thousand shares and ¥157 million and 43 thousand shares as of the year ended March 31, 2023 and 2022, respectively.

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(Scope of those eligible to receive beneficiary rights for the trust and other rights)
The Company's senior management

6. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen solely for convenience and as a matter of arithmetic computation only at a rate of ¥133.54 to U.S. \$1.00, the rate of exchange prevailing on March 31, 2023. 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 this or any other rate of exchange.

7. Financial Instruments

Status of financial instruments

The Group raise funds for capital expenditures principally through the issuance of bonds and loans from banks. The Group manages temporary cash surpluses through highly liquid financial assets. The Group raises short-term capital through loans from banks, and utilizes derivative financial instruments to reduce the risks discussed below and does not enter into derivative transactions for speculative purposes.

Notes and accounts receivable—trade and electronically recorded monetary claims are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from trade receivables denominated in foreign currencies. Short-term investments and investment securities are exposed to market risk. These securities consist mainly of shares of companies with which the Group has business relationships and debt securities through which the Group manages temporary cash surpluses.

Substantially all notes and accounts payable and electronically recorded obligations have payment due dates within one year. In addition, the Group is exposed to foreign currency exchange risk arising from those trade payables denominated in foreign currencies.

The Group conducts various financing activities to acquire the funds necessary for working capital investments in property, plant and equipment, etc. Borrowings and bonds with floating interest rates as a part of the financing are exposed to the risk of interest rate fluctuation.

Regarding derivative transactions, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies.

In accordance with the internal policies of the Group for managing credit risk (risk of

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nonperformance by any of the counterparties) arising from trade receivables, the Group monitors the creditworthiness of customers and takes prompt action on outstanding balances in order to mitigate the credit risks. In addition, the Group only acquires held-to-maturity debt securities with high credit ratings.

For trade receivables and payables denominated in foreign currencies, the Company identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk.

In order to mitigate the unfavorable impact caused by foreign currency exchange fluctuations on accounts receivable derived from forecasted export sales transactions, the Company enters into forward foreign exchange contracts to the extent it is probable that those forecasted export sales take place.

For investment securities, the Group periodically reviews market prices and the financial position of the issuers who are business counterparties of the Group and evaluates whether securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair values and relationships with the counterparty companies.

Derivative transactions are entered into by the division in charge of derivative transactions with approval from the authorized officers in accordance with the internal policies, which set forth the delegation of authority and the maximum upper limit on positions.

In order to manage liquidity risk (the risk that the Group may not be able to meet its obligations as scheduled) the division responsible prepares and updates its cash flow plans on a timely basis based on reports from each division.

The fair value of financial instruments is based on their quoted market prices, if available. When there is no quoted market price available, the fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 23, "Derivatives" are not necessarily indicative of the actual market risk involved in the derivative transactions themselves.

Estimated Fair Value of Financial Instruments

The carrying values of the financial instruments on the consolidated balance sheet and the estimated fair values at March 31, 2023 and 2022 are summarized in the table below.

There are no notes for the fair value measurement of cash. For deposits, notes and accounts receivable, electronically recorded monetary claims, notes and accounts payable, electronically recorded obligations and short-term borrowings, notes are omitted because the fair values approximate the book values since they are settled in a short period of time.

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	2023		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
<u>Assets:</u>			
Investment securities	¥ 60,881	¥ 60,881	¥ –
Total assets	<u>60,881</u>	<u>60,881</u>	–
<u>Liabilities:</u>			
Bonds payable	¥ 100,000	¥ 99,751	¥ (250)
Long-term loans payable	150,000	149,906	(93)
Total liabilities	<u>250,000</u>	<u>249,657</u>	<u>(343)</u>
Derivative transactions (*)	¥ 371	¥ 371	¥ –

	2022		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
<u>Assets:</u>			
Investment securities	¥ 64,168	¥ 64,168	¥ –
Total assets	<u>64,168</u>	<u>64,168</u>	–
<u>Liabilities:</u>			
Bonds payable	¥ 70,000	¥ 69,708	¥ (292)
Long-term loans payable	80,000	79,706	(294)
Total liabilities	<u>150,000</u>	<u>149,414</u>	<u>(586)</u>
Derivative transactions (*)	¥ (724)	¥ (724)	¥ –

	2023		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
<u>Assets:</u>			
Investment securities	\$ 455,901	\$ 455,901	\$ –
Total assets	<u>455,901</u>	<u>455,901</u>	–
<u>Liabilities:</u>			
Bonds payable	\$ 748,840	\$ 746,971	\$ (1,869)
Long-term loans payable	1,123,258	1,122,562	(697)
Total liabilities	<u>1,872,098</u>	<u>1,869,533</u>	<u>(2,566)</u>
Derivative transactions (*)	\$ 2,777	\$ 2,777	\$ –

*Assets and liabilities arising from derivatives are presented at net value.
Amounts in parentheses represent net liability positions.

Methods to determine the estimated fair value of financial instruments are as follows:

The carrying value of cash and deposits, notes and accounts receivable–trade, and electronically recorded monetary claims approximates fair value because these items are

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settled in a short period of time.

Regarding investment securities, the fair value of shares is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by financial institutions.

For information on securities classified by the purpose for which they are held, refer to Note 8, “Investment Securities.”

The fair value of long-term loans receivable classified by the maturity and current credit risk of each loan is based on the present value of the total principal and interest discounted by the interest rate determined taking into account that of Japanese government bonds and the credit spreads of each loan. The fair value in the table above includes the current portion of long-term loans receivable.

The carrying value of short-term borrowings, notes and accounts payable–trade, and electronically recorded obligations approximates fair value because these items are settled in a short period of time.

