



IBIDEN Co.,Ltd.
Financial Review 2019
Year Ended March 31, 2019



Consolidated Financial Statements

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

*Year Ended March 31, 2019
with Independent Auditor's Report*

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements

Year Ended March 31, 2019

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IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2019	2018	2019
Assets			
Current assets:			
Cash and deposits (<i>Notes 7 and 22</i>)	¥ 113,493	¥ 117,760	\$ 1,022,459
Notes and accounts receivable (<i>Note 7</i>):			
Trade	60,278	62,236	543,048
Other	2,483	2,464	22,366
Allowance for doubtful accounts	(98)	(102)	(884)
Inventories:			
Merchandise and finished goods	17,794	12,839	160,303
Work in process	11,358	9,922	102,323
Raw materials and supplies	19,619	17,251	176,749
Other current assets	4,046	3,965	36,450
Total current assets	<u>228,973</u>	<u>226,335</u>	<u>2,062,814</u>
 Property, plant and equipment:			
Land (<i>Note 17</i>)	19,962	19,831	179,841
Buildings and structures (<i>Note 15</i>)	186,286	184,443	1,678,246
Machinery and equipment (<i>Note 15</i>)	458,242	449,392	4,128,310
Leased assets	262	733	2,361
Construction in progress (<i>Note 15</i>)	13,342	10,707	120,200
	<u>678,094</u>	<u>665,106</u>	<u>6,108,958</u>
Accumulated depreciation	(531,384)	(513,797)	(4,787,243)
Property, plant and equipment, net	<u>146,710</u>	<u>151,309</u>	<u>1,321,715</u>
 Investments and other assets:			
Investment securities (<i>Notes 7, 8 and 10</i>):			
Unconsolidated subsidiaries and affiliates	33	33	300
Other	39,110	51,922	352,339
Long-term loans receivable	9	11	85
Deferred income taxes (<i>Notes 4 and 13</i>)	2,916	1,842	26,266
Other assets	5,568	5,241	50,162
Allowance for doubtful accounts	(262)	(268)	(2,359)
Total investments and other assets	<u>47,374</u>	<u>58,781</u>	<u>426,793</u>
Total assets (<i>Note 24</i>)	<u>¥ 423,057</u>	<u>¥ 436,425</u>	<u>\$ 3,811,322</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2019	2018	2019
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (<i>Notes 7 and 9</i>)	¥ 45,030	¥ 20,006	\$ 405,676
Notes and accounts payable (<i>Notes 7 and 10</i>):			
Trade	37,310	37,347	336,129
Other	12,982	15,718	116,954
Lease obligations (<i>Note 11</i>)	141	109	1,271
Accrued expenses	6,187	6,605	55,736
Income taxes payable (<i>Note 13</i>)	2,259	4,092	20,348
Accrued bonuses for employees	3,439	3,829	30,980
Accrued bonuses for directors and audit and supervisory board members	89	90	802
Provision for loss on liquidation of subsidiaries and affiliates	4,865	-	43,829
Other current liabilities	5,781	5,684	52,087
Total current liabilities	118,083	93,480	1,063,812
Long-term liabilities:			
Long-term debt (<i>Notes 7 and 9</i>)	25,000	50,000	225,225
Lease obligations (<i>Note 11</i>)	44	79	396
Liability for retirement benefits (<i>Note 12</i>)	672	525	6,054
Provision for share based compensation (<i>Note 5</i>)	180	75	1,619
Deferred income taxes (<i>Notes 4 and 13</i>)	1,974	4,507	17,784
Other long-term liabilities	799	1,391	7,193
Total long-term liabilities	28,669	56,577	258,271
Net assets:			
Shareholders' equity (<i>Note 14</i>):			
Common stock:			
Authorized – 230,000,000 shares			
Issued – 140,860,557 shares in 2019 and 2018	64,152	64,152	577,952
Capital surplus	64,579	64,579	581,797
Retained earnings	122,145	123,736	1,100,402
Less treasury stock, at cost	(2,602)	(2,609)	(23,444)
Total shareholders' equity	248,274	249,858	2,236,707
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	12,415	20,247	111,852
Deferred gain on hedges (<i>Note 23</i>)	-	77	-
Surplus arising from land revaluation (<i>Note 17</i>)	160	160	1,443
Translation adjustments	10,013	10,856	90,203
Total accumulated other comprehensive income	22,588	31,340	203,498
Non-controlling interests (<i>Note 20</i>)	5,443	5,170	49,034
Total net assets (<i>Note 20</i>)	276,305	286,368	2,489,239
Total liabilities and net assets	¥ 423,057	¥ 436,425	\$ 3,811,322

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income

Year Ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2019	2018	2019
Net sales <i>(Note 24)</i>	¥291,126	¥300,404	\$ 2,622,753
Cost of sales	232,806	234,517	2,097,350
Gross profit	58,320	65,887	525,403
Selling, general and administrative expenses <i>(Note 18)</i>	48,182	49,185	434,072
Operating income <i>(Note 24)</i>	10,138	16,702	91,331
Other income (expenses):			
Interest and dividend income	1,342	1,390	12,088
Interest expense	(159)	(147)	(1,428)
Gain on sales of investment securities <i>(Note 8)</i>	4,667	60	42,042
Other, net <i>(Notes 15, 16 and 19)</i>	(6,661)	545	(60,009)
Profit before income taxes	9,327	18,550	84,024
Income taxes <i>(Note 13)</i> :			
Current	(6,509)	(7,399)	(58,633)
Deferred	755	703	6,802
	(5,754)	(6,696)	(51,831)
Profit	3,573	11,854	32,193
Profit attributable to:			
Non-controlling interests	(267)	(271)	(2,406)
Owners of parent <i>(Note 20)</i>	¥ 3,306	¥ 11,583	\$ 29,787

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2019	2018	2019
Profit	¥ 3,573	¥ 11,854	\$ 32,193
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on other securities	(7,827)	4,291	(70,515)
Deferred gain on hedges	(77)	(563)	(693)
Translation adjustments	(826)	2,572	(7,447)
Total other comprehensive income (loss) <i>(Note 21)</i>	(8,730)	6,300	(78,655)
Comprehensive income (loss)	¥ (5,157)	¥ 18,154	\$ (46,462)
Comprehensive income (loss) attributable to:			
Owners of parent	¥ (5,445)	¥ 17,926	\$ (49,057)
Non-controlling interests	288	228	2,595

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2019

<i>Millions of yen</i>											
	Number of shares issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on other securities	Deferred gain (loss) on hedges	Surplus arising from land revaluation	Translation adjustments	Non- controlling interests	Total net assets
Balance at March 31, 2017	140,861	64,152	64,579	121,092	(18,306)	15,987	640	160	8,211	4,425	260,940
Cash dividends	—	—	—	(4,760)	—	—	—	—	—	—	(4,760)
Profit attributable to owners of parent	—	—	—	11,583	—	—	—	—	—	—	11,583
Purchases of treasury stock	—	—	—	—	(363)	—	—	—	—	—	(363)
Retirement of treasury stock	—	—	—	(4,059)	16,060	—	—	—	—	—	12,001
Change in scope of consolidation	—	—	—	(120)	—	—	—	—	—	—	(120)
Other changes	—	—	—	—	—	4,260	(563)	—	2,645	745	7,087
Balance at March 31, 2018	140,861	¥ 64,152	¥ 64,579	¥ 123,736	¥ (2,609)	¥ 20,247	¥ 77	¥ 160	¥ 10,856	¥ 5,170	¥ 286,368
Cash dividends	—	—	—	(4,896)	—	—	—	—	—	—	(4,896)
Profit attributable to owners of parent	—	—	—	3,306	—	—	—	—	—	—	3,306
Purchases of treasury stock	—	—	—	—	(3)	—	—	—	—	—	(3)
Retirement of treasury stock	—	—	—	(1)	10	—	—	—	—	—	9
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	—	(7,832)	(77)	—	(843)	273	(8,479)
Balance at March 31, 2019	140,861	¥ 64,152	¥ 64,579	¥ 122,145	¥ (2,602)	¥ 12,415	¥ —	¥ 160	¥ 10,013	¥ 5,443	¥ 276,305

	Thousands of U.S. dollars (Note 6)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on other securities	Deferred gain (loss) on hedges	Surplus arising from land revaluation	Translation adjustments	Non- controlling interests	Total net assets
Balance at March 31, 2018	\$ 577,952	\$ 581,797	\$ 1,114,731	\$ (23,507)	\$182,410	\$ 694	\$1,443	\$ 97,796	\$46,575	\$ 2,579,891
Cash dividends	—	—	(44,114)	—	—	—	—	—	—	(44,114)
Profit attributable to owners of parent	—	—	29,787	—	—	—	—	—	—	29,787
Purchases of treasury stock	—	—	—	(24)	—	—	—	—	—	(24)
Retirement of treasury stock	—	—	(2)	87	—	—	—	—	—	85
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	(70,558)	(694)	—	(7,593)	2,459	(76,386)
Balance at March 31, 2019	\$ 577,952	\$ 581,797	\$ 1,100,402	\$ (23,444)	\$111,852	\$ —	\$1,443	\$ 90,203	\$49,034	\$2,489,239