The fair value of long-term debt is based on the present value of the total principal and interest discounted by the interest rate that would to be applied if similar new borrowings were entered into. The fair value in the table above includes the current portion of long-term debt.

Regarding the fair value of derivatives, refer to Note 23, “Derivatives.”

The carrying values of Investments in equity securities without market prices at March 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Unlisted equity securities	¥ 435	¥ 444	\$ 3,256

The redemption schedule for monetary assets at March 31, 2023 and 2022 were as follows:

	2023			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	<i>(Millions of yen)</i>			
Cash and deposits	¥ 302,420	¥ –	¥ –	¥ –
Notes receivable–trade	1,929	–	–	–
Electronically recorded monetary claims	3,563	–	–	–
Accounts receivable–trade	70,256	–	–	–
Total	¥ 378,168	¥ –	¥ –	¥ –

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2022				
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
<i>(Millions of yen)</i>				
Cash and deposits	¥ 185,592	¥ –	¥ –	¥ –
Notes receivable–trade	1,415	–	–	–
Electronically recorded monetary claims	3,600	–	–	–
Accounts receivable–trade	83,970	–	–	–
Total	¥ 274,577	¥ –	¥ –	¥ –

2023				
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
<i>(Thousands of U.S. dollars)</i>				
Cash and deposits	\$ 2,264,637	\$ –	\$ –	\$ –
Notes receivable–trade	14,444	–	–	–
Electronically recorded monetary claims	26,683	–	–	–
Accounts receivable–trade	526,105	–	–	–
Total	\$ 2,831,869	\$ –	\$ –	\$ –

Breakdown of financial instruments by level of each fair value

The fair values of financial instruments are categorized into the following three levels in accordance with the observability and importance of the inputs used in the fair value calculation.

Level 1 fair value: Fair value calculated using the (unadjusted) market price in an active market for an identical asset or liability.

Level 2 fair value: Fair value calculated using inputs that are directly or indirectly observable, other than Level 1 inputs.

Level 3 fair value: Fair value calculated using important inputs that cannot be observed.

In cases in which multiple inputs that have a material effect on the calculation of the fair value are used, the fair value is categorized at the lowest level from which material inputs were used in the fair value calculation.

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(1) Financial assets and financial liabilities for which the carrying amount is recorded as the fair value

	2023			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
<u>Assets:</u>				
Investment securities	¥ 60,881	¥ –	¥ –	¥ 60,881
Derivative transactions	–	371	–	371
Total assets	<u>60,881</u>	<u>371</u>	<u>–</u>	<u>61,252</u>

	2022			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
<u>Assets:</u>				
Investment securities	¥ 64,168	¥ –	¥ –	¥ 64,168
Total assets	<u>64,168</u>	<u>–</u>	<u>–</u>	<u>64,168</u>
<u>Liabilities:</u>				
Derivative transactions	¥ –	¥ (724)	¥ –	¥ (724)
Total liabilities	<u>–</u>	<u>(724)</u>	<u>–</u>	<u>(724)</u>

	2023			Total
	Level 1	Level 2	Level 3	
	<i>(Thousands of U.S. dollars)</i>			
<u>Assets:</u>				
Investment securities	\$ 455,901	\$ –	\$ –	\$ 455,901
Derivative transactions	–	2,777	–	2,777
Total assets	<u>455,901</u>	<u>2,777</u>	<u>–</u>	<u>458,678</u>

(2) Financial assets and financial liabilities for which the carrying amount is not recorded as the fair value

	2023			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
<u>Liabilities:</u>				
Bonds payable	¥ –	¥ 99,751	¥ –	¥ 99,751
Long-term loans payable	–	149,906	–	149,906
Total liabilities	<u>–</u>	<u>249,657</u>	<u>–</u>	<u>249,657</u>

	2022			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
<u>Liabilities:</u>				
Bonds payable	¥ –	¥ 69,708	¥ –	¥ 69,708
Long-term loans payable	–	79,706	–	79,706
Total liabilities	<u>–</u>	<u>149,414</u>	<u>–</u>	<u>149,414</u>

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	2023			Total
	Level 1	Level 2	Level 3	
	<i>(Thousands of U.S. dollars)</i>			
<u>Liabilities:</u>				
Bonds payable	\$ -	\$ 746,971	\$ -	\$ 746,971
Long-term loans payable	-	1,122,562	-	1,122,562
Total liabilities	-	1,869,533	-	1,869,533

Note: Valuation methods and inputs used in calculating fair values.

Investment securities

Listed shares are valued using the market price. Because listed shares are traded on active markets, their fair value is categorized as a Level 1 fair value.

Derivatives

The fair value of derivatives is determined by the future market price and is categorized as a Level 2 fair value.

Bonds payable

The fair value of bonds payable is determined by the market price and is categorized as a Level 2 fair value.

Long-term loans payable

The fair value of long-term loans payable is calculated using the discounted cash flow method based on estimated interest rates with consideration for the total amount of the sum of principal and interest and is categorized as a Level 2 fair value.