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2019	2018	2019
Operating activities			
Profit before income taxes	¥ 9,327	¥ 18,550	\$ 84,024
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	25,136	24,567	226,453
Loss on impairment of fixed assets	330	244	2,974
Amortization of goodwill	-	237	-
Reversal for accrued bonuses for employees	(389)	437	(3,509)
Reversal for accrued bonuses for directors	(1)	90	(9)
Reversal of allowance for doubtful accounts	(10)	(197)	(91)
Increase (decrease) in liability for retirement benefits	56	(4)	503
Interest and dividend income	(1,342)	(1,390)	(12,088)
Interest expense	159	147	1,428
Share of profit of entities accounted for using equity method	(1)	(3)	(13)
Gain on sales of property and equipment	(51)	(89)	(455)
Loss on disposal of property and equipment and other assets	916	1,698	8,253
Gain on sales of investment securities	(4,667)	(54)	(42,042)
Loss on liquidation of subsidiaries and affiliates	5,288	-	47,639
Decrease (increase) in notes and accounts receivable, trade	1,197	(3,402)	10,788
Decrease (increase) in inventories	(9,018)	(5,844)	(81,246)
Increase (decrease) in notes and accounts payable	875	6,439	7,886
Increase (decrease) in accrued expenses	(386)	538	(3,480)
Other, net	(1,520)	(12,436)	(13,693)
Subtotal	25,899	29,528	233,322
Interest and dividends received	1,370	1,367	12,346
Interest paid	(158)	(147)	(1,428)
Income taxes paid	(8,555)	(3,708)	(77,072)
Net cash provided by operating activities	¥ 18,556	¥ 27,040	\$ 167,168

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year Ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 6)</i>
	2019	2018	2019
Investing activities			
Purchases of property and equipment	¥ (23,438)	¥ (18,768)	\$ (211,157)
Proceeds from sales of property and equipment	147	277	1,325
Purchases of intangible assets	(1,174)	(408)	(10,578)
Purchases of investment securities	(281)	(2,558)	(2,527)
Proceeds from sales of investment securities	6,873	165	61,919
Long-term loans receivable made	-	(11)	-
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(88)	-	(793)
Collection of long-term loans receivable	0	17	2
Other, net	(75)	(17)	(681)
Net cash used in investing activities	(18,036)	(21,303)	(162,490)
Financing activities			
Increase in long-term debt	30	—	270
Repayment of long-term debt	(6)	(57)	(52)
Purchases of treasury stock	(3)	(363)	(23)
Proceeds from sales of treasury stock	10	12,000	85
Cash dividends paid to non-controlling interests	(15)	(20)	(132)
Cash dividends paid	(4,896)	(4,760)	(44,114)
Repayments of lease obligations	(46)	(75)	(414)
Net cash (used in) provided by financing activities	(4,926)	6,725	(44,380)
Effect of exchange rate changes on cash and cash equivalents	139	490	1,258
Increase (decrease) in cash and cash equivalents	(4,267)	12,952	(38,444)
Cash and cash equivalents at beginning of year	117,760	104,102	1,060,903
Increase in cash and cash equivalents from newly consolidated subsidiary	-	706	-
Cash and cash equivalents at end of year (Note 22)	¥ 113,493	¥ 117,760	\$ 1,022,459

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2019

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 39 and 37 significant consolidated subsidiaries for the years ended March 31, 2019 and 2018, respectively.

For the year ended March 31, 2019, 2 subsidiaries that were not consolidated for the year ended March 31, 2018 have been consolidated. Ibiden Oasis Co., Ltd. has been included in the scope of consolidation from the year ended March 31, 2019 due to its establishment and CERAM Liegenschaftsverwaltung GmbH has been included in the scope of consolidation from the year ended March 31, 2019 due to an acquisition of additional investments in capital.

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, 2019 and 2018.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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.

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, September 14, 2018 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(s) Revenues and related costs

Revenues and the related costs and expenses, except for those from construction contracts, are generally recognized on sales of products at the time of shipment. The Company recognizes revenue by applying the percentage-of-completion method for construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects for which the outcome cannot be reliably measured, the completed contract method is applied.

(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 25.)