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8. Investment Securities

- (a) Marketable securities classified as other securities at March 31, 2023 and 2022 were summarized as follows:

	2023		
	Acquisition cost	Market value reflected in the balance sheet	Difference
	<i>(Millions of yen)</i>		
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	¥ 24,828	¥ 60,202	¥ 35,374
Other	—	—	—
Subtotal	<u>24,828</u>	<u>60,202</u>	<u>35,374</u>
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	724	679	(45)
Other	—	—	—
Subtotal	<u>724</u>	<u>679</u>	<u>(45)</u>
Total	<u><u>¥ 25,552</u></u>	<u><u>¥ 60,881</u></u>	<u><u>¥ 35,329</u></u>
	2022		
	Acquisition cost	Market value reflected in the balance sheet	Difference
	<i>(Millions of yen)</i>		
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	¥ 23,305	¥ 62,087	¥ 38,782
Other	—	—	—
Subtotal	<u>23,305</u>	<u>62,087</u>	<u>38,782</u>
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	2,312	2,081	(231)
Other	—	—	—
Subtotal	<u>2,312</u>	<u>2,081</u>	<u>(231)</u>
Total	<u><u>¥ 25,617</u></u>	<u><u>¥ 64,168</u></u>	<u><u>¥ 38,551</u></u>

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	2023		
	Acquisition cost	Market value reflected in the balance sheet	Difference
	<i>(Thousands of U.S. dollars)</i>		
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	\$ 185,919	\$ 450,817	\$ 264,898
Other	—	—	—
Subtotal	<u>185,919</u>	<u>450,817</u>	<u>264,898</u>
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	5,419	5,084	(335)
Other	—	—	—
Subtotal	<u>5,419</u>	<u>5,084</u>	<u>(335)</u>
Total	<u>\$ 191,338</u>	<u>\$ 455,901</u>	<u>\$ 264,563</u>

Loss on devaluation of investment securities are recorded for the securities whose market value represents a substantial decline of 50% or more and for those which have declined within a range of 30% or more but less than 50% if the decline is deemed to be irrecoverable.

Loss on the devaluation of investment securities was recorded due to other-than-temporary impairment in the amount of ¥ 630 million for the year ended March 31, 2022. It was not applicable for the year ended March 31, 2023.

(b) The proceeds from sales of and gross realized gain and loss on other securities for the years ended March 31, 2023 and 2022 were summarized as follows:

	2023		
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 402	¥ 295	¥ 0
Total	<u>¥ 402</u>	<u>¥ 295</u>	<u>¥ 0</u>
	2022		
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 225	¥ 91	¥ -
Total	<u>¥ 225</u>	<u>¥ 91</u>	<u>¥ -</u>

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	2023		
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Thousands of U.S. dollars)</i>		
Equity securities	\$ 3,012	\$ 2,211	\$ 1
Total	\$ 3,012	\$ 2,211	\$ 1

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and the current portion of long-term debt at March 31, 2023 and 2022 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Short-term borrowings	¥ 20,030	¥ 20,030	\$ 149,993
Current portion of long-term debt	45,000	20,000	336,977
	¥ 65,030	¥ 40,030	\$ 486,970

The weighted average annual interest rates applicable to short-term borrowings outstanding were 0.15% and 0.17% at March 31, 2023 and 2022, respectively.

Long-term debt at March 31, 2023 and 2022 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Debt without collateral:			
Loans from banks due September 2023 through March 2027 at average interest rates of 0.23% per annum at March 31, 2023 and 2022	¥ 150,000	¥ 80,000	\$ 1,123,259
Bonds in yen due September 2022 at rate of 0.030%	-	20,000	-
Bonds in yen due September 2024 at rate of 0.110%	15,000	15,000	112,325
Bonds in yen due September 2024 at rate of 0.001%	20,000	20,000	149,768
Bonds in yen due September 2026 at rate of 0.110%	15,000	15,000	112,326
Bonds in yen due September 2025 at rate of 0.290%	40,000	-	299,536
Bonds in yen due September 2027 at rate of 0.380%	10,000	-	74,884
Subtotal	¥ 250,000	¥ 150,000	\$ 1,872,098
Less current portion	(45,000)	(20,000)	(336,977)
	¥ 205,000	¥ 130,000	\$ 1,535,121

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The aggregate annual maturities of long-term debt subsequent to March 31, 2023 were summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2024	45,000	336,977
2025	70,000	524,188
2026	70,000	524,188
2027	55,000	411,861
2028 and thereafter	10,000	74,884
	¥ 250,000	\$ 1,872,098

10. Assets Pledged as Collateral

Assets pledged as collateral for accounts payable of ¥65 million (\$489 thousand) and ¥14 million at March 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Investment securities	¥ 36	¥ 37	\$ 267

11. Lease Obligations

The aggregate annual maturities of lease obligations subsequent to March 31, 2023 were summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2024	93	698
2025	107	803
2026	39	294
2027	13	99
2028 and thereafter	8	57
	¥ 260	\$ 1,951

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12. Retirement Benefits

The Company and certain consolidated subsidiaries have defined contribution plans for retirement benefits. Other consolidated subsidiaries have defined benefit plans, including 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.

Certain consolidated subsidiaries calculate the liability for retirement benefits based on the simplified method.

Changes in the retirement benefit obligation for the years ended March 31, 2022 were summarized as follows (excluding retirement benefit obligations based on the simplified method):

	<i>Millions of yen</i>
	<u>2022</u>
Retirement benefit obligation at the beginning of the year	¥ 529
Service cost	17
Interest cost	7
Retirement benefit payment	(29)
Foreign currency translation differences	23
Actuarial differences	(138)
Decrease resulting from exclusion of subsidiaries from consolidation	(409)
Retirement benefit obligation at the end of the year	<u>¥ -</u>

It was not applicable for the year ended March 31, 2023.

Changes in the retirement benefit obligation under the simplified method for the years ended March 31, 2023 and 2022 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Retirement benefit obligation at the beginning of the year	¥ 579	¥ 550	\$ 4,335
Service cost	93	73	694
Benefits paid	(153)	(95)	(1,145)
Foreign currency translation differences	55	51	412
Retirement benefit obligation at the end of the year	<u>¥ 574</u>	<u>¥ 579</u>	<u>\$ 4,296</u>

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Balance of retirement benefit obligation and plan assets at fair value at March 31, 2023 and 2022 and liabilities recognized in the consolidated balance sheet at March 31, 2023 and 2022 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Unfunded retirement benefit obligation*	¥ 574	¥ 579	\$ 4,296
Net amount of liabilities and assets recognized in consolidated balance sheet	574	579	4,296
Liability for retirement benefits	574	579	4,296
Asset for retirement benefits	-	-	-
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 574	¥ 579	\$ 4,296

* Certain domestic consolidated subsidiaries have calculated their retirement benefit obligation based on the simplified method.

Components of retirement benefit expenses for the years ended March 31, 2023 and 2022 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Service cost	¥ 93	¥ 91	\$ 694
Interest cost	-	7	-
Amortization of actuarial loss	-	-	-
Retirement benefit expenses	¥ 93	¥ 98	\$ 694

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

	2022
Discount rates	2.1-2.2 %
Rate of salary increase	2.5-4.5 %

Similar assumptions were not applicable for the year ended March 31, 2023.

Required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,832 million (\$13,720 thousand) and ¥1,761 million for the years ended March 31, 2023 and 2022, respectively.

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13. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants taxes and enterprise taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 29.9% for the year ended March 31, 2023 and 2022. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their respective countries of incorporation.

The effective tax rate for the years ended March 31, 2023 and 2022 differed from the statutory tax rate for the following reasons:

	<u>2023</u>	<u>2022</u>
Statutory tax rate	29.9 %	29.9 %
Effect of:		
Tax effect of retained earnings in overseas consolidated subsidiaries	1.0	0.7
Permanently nondeductible expenses	0.0	0.0
Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries	(1.4)	(3.8)
Tax credits	(1.5)	(2.4)
Valuation allowance	(4.8)	2.1
Loss and others at subsidiaries	4.1	5.8
Permanently nontaxable dividends received	(0.1)	(0.2)
Other, net	(0.3)	(2.2)
Effective tax rate	<u>26.9 %</u>	<u>29.9 %</u>

The significant components of deferred tax assets and liabilities at March 31, 2023 and 2022 were as follows:

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	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Deferred tax assets:			
Depreciation	¥ 7,803	¥ 6,722	\$ 58,429
Carryforward tax loss	25	58	185
Accrued bonuses	1,565	1,667	11,720
Intercompany profit on sales of property, plant and equipment	920	754	6,888
Loss on devaluation of investment securities	425	448	3,182
Loss on devaluation of inventories	638	492	4,775
Loss on impairment of fixed assets	622	792	4,658
Other	5,247	5,047	39,298
Gross deferred tax assets	<u>17,245</u>	15,980	<u>129,135</u>
Valuation allowance of carryforward tax loss*	-	(13)	-
Valuation allowance of deductible temporary difference and others	<u>(1,199)</u>	<u>(4,604)</u>	<u>(8,977)</u>
Less valuation allowance	<u>(1,199)</u>	<u>(4,617)</u>	<u>(8,977)</u>
Total deferred tax assets	<u><u>16,046</u></u>	<u>11,363</u>	<u><u>120,158</u></u>
Deferred tax liabilities:			
Net unrealized gain on land revaluation resulting from inclusion of a subsidiary in consolidation	(540)	(540)	(4,047)
Tax effect of retained earnings in overseas consolidated subsidiaries	(215)	(425)	(1,610)
Net unrealized holding gain on other securities	<u>(10,582)</u>	<u>(11,542)</u>	<u>(79,241)</u>
Total deferred tax liabilities	<u>(11,337)</u>	<u>(12,507)</u>	<u>(84,898)</u>
Net deferred tax assets (liabilities)	<u><u>¥ 4,709</u></u>	<u>¥ (1,144)</u>	<u><u>\$ 35,260</u></u>

* Carryforward tax loss and its deferred tax assets by expiration periods

	<i>Millions of yen</i>						
	2022						2028
	2023	2024	2025	2026	2027	thereafter	
Carryforward tax loss (a)	¥ 34	¥ 0	¥ 7	¥ -	¥ -	¥ 17	¥ 58
Valuation reserve	-	-	-	-	-	(13)	(13)
Net deferred tax assets	<u>¥ 34</u>	<u>¥ 0</u>	<u>¥ 7</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 4</u>	<u>¥ 45</u>

(a) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

Notes on carryforward tax loss

Carryforward tax loss and its deferred tax assets by expiration periods were omitted due to their insignificance for the year ended March 31, 2023.

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14. Shareholders' Equity

The Japanese Laws provide that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The additional paid-in capital and legal earnings reserve have been included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheet. Under Japanese Laws, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The legal reserve of the Company included in retained earnings at March 31, 2023 and 2022 amounted to ¥3,548 million (\$26,573 thousand) and ¥3,548 million, respectively.

Japanese Laws further provide that, in general, an amount equal to the entire amount of paid-in capital for the issuance of new shares be transferred to the common stock account. However, an amount equal to or less than 50% of the entire amount may be transferred to the capital surplus account.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

Treasury stock

Movements in treasury stock during the years ended March 31, 2023 and 2022 were summarized as follows:

	Number of shares			
	2023			
	March 31, 2022	Increase	Decrease	March 31, 2023
Treasury stock: Common stock	1,252,626	1,857	43,335	1,211,148

	Number of shares			
	2022			
	March 31, 2021	Increase	Decrease	March 31, 2022
Treasury stock: Common stock	1,260,507	1,783	9,664	1,252,626

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The number of shares of treasury stock at March 31, 2023 and 2022, respectively, includes 247 thousand shares and 290 thousand shares entrusted for the share-based compensation plan for directors and share-based compensation plan for employees held by the trust account of Custody Bank of Japan, Ltd.

15. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the year ended March 31, 2023 was summarized as follows:

Location	Classification	Description	2023	
			Millions of yen	Thousands of U.S. dollars
Ogaki City, Gifu Prefecture	Buildings and structures	Idle	¥ 67	\$ 504
Ogaki City, Gifu Prefecture	Machinery and equipment	Idle	39	292
Ogaki City, Gifu Prefecture	Construction in progress	Idle	43	321
Ibigawa Cho, Gifu Prefecture	Buildings and structures	Idle	1	9
Takahama City, Aichi Prefecture	Machinery and equipment	Idle	0	1
Dunavarsany, Hungary	Machinery and equipment	Idle	693	5,190

In general, fixed assets are grouped based on business segment. Indications of impairment of idle assets is individually determined. The carrying values of idle assets have been reduced to recoverable amounts, and a decrease in the amount of ¥844 million (\$6,319 thousand) for the year ended March 31, 2023 was recorded as impairment loss. The recoverable amounts were measured at estimated net selling value, and the carrying values of idle assets were reduced to ¥1 (\$0.01) for the year ended March 31, 2023.

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Loss on impairment of fixed assets for the year ended March 31, 2022 was summarized as follows:

Location	Classification	Description	2022 <i>Millions of yen</i>
Ogaki City, Gifu Prefecture	Buildings and structures	Idle	¥ 226
Ogaki City, Gifu Prefecture	Machinery and equipment	Idle	17
Ogaki City, Gifu Prefecture	Construction in progress	Idle	64
Ogaki City, Gifu Prefecture	Others	Idle	1
Godo Cho, Gifu Prefecture	Buildings and structures	Idle	146
Godo Cho, Gifu Prefecture	Machinery and equipment	Idle	59
Godo Cho, Gifu Prefecture	Others	Idle	1
Ibigawa Cho, Gifu Prefecture	Buildings and structures	Idle	58
Ibigawa Cho, Gifu Prefecture	Construction in progress	Idle	92
Ibigawa Cho, Gifu Prefecture	Others	Idle	37
Penang, Malaysia	Buildings and structures	Idle	15
Penang, Malaysia	Machinery and equipment	Idle	89
Penang, Malaysia	Construction in progress	Idle	332
Penang, Malaysia	Others	Idle	0
Beijing, China	Others	Idle	57
Dunavarsany, Hungary	Construction in progress	Idle	26

In general, fixed assets are grouped based on business segment. Indications of impairment of idle assets is individually determined. The carrying values of idle assets have been reduced to recoverable amounts, and a decrease in the amount of ¥1,219 million for the year ended March 31, 2022 was recorded as impairment loss. The recoverable amounts were measured at estimated net selling value, and the carrying values of idle assets were reduced to ¥1 for the year ended March 31, 2022.

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16. Loss on sales of shares of subsidiaries and associates

IBIDEN Europe B.V., a consolidated subsidiary, transferred all the shares of Ividen Ceram GmbH and Ividen Ceram Liegenschaftsverwaltung GmbH for the year ended March 31, 2022.

The difference between the consolidated carrying amount of the transferred shares and the transfer price of ¥7,098 million was recorded as loss on sales of shares of subsidiaries and associates.

17. Land Revaluation

At March 31, 2002, a consolidated subsidiary revalued its land held for business use in accordance with the “Land Revaluation Law” and the amended “Land Revaluation Law”. As a result, the consolidated subsidiary recognized a gain on land revaluation and recorded a deferred tax liability related to this gain. The resulting gain, net of the relevant tax effect, has been accounted for under accumulated other comprehensive income (loss) 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. As of March 31, 2023, the fair value of this land was ¥151 million (\$1,129 thousand) less than its carrying value after revaluation.

18. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2023	2022	2023
Salaries	¥ 9,490	¥ 9,473	\$ 71,061
Provision for employees’ bonuses	976	984	7,308
Provision for directors’ bonuses	186	173	1,393
Provision for employees’ retirement benefit expenses	253	288	1,891
Provision for share compensation expenses	152	147	1,140
Research and development costs	19,683	15,734	147,393
Other	24,413	22,460	182,821
Total	¥ 55,153	¥ 49,259	\$ 413,007

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19. Other Income (Expenses)

The components of other, net in other income (expenses) for the years ended March 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Gain (loss) on sales and disposals of property, plant and equipment, net	¥ (3,650)	¥ (5,977)	\$ (27,333)
Loss on impairment of fixed assets	(844)	(1,219)	(6,319)
Foreign exchange gain (loss), net	1,406	2,052	10,526
Share of profit of entities accounted for using equity method	2	2	11
Insurance claim income	162	99	1,210
Compensation expenses	62	410	465
Bond issuance costs	(198)	(146)	(1,481)
Loss on devaluation of securities	-	(630)	-
Loss on sales of shares of subsidiaries and associates	-	(7,098)	-
Other, net	(31)	(283)	(227)
Total	¥ (3,091)	¥ (12,790)	\$ (23,148)

20. Amounts Per Share

	<i>Yen</i>		<i>U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Basic profit attributable to owners of parent	¥ 373.73	¥ 295.35	\$ 2.80
Net assets	3,002.08	2,611.43	22.48
Cash dividends applicable to the year	50.00	40.00	0.37

Basic profit attributable to the owners of the parent per share for the years ended March 31, 2023 and 2022 were computed based on the profit attributable to the shareholders of common stock and the weighted average number of shares of common stock outstanding during the year. Diluted profit attributable to the owners of the parent per share for the years ended March 31, 2023 and 2022 is not disclosed as the Company had no potentially dilutive common shares for the years ended March 31, 2023 and 2022. Amounts per share of net assets were computed based on the number of shares of common stock outstanding at the year end.