3. Standards and Guidance Not Yet Adopted

Revenue Recognition

The following standard and guidance were issued but not yet adopted.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(Overview)

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Standards and Guidance Not Yet Adopted (continued)

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(Effective date)

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

(Effects of the application of the standards)

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

4. Changes in Presentation Method

(Changes due to adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

Upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (hereinafter, “Statement No. 28”)) from the beginning of the current fiscal year, the Company and its subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of ‘investments and other assets’ and ‘long-term liabilities’, respectively.

As a result, deferred tax assets of ¥956 million classified as “current assets” and deferred tax liabilities of ¥238 million classified as “long-term liabilities” have been included in deferred tax assets in “investments and other assets”, and deferred tax assets of ¥1,432 million classified as “current assets” and deferred tax liabilities of ¥10 million classified as “current liabilities” have been included in deferred tax liabilities classified as “long-term liabilities” in the balance sheet as of the end of the previous fiscal year.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of “Accounting Standard for Tax Effect Accounting”, which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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 directors (excluding outside directors and directors who are members of the audit and supervisory committee) and managing officers (hereinafter in this section “directors, etc.”) and introduced the plan.

(Outline of the plan)

The plan is a share based compensation plan in which the Company will grant points to directors 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 ¥350 million (\$3,153 thousand) and 181 thousand shares and ¥360 million and 186 thousand shares as of the year ended March 31, 2019 and 2018, 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) and managing officers

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 ¥111.00 to U.S. \$1.00, the rate of exchange prevailing on March 31, 2019. 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Financial Instruments

Status of financial instruments

The Company and its consolidated subsidiaries (collectively, 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, 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 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 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Financial Instruments (continued)

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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Financial Instruments (continued)

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, 2019 and 2018 are summarized in the table below. Financial instruments for which it was extremely difficult to determine the fair value were not included in the following table.

	2019		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
<u>Assets:</u>			
Cash and deposits	¥ 113,493	¥ 113,493	¥ –
Notes and accounts receivable-trade	60,278	60,278	–
Investment securities	38,513	38,513	–
Total assets	<u>¥ 212,284</u>	<u>¥ 212,284</u>	<u>¥ –</u>
<u>Liabilities:</u>			
Short-term borrowings	¥ 20,030	¥ 20,030	¥ –
Notes and accounts payable-trade	37,310	37,310	–
Notes and accounts payable-other	12,982	12,982	–
Long-term debt, including current portion of long-term debt	50,000	49,987	(13)
Total liabilities	<u>120,322</u>	<u>120,309</u>	<u>(13)</u>
Derivative transactions (*)	¥ 54	¥ 54	¥ –

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Financial Instruments (continued)

	2018		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Cash and deposits	¥ 117,760	¥ 117,760	¥ –
Notes and accounts receivable-trade	62,236	62,236	–
Investment securities	51,198	51,198	–
Total assets	<u>¥ 231,194</u>	<u>¥ 231,194</u>	<u>¥ –</u>
Liabilities:			
Short-term borrowings	¥ 20,000	¥ 20,000	¥ –
Notes and accounts payable-trade	37,347	37,347	–
Notes and accounts payable-other	15,718	15,718	–
Long-term debt, including current portion of long-term debt	50,006	50,001	(5)
Total liabilities	<u>123,071</u>	<u>123,066</u>	<u>(5)</u>
Derivative transactions (*)	¥ 281	¥ 281	¥ –
	2019		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Cash and deposits	\$ 1,022,459	\$ 1,022,459	\$ –
Notes and accounts receivable-trade	543,048	543,048	–
Investment securities	346,961	346,961	–
Total assets	<u>\$ 1,912,468</u>	<u>\$ 1,912,468</u>	<u>\$ –</u>
Liabilities:			
Short-term borrowings	\$ 180,451	\$ 180,451	\$ –
Notes and accounts payable-trade	336,129	336,129	–
Notes and accounts payable-other	116,954	116,954	–
Long-term debt, including current portion of long-term debt	450,450	450,332	(118)
Total liabilities	<u>1,083,984</u>	<u>1,083,866</u>	<u>(118)</u>
Derivative transactions (*)	\$ 486	\$ 486	\$ –

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Financial Instruments (continued)

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 approximates fair value because these items are 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 and notes and accounts payable-trade, trade and other 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 financial instruments for which it was extremely difficult to determine the fair value at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Unlisted equity securities	¥ 630	¥ 757	\$ 5,678

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Financial Instruments (continued)

The redemption schedule for monetary assets at March 31, 2019 and 2018 was as follows:

2019				
	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	¥ 113,493	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	60,278	–	–	–
Total (*)	¥ 173,771	¥ –	¥ –	¥ –
2018				
	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	¥ 117,760	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	62,236	–	–	–
Total	¥ 179,996	¥ –	¥ –	¥ –
2019				
	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	\$ 1,022,459	\$ –	\$ –	\$ –
Notes and accounts receivable-trade	543,048	–	–	–
Total (*)	\$ 1,565,507	\$ –	\$ –	\$ –

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Investment Securities

- (a) Marketable securities classified as other securities at March 31, 2019 and 2018 were summarized as follows:

	2019		
	Acquisition cost	Market value reflected in the balance sheet (Millions of yen)	Difference
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	¥ 15,275	¥ 34,610	¥ 19,335
Other	—	—	—
Subtotal	15,275	34,610	19,335
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	5,123	3,903	(1,220)
Other	—	—	—
Subtotal	5,123	3,903	(1,220)
Total	¥ 20,398	¥ 38,513	¥ 18,115

	2018		
	Acquisition cost	Market value reflected in the balance sheet (Millions of yen)	Difference
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	¥ 19,230	¥ 48,461	¥ 29,231
Other	—	—	—
Subtotal	19,230	48,461	29,231
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	3,333	2,737	(596)
Other	—	—	—
Subtotal	3,333	2,737	(596)
Total	¥ 22,563	¥ 51,198	¥ 28,635

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Investment Securities (continued)

	2019		
	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	\$ 137,613	\$ 311,805	\$ 174,192
Other	—	—	—
Subtotal	137,613	311,805	174,192
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	46,150	35,156	(10,994)
Other	—	—	—
Subtotal	46,150	35,156	(10,994)
Total	\$ 183,763	\$ 346,961	\$ 163,198

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 were recorded due to other-than-temporary impairment in the amount of ¥ 347million (\$3,127thousand) for the year ended March 31, 2019.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Investment Securities (continued)

- (b) The proceeds from sales of and gross realized gain and loss on other securities for the years ended March 31, 2019 and 2018 were summarized as follows:

	2019		
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 6,873	¥ 4,667	¥ –
Total	¥ 6,873	¥ 4,667	¥ –

	2018		
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 166	¥ 60	¥ 6
Total	¥ 166	¥ 60	¥ 6

	2019		
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Thousands of U.S. dollars)</i>		
Equity securities	\$ 61,919	\$ 42,042	\$ –
Total	\$ 61,919	\$ 42,042	\$ –

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and the current portion of long-term debt at March 31, 2019 and 2018 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Short-term borrowings	¥ 20,030	¥ 20,000	\$ 180,451
Bonds in yen due April 2019 at rate of 0.294%	25,000	-	225,225
Current portion of long-term debt	-	6	-
	¥ 45,030	¥ 20,006	\$ 405,676

The weighted average annual interest rates applicable to short-term borrowings outstanding at March 31, 2019 and 2018 were 0.16% and 0.15%, respectively..

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Debt without collateral:			
Loans from banks due April 2017 through October 2020 at average interest rates of 0.20% and 0.20% per annum at March 31, 2018 and 2017, respectively	¥ 10,000	¥ 10,006	\$ 90,090
Bonds in yen due April 2019 at rate of 0.294%	25,000	25,000	225,225
Bonds in yen due August 2021 at rate of 0.120%	15,000	15,000	135,135
Subtotal	¥ 50,000	¥ 50,006	\$ 450,450
Less current portion	(25,000)	(6)	(225,225)
	¥ 25,000	¥ 50,000	\$ 225,225

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 were summarized as follows:

<i>Year ending March 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2020	25,000	225,225
2021	10,000	90,090
2022	15,000	135,135
2023	-	-
2024 and thereafter	-	-
	¥ 50,000	\$ 450,450

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Assets Pledged as Collateral

Assets pledged as collateral for accounts payable of ¥140 million (\$1,265 thousand) and ¥61 million at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Investment securities	¥ 16	¥ 13	\$ 144

11. Lease Obligations

The aggregate annual maturities of lease obligations subsequent to March 31, 2019 were summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2020	141	1,271
2021	24	211
2022	11	103
2023	6	58
2024 and thereafter	3	24
	<u>¥ 185</u>	<u>\$ 1,667</u>

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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, 2019 and 2018 were summarized as follows (excluding retirement benefit obligations based on the simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Retirement benefit obligation at the beginning of the year	¥ 497	¥ 460	\$ 4,480
Service cost	25	26	226
Interest cost	9	9	82
Foreign currency translation differences	(24)	42	(219)
Actuarial differences	(8)	(40)	(73)
Retirement benefit obligation at the end of the year	¥ 499	¥ 497	\$ 4,496