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

To calculate the amount of basic profit attributable to the owners of the parent per share, the Company's shares held by a trust account of Custody Bank of Japan, Ltd. (entrusted for share

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compensation for directors, etc. and employees) are included in treasury stock (260 thousand shares and 291 thousand shares for the years ended March 31, 2023 and 2022, respectively) that is excluded from the calculation of the average number of shares for the period, and to calculate the amount of net assets per share, the Company's shares held by the trust are included in treasury stock (247 thousand shares and 291 thousand shares for the years ended March 31, 2023 and 2022, respectively) that is excluded from the total number of shares issued and outstanding as of the fiscal year end.

Financial data for the computation of basic profit per share attributable to the owners of the parent for the years ended March 31, 2023 and 2022 in the table above were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Profit attributable to owners of parent	¥ 52,187	¥ 41,233	\$ 390,798
	<i>Thousands of shares</i>		
	2023	2022	
Weighted average number of shares of common stock outstanding during the year	139,637	139,608	

Financial data for the computation of net assets per share at March 31, 2023 and 2022 in the above table were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Total net assets	¥ 425,606	¥ 370,728	\$ 3,187,105
Deductions from total net assets:			
Non-controlling interests	(6,368)	(6,153)	(47,683)
Total net assets attributable to common stockholders	¥ 419,238	¥ 364,575	\$ 3,139,422
	<i>Thousands of shares</i>		
	2023	2022	
Number of shares of common stock used in the calculation of net assets per share	139,649	139,608	

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21. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects for other comprehensive income (loss) for the years ended March 31, 2023 and 2022:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ (2,925)	¥ (3,323)	\$ (21,905)
Reclassification adjustments for loss (gain) realized in the statement of income	(295)	539	(2,211)
Before tax effect	(3,220)	(2,784)	(24,116)
Tax effect	1,024	795	7,669
Net unrealized holding gain (loss) on securities	(2,196)	(1,989)	(16,447)
Translation adjustments:			
Amount arising during the year	11,532	15,377	86,357
Reclassification adjustments for gain realized in the statement of income	-	-	-
Translation adjustments	11,532	15,377	86,357
Total	¥ 9,336	¥ 13,388	\$ 69,910

22. Supplementary Cash Flow Information

A reconciliation of cash and cash equivalents in the accompanying consolidated statement of cash flows and cash and deposits in the accompanying consolidated balance sheet is presented as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Cash and deposits	¥ 302,420	¥ 185,592	\$ 2,264,637
Time deposits with maturities in excess of three months	-	-	-
Cash and cash equivalents	¥ 302,420	¥ 185,592	\$ 2,264,637

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23. Derivatives

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

The Company is exposed to certain market risk arising from forward foreign exchange contracts. The Company is also exposed to the risk of credit loss in the event of nonperformance by any of the counterparties to its forward foreign exchange contracts. However, the Company does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Summarized below are the notional amounts and estimated fair value of the derivative positions outstanding at March 31, 2023 and 2022 for which hedge accounting had been applied. There were no derivatives with maturities over one year at March 31, 2023 and 2022. The estimated fair values were based on the prices obtained from financial institutions.

Method of hedge accounting	Transaction	Hedged items	2023	
			Notional amount	Estimated fair value
			<i>(Millions of yen)</i>	
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥ 17,874	¥ 378
	Euros		3,433	(7)
	Total		<u>¥ 21,307</u>	<u>¥ 371</u>
			<i>(Millions of yen)</i>	
Method of hedge accounting	Transaction	Hedged items	2022	
			Notional amount	Estimated fair value
			<i>(Millions of yen)</i>	
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥ 11,752	¥ (585)
	Euros		4,107	(139)
	Total		<u>¥ 15,859</u>	<u>¥ (724)</u>

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Method of hedge accounting	Transaction	Hedged items	2023	
			Notional amount	Estimated fair value
			<i>(Thousands of U.S. dollars)</i>	
	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
Principal method of accounting	Sell			
	U.S. dollars		\$ 133,849	\$ 2,834
	Euros		25,709	(57)
	Total		<u>\$ 159,558</u>	<u>\$ 2,777</u>

24. Revenue Recognition

Contract balances

The following table presents the balances of receivables, contract assets and contract liabilities from contracts with customers. Receivables and contract assets from contracts with customers are included in notes and accounts receivable and electronically recorded monetary claims and contract liabilities are included in other current liabilities in the consolidated balance sheet.

	2023	
	Balance at March 31, 2022	Balance at March 31, 2023
	<i>(Millions of yen)</i>	
Receivables	¥ 88,985	¥ 75,748
Contract assets	3,098	3,757
Contract liabilities	6,005	7,014

	2022	
	Balance at March 31, 2021	Balance at March 31, 2022
	<i>(Millions of yen)</i>	
Receivables	¥ 86,988	¥ 88,985
Contract assets	2,808	3,098
Contract liabilities	-	6,005

	2023	
	Balance at March 31, 2022	Balance at March 31, 2023
	<i>(Thousands of U.S. dollars)</i>	
Receivables	\$ 666,353	\$ 567,233
Contract assets	23,201	28,134
Contract liabilities	44,968	52,527

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25. Segment Information

Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resource allocation and to assess the business performances of those segments.

The Group classifies the Company and its subsidiaries identified by the respective products and services they provide. Each company plans comprehensive domestic and overseas strategies for its products and conducts related business activities.

Based on the Group's primary business activities, the reportable segments include "Electronics" and "Ceramics." The main products or services of those segments are as follows:

Electronics segment:

This reportable segment includes the business of manufacturing and sales of printed wiring boards and package substrates.

Ceramics segment:

This reportable segment includes the business of manufacturing and sales of environment related ceramics products, graphite specialty products, fine ceramics products and ceramics fiber.

Methods of used to calculate sales, income (loss), assets and other items for the reportable segments

The methods used to account for reportable segments is the same as those described in Note 2, "Summary of Significant Accounting Policies." Segment income (loss) is calculated on the basis of operating income in the consolidated statement of income. Intersegment sales are recorded basically at same prices used in transactions with third parties.