Changes in the retirement benefit obligation under the simplified method for the years ended March 31, 2019 and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Retirement benefit obligation at the beginning of the year	¥ 28	¥ 9	\$ 250
Service cost	83	6	749
Benefits paid	(0)	(5)	(3)
Change in scope of consolidation	62	18	562
Retirement benefit obligation at the end of the year	¥ 173	¥ 28	\$ 1,558

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Retirement Benefits (continued)

Balance of retirement benefit obligation and plan assets at fair value at March 31, 2019 and 2018 and liabilities recognized in the consolidated balance sheet at March 31, 2019 and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Unfunded retirement benefit obligation*	¥ 672	¥ 525	\$ 6,054
Net amount of liabilities and assets recognized in consolidated balance sheet	672	525	6,054
Liability for retirement benefits	672	525	6,054
Asset for retirement benefits	—	—	—
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 672	¥ 525	\$ 6,054

* 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, 2019 and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Service cost	¥ 108	¥ 32	\$ 975
Interest cost	9	9	82
Amortization of actuarial loss	(8)	(40)	(73)
Retirement benefit expenses	¥ 109	¥ 1	\$ 984

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

	2019	2018
Discount rates	1.8-2.0%	2.1-2.3%
Rate of salary increase	1.8-3.9%	1.7-4.2%

Required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,559 million (\$14,045 thousand) and ¥1,543 million for the years ended March 31, 2019 and 2018, respectively.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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% and 30.1% for the year ended March 31, 2019 and 2018. 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, 2019 and 2018 differed from the statutory tax rate for the following reasons:

	<u>2019</u>	<u>2018</u>
Statutory tax rate	29.9 %	30.1 %
Effect of:		
Tax effect of retained earnings in overseas consolidated subsidiaries	6.5	3.8
Permanently nondeductible expenses	0.9	0.4
Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries	(8.1)	(5.6)
Tax credits	(7.9)	(5.4)
Valuation allowance	(10.7)	(0.6)
Loss and others at subsidiaries	54.1	11.2
Permanently nontaxable dividends received	(0.7)	(0.3)
Other, net	(2.3)	2.5
Effective tax rate	<u>61.7 %</u>	<u>36.1 %</u>

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Income Taxes (continued)

The significant components of deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Deferred tax assets:			
Depreciation	¥ 4,577	¥ 4,483	\$ 41,240
Carryforward tax loss	555	624	5,001
Accrued bonuses	1,066	1,169	9,604
Intercompany profit on sales of property, plant and equipment	529	543	4,764
Loss on devaluation of investment securities	326	636	2,936
Loss on devaluation of inventories	463	355	4,170
Loss on impairment of fixed assets	723	759	6,510
Other	1,798	2,027	16,198
Gross deferred tax assets	10,037	10,596	90,423
Valuation allowance of carryforward tax loss *	(499)	-	(4,496)
Valuation allowance of deductible temporary difference and others	(1,880)	-	(16,940)
Less valuation allowance	(2,379)	(3,373)	(21,436)
Total deferred tax assets	7,658	7,223	68,987
Deferred tax liabilities:			
Reserve for depreciation for tax purposes	(35)	(38)	(316)
Tax effect of retained earnings in overseas consolidated subsidiaries	(540)	(540)	(4,868)
Net unrealized gain on land revaluation resulting from inclusion of a subsidiary in consolidation	(718)	(1,154)	(6,468)
Net unrealized holding gain on other securities	(5,423)	(8,123)	(48,853)
Deferred loss on hedges	-	(33)	-
Total deferred tax liabilities	(6,716)	(9,888)	(60,505)
Net deferred tax assets (liabilities)	¥ 942	¥ (2,665)	\$ 8,482

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Income Taxes (continued)

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

<i>Millions of yen</i>							
2019							
	2020	2021	2022	2023	2024	2025 thereafter	Total
Carryforward tax loss (a)	275	165	81	34	-	-	555
Valuation reserve	219	165	81	34	-	-	499
Net deferred tax assets	56	-	-	-	-	-	56

<i>Thousands of U.S. dollars</i>							
2019							
	2020	2021	2022	2023	2024	2025 thereafter	Total
Carryforward tax loss (a)	2,479	1,491	730	302	-	-	5,002
Valuation reserve	1,973	1,491	730	302	-	-	4,496
Net deferred tax assets	506	-	-	-	-	-	506

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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, 2019 and 2018 amounted to ¥3,548 million (\$31,969 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, 2019 and 2018 were summarized as follows:

		Number of shares			
		2019			
		March 31, 2018	Increase	Decrease	March 31, 2019
Treasury stock:					
Common stock		1,142,070	1,622	4,923	1,138,769

		Number of shares			
		2018			
		March 31, 2017	Increase	Decrease	March 31, 2018
Treasury stock:					
Common stock		7,780,695	187,489	6,826,114	1,142,070

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Shareholders' Equity (continued)

The number of shares of treasury stock at March 31, 2019 and 2018, respectively, includes 181 thousand shares and 186 thousand shares entrusted for the share based compensation for directors held by the trust account of Japan Trustee Services Bank, Ltd.

15. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the year ended March 31, 2019 was summarized as follows:

Location	Classification	Description	2019	
			<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Ogaki City, Gifu Prefecture	Construction in progress	Idle	¥ 258	\$ 2,325
Courtenay, France	Machinery and equipment	Idle	72	649
Courtenay, France	Buildings and structures	Production facilities	280	2,523

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 ¥330 million (\$2,974 thousand) for the year ended March 31, 2019 was recorded as impairment loss. With the dissolution of a subsidiary, the carrying values of the related production facilities were reduced to recoverable amounts, and a decrease in the amount of ¥280 million (\$2,523 thousand) for the year ended March 31, 2019 was recorded as loss on liquidation of subsidiaries and affiliates. The recoverable amounts were measured at estimated net selling value, and the carrying values of the buildings and structures were reduced to values based on real estate appraisal reports, and the carrying values of idle assets were reduced to ¥1 (\$0.01) for the year ended March 31, 2019.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Loss on Impairment of Fixed Assets (continued)

Loss on impairment of fixed assets for the year ended March 31, 2018 was summarized as follows:

Location	Classification	Description	2018 <i>Millions of yen</i>
Ogaki City, Gifu Prefecture	Machinery and equipment	Idle	¥ 12
Ogaki City, Gifu Prefecture	Buildings and structures	Idle	7
Ibigawa Town, Gifu Prefecture	Construction in progress	Idle	6
Ogaki City, Gifu Prefecture	Machinery and equipment	Idle	0
Takashima City, Shiga Prefecture	Others	Idle	1
Batangas, Republic of Philippines	Machinery and equipment	Idle	23
Courtenay, France	Machinery and equipment	Idle	100
Courtenay, France	Construction in progress	Idle	34
Frauental, Austria	Construction in progress	Idle	61

In general, fixed assets are grouped based on business segment. Although there are no indications of impairment in the business segments, indications of impairment of idle assets are individually determined. The carrying values of idle assets were reduced to recoverable amounts, and a decrease in the amount of ¥244 million (\$2,297 thousand) for the year ended March 31, 2018 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, 2018.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Loss on Liquidation of Subsidiaries and Affiliates

The details of loss on liquidation of subsidiaries and affiliates for the year ended March 31, 2019 was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2019	
Impairment loss on fixed assets for the dissolution of subsidiary	¥ 280	\$ 2,523
Expenses of dissolution of subsidiary	5,680	51,169
Loss on devaluation of inventories	578	5,209

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, 2019, the fair value of this land was ¥254 million (\$2,290 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, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Salaries	¥ 10,481	¥ 10,417	\$ 94,420
Provision for employees’ bonuses	1,014	1,069	9,139
Provision for directors’ bonuses	89	90	802
Provision for employees’ retirement benefit expenses	252	209	2,268
Provision for share compensation expenses	114	71	1,026
Research and development costs	14,753	15,369	132,912
Other	21,479	21,960	193,505
Total	¥ 48,182	¥ 49,185	\$ 434,072

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Other Income (Expenses)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Loss on sales of investment securities	¥ –	¥ (6)	\$ –
Loss on sales and disposals of property, plant and equipment, net	(865)	(1,609)	(7,798)
Loss on impairment of fixed assets	(330)	(244)	(2,974)
Foreign exchange gain (loss), net	419	(476)	3,776
Gain on bargain purchases	88	–	791
Gain on step acquisitions	161	–	1,455
Share of profit of entities accounted for using equity method	1	3	13
Share issuance cost	–	(80)	–
Compensation income	854	–	7,696
Compensation expenses	(370)	–	(3,329)
Loss on disaster	(69)	(180)	(623)
Loss on devaluation of securities	(347)	–	(3,127)
Reversal of provision for business structure reform expenses	–	2,877	–
Loss on liquidation of subsidiaries and affiliates	(6,538)	–	(58,901)
Other, net	335	260	3,012
Total	¥ (6,661)	¥ 545	\$ (60,009)