A summary of net sales, income (loss), assets and other items by reportable segment for the years ended March 31, 2023 and 2022 were as follows:

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Millions of yen
2023

	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
	Sales to third parties	¥ 250,708	¥ 89,931				
Intersegment sales and transfers	-	85	85	18,807	18,892	(18,892)	-
Net sales	¥ 250,708	¥ 90,016	¥ 340,724	¥ 95,717	¥ 436,441	¥ (18,892)	¥ 417,549
Segment income(loss)	¥ 60,648	¥ 6,129	¥ 66,777	¥ 6,136	¥ 72,913	¥ (551)	¥ 72,362
Segment assets	324,044	126,395	450,439	123,442	573,881	283,628	857,509
Depreciation and amortization	45,454	6,017	51,471	2,066	53,537	1,378	54,915
Increase in property, plant and equipment and intangible assets	121,545	3,083	124,628	3,609	128,237	3,038	131,275

Millions of yen
2022

	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
	Sales to third parties	¥ 236,982	¥ 90,678				
Intersegment sales and transfers	3	141	144	16,617	16,761	(16,761)	-
Net sales	¥ 236,985	¥ 90,819	¥ 327,804	¥ 90,096	¥ 417,900	¥ (16,761)	¥ 401,139
Segment income(loss)	¥ 55,114	¥ 8,718	¥ 63,832	¥ 7,090	¥ 70,922	¥ (101)	¥ 70,821
Segment assets	254,186	113,537	367,723	101,904	469,627	194,706	664,333
Depreciation and amortization	43,267	6,226	49,493	1,154	50,647	2,068	52,715
Increase in property, plant and equipment and intangible assets	54,786	3,110	57,896	996	58,892	2,770	61,662

Thousands of U.S. dollars
2023

	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
	Sales to third parties	\$ 1,877,402	\$ 673,438				
Intersegment sales and transfers	-	633	633	140,834	141,467	(141,467)	-
Net sales	\$ 1,877,402	\$ 674,071	\$ 2,551,473	\$ 716,765	\$ 3,268,238	\$ (141,467)	\$ 3,126,771
Segment income(loss)	\$ 454,155	\$ 45,897	\$ 500,052	\$ 45,952	\$ 546,004	\$ (4,125)	\$ 541,879
Segment assets	2,426,572	946,497	3,373,069	924,374	4,297,443	2,123,918	6,421,361
Depreciation and amortization	340,380	45,060	385,440	15,468	400,908	10,313	411,221
Increase in property, plant and equipment and intangible assets	910,174	23,088	933,262	27,028	960,290	22,749	983,039

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Others in the above table include construction, housing materials, the manufacturing of foamed-resin products, processing of agricultural and marine products, operations of gas stations, software development and network design that were not included in reportable segments.

The adjustments of segment income (loss) in the amount of ¥(551) million (\$ (4,125) thousand) and ¥(101) million for the years ended March 31, 2023 and 2022, respectively, are eliminations of intersegment transactions and expenses that could not be allocated to the business segments. Segment income (loss) is reconciled to operating income in the consolidated statement of income.

The adjustments of segment assets in the amount of ¥283,628 million (\$2,123,918 thousand) and ¥194,706 million for the years ended March 31, 2023 and 2022, respectively, are corporate assets that could not be allocated to the business segments.

The adjustments of depreciation in the amount of ¥1,378 million (\$10,313 thousand) and ¥2,068 million for the years ended March 31, 2023 and 2022, respectively, are depreciation from corporate assets that could not be allocated to the business segments.

The adjustments of increase in property, plant and equipment and intangible assets in the amount of ¥3,038 million (\$22,749 thousand) and ¥2,770 million for the years ended March 31, 2023 and 2022, respectively, are mainly amounts of corporate assets that could not be allocated to the business segments.

Related information

Geographical information

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2023 and 2022 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Japan	¥ 99,828	¥ 91,994	\$ 747,552
Asia (excluding Japan)	214,867	233,905	1,609,011
North America	62,143	36,169	465,354
Europe	26,339	32,785	197,237
Others	14,372	6,286	107,617
Consolidated	¥ 417,549	¥ 401,139	\$ 3,126,771

Net sales are categorized by country or geographic area based on the location of the customer.

Sales in Malaysia and China belonging to the Asia area were ¥90,835 million (\$680,208 thousand) and ¥51,693 million (\$387,094 thousand), and sales in the USA belonging to the North America area was ¥57,597 million (\$431,306 thousand) for the year ended March 31, 2023.

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Sales in Malaysia, China and Vietnam belonging to the Asia area were ¥85,895 million, ¥55,196 million and ¥50,962 million for the year ended March 31, 2022.

Property, plant and equipment by country or geographical area at March 31, 2023 and 2022 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2023	2022	2023
Japan	¥ 184,382	¥ 129,711	\$ 1,380,727
Asia (excluding Japan)	95,673	67,662	716,438
North America	4,149	3,760	31,067
Europe	22,763	24,788	170,458
Consolidated	¥ 306,967	¥ 225,921	\$ 2,298,690

Property, plant and equipment in the Philippines belonging to the Asia area was ¥50,357 million (\$377,094 thousand) for the year ended March 31, 2023.

Property, plant and equipment in the Philippines belonging to the Asia area and Hungary belonging to the Europe area were ¥35,157 million and ¥24,424 million for the year ended March 31, 2022.

Major customer information

Sales to major customers for the years ended March 31, 2023 and 2022 were as follows:

Customer Name	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2023	
Intel Corp.	¥ 150,882	\$ 1,129,867
Advanced Micro Devices Inc.	50,526	378,359
	<i>Millions of yen</i>	
Customer Name	2022	
Intel Corp.	¥ 173,638	

Amortization amount and remaining balance of goodwill

The amortization amount and remaining balance of goodwill by reportable segment for the years ended and as of March 31, 2023 and 2022 were as follows:

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<i>Millions of yen</i>							
2023							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Goodwill:							
Amortization amount	¥ –	¥ 100	¥ 100	¥ –	¥ 100	¥ –	¥ 100
Remaining balance	–	283	283	–	283	–	283

<i>Millions of yen</i>							
2022							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Goodwill:							
Amortization amount	¥ –	¥ 93	¥ 93	¥ –	¥ 93	¥ –	¥ 93
Remaining balance	–	363	363	–	363	–	363

<i>Thousands of U.S. dollars</i>							
2023							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Goodwill:							
Amortization amount	\$ –	\$ 750	\$ 750	\$ –	\$ 750	\$ –	\$ 750
Remaining balance	–	2,121	2,121	–	2,121	–	2,121

Loss on impairment of fixed assets

Loss on impairment of fixed assets by reportable segment for the years ended March 31, 2023 and 2022 were as follows:

<i>Millions of yen</i>							
2023							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 844	¥ 844

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<i>Millions of yen</i>							
2022							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,219	¥ 1,219

<i>Thousands of U.S. dollars</i>							
2023							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Loss on impairment of fixed assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,319	\$ 6,319

26. Subsequent Events

Cash dividends

The following distribution of retained earnings of the Company which was not reflected in the accompanying consolidated financial statements for the year ended March 31, 2023 was approved at a meeting of the Board of Directors held on May 15, 2023:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends (¥20 (\$0.15) per share)	¥ 2,798	\$ 20,952

The total amount of dividends includes dividends of ¥5 million (\$37 thousand) to the shares of treasury stock of the Company (for the share-based compensation plan for directors and share-based compensation plan for employees) held by the trust account of Custody Bank of Japan, Ltd.

Transfer of shares of consolidated subsidiary

The Company transferred all shares of IBIDEN Electronics (Beijing) Co., Ltd. (hereinafter IEB), a consolidated subsidiary, to Guangzhou Fastprint Investment Co., Ltd., and IEB was excluded from the scope of consolidated subsidiaries due to the transfer of shares.

Reason for transfer of shares

IEB, a consolidated subsidiary of IBIDEN, has been manufacturing Printed Wiring Board in the electronics segment since its establishment in December 2000. From the perspective of selection and concentration, the Company resolved to transfer all shares of IEB to a third party.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Percentage of equity interest transferred and status of ownership before and after the transfer

Before transfer	100%
Transfer ratio	100%
After transfer	0%

Impact on the consolidated financial results

Gain on sale was recorded in the amount of ¥3,067 million (\$22,967 thousand) for the first quarter ended March 31, 2024.



Independent auditor's report

To the Board of Directors of IBIDEN CO., LTD.:

Opinion

We have audited the accompanying consolidated financial statements of IBIDEN CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of the accounting treatment for acquisitions of property, plant and equipment as part of the large-scale capital investments in the Electronics Operation

The key audit matter	How the matter was addressed in our audit
During the current fiscal year, IBIDEN CO., LTD. (the “Company”) made capital investments totalling ¥89,755 million mainly for production facilities and equipment in the Electronics Operation. This amount accounted for 10.5% of total assets in the consolidated financial statements for the current fiscal year.	The primary procedures we performed to assess the accuracy of the accounting treatment for acquisitions of property, plant and equipment as part of the large-scale capital investments in the Electronics Operation of the Company included the following: (1) Internal control testing

The amount of assets that were transferred from construction in progress to the respective accounts within property, plant and equipment for the current fiscal year was ¥29,292 million.

Capital investments are transferred to the respective accounts within property, plant and equipment, such as machinery and equipment, and depreciation of those assets starts when they are placed in service.

As a result of aggressive capital investments in the Electronics Operation, the transaction volume and amount have increased.

Accordingly, inaccurate accounting treatment for capital investments, including the amount recognized, the timing of recognition, the account used, and the timing of when depreciation of the acquired assets starts, could have a significant effect on the consolidated financial statements.

We, therefore, determined that our assessment of the accuracy of the accounting treatment for acquisitions of property, plant and equipment as part of the large-scale capital investments in the Electronics Operation of the Company was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the transactions to acquisitions of property, plant and equipment. In the assessment, we focused our testing on controls to ensure the accuracy of the amount recognized, the timing of recognition, the account used, and the timing of when depreciation of the acquired assets starts.

(2) Assessment of the accuracy of the amount recognized, the timing of recognition, the account used, and the timing of when depreciation of the acquired assets started

- We inspected the materials used to manage the progress of the large-scale capital investments in the Electronics Operation and compared the investment plans with actual amounts recognized and the timing of recognition to identify any discrepancies;
- We compared a selection of the recorded acquisitions of property, plant and equipment with purchase orders, delivery forms, installation certificates, and other documents evidencing the acquisition transactions; and
- We assessed whether the account used, the acquisition cost, and the timing of when depreciation started were accurately registered within the basic information used for the depreciation calculation of the acquired assets, by comparing the information with the relevant list of assets to be recognized, which was used as the approval form on the account used, the acquisition cost, and the date on which the asset was placed into service.

Other Information

The other information comprises the information included in the Annual Report but does not include the consolidated financial statements, the financial statements, and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Management is responsible for the other information. Audit and Supervisory Committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

Responsibilities of Management and Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

Audit and Supervisory Committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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 6 to the consolidated financial statements.

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

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

Tetsuya Nakamura
Designated Engagement Partner
Certified Public Accountant

Akihiro Sugiura
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Nagoya Office, Japan
August 31, 2023

Notes to the Reader of Independent Auditor's Report:

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



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