20. Amounts Per Share

	<i>Yen</i>		<i>U.S. dollars</i>
	2019	2018	2019
Basic profit attributable to owners of parent	¥ 23.66	¥ 83.21	\$ 0.21
Net assets	1,938.59	2,012.60	17.46
Cash dividends applicable to the year	35.00	35.00	0.32

Basic profit attributable to the owners of the parent per share for the years ended March 31, 2019 and 2018 was 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, 2019 and 2018 is not disclosed as the Company had no potentially dilutive common shares for the years ended March 31, 2019 and 2018. Amounts per share of net assets were computed based on the number of shares of common stock outstanding at the year end.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Amounts Per Share (continued)

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 Japan Trustee Services Bank, Ltd. (entrusted for share compensation for directors, etc.) are included in treasury stock (182 thousand shares and 123 thousand shares for the years ended March 31, 2019 and 2018, 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 (180 thousand shares and 185 thousand shares for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 in the table above were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Profit attributable to owners of parent	¥ 3,306	¥ 11,583	\$ 29,787

	<i>Thousands of shares</i>	
	2019	2018
Weighted average number of shares of common stock outstanding during the year	139,721	139,212

Financial data for the computation of net assets per share at March 31, 2019 and 2018 in the above table were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Total net assets	¥ 276,305	¥ 286,368	\$ 2,489,239
Deductions from total net assets:			
Non-controlling interests	(5,443)	(5,170)	(49,034)
Total net assets attributable to common stockholders	¥ 270,862	¥ 281,198	\$ 2,440,205

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Amounts Per Share (continued)

	<i>Thousands of shares</i>	
	2019	2018
Number of shares of common stock used in the calculation of net assets per share	139,722	139,718

21. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects for other comprehensive income (loss) for the years ended March 31, 2019 and 2018:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ (5,862)	¥ 6,312	\$ (52,813)
Reclassification adjustments for loss (gain) realized in the statement of income	(4,666)	(59)	(42,040)
Before tax effect	(10,528)	6,253	(94,853)
Tax effect	2,701	(1,962)	24,338
Net unrealized holding gain (loss) on securities	(7,827)	4,291	(70,515)
Deferred gain on hedges:			
Amount arising during the year	—	110	—
Reclassification adjustments for (gain) loss realized in the statement of income	(110)	(915)	(989)
Before tax effect	(110)	(805)	(989)
Tax effect	33	242	296
Deferred gain on hedges	(77)	(563)	(693)
Surplus arising from land revaluation:			
Tax effect	—	—	—
Surplus arising from land revaluation:	—	—	—
Translation adjustments:			
Amount arising during the year	(826)	2,572	(7,447)
Reclassification adjustments for gain realized in the statement of income	—	—	—
Translation adjustments	(826)	2,572	(7,447)
Total	¥ (8,730)	¥ 6,300	\$ (78,655)

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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>
	2019	2018	2019
Cash and deposits	¥ 113,493	¥ 117,760	\$ 1,022,459
Time deposits with maturities in excess of three months	—	—	—
Cash and cash equivalents	¥ 113,493	¥ 117,760	\$ 1,022,459

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, 2019 and 2018 for which hedge accounting had been applied. There were no derivatives with maturities over one year at March 31, 2019 and 2018. The estimated fair values were based on the prices obtained from financial institutions.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Derivatives (continued)

Method of hedge accounting	Transaction	Hedged items	2019	
			Notional amount	Estimated fair value
			(Millions of yen)	
Deferral hedge accounting	Forward foreign exchange contracts:	Accounts receivable and forecasted transactions denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥ 10,549	¥ (69)
	Euros		3,113	123
	Total		¥ 13,662	¥ 54

Method of hedge accounting	Transaction	Hedged items	2018	
			Notional amount	Estimated fair value
			<i>(Millions of yen)</i>	
Deferral hedge accounting	Forward foreign exchange contracts:	Accounts receivable and forecasted transactions denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥ 14,672	¥ 177
	Euros		8,344	104
	Total		¥ 23,016	¥ 281

Method of hedge accounting	Transaction	Hedged items	2019	
			Notional amount	Estimated fair value
			<i>(Thousands of U.S. dollars)</i>	
Deferral hedge accounting	Forward foreign exchange contracts:	Accounts receivable and forecasted transactions denominated in a foreign currency		
	Sell:			
	U.S. dollars		\$ 95,034	\$ (621)
	Euros		28,046	1,107
	Total		\$ 123,080	\$ 486

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. 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", "Ceramics" and "Construction." 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.

Construction segment:

This reportable segment includes the business of design and construction of facilities.

"Construction" that was included in "Other" for the year ended March 31, 2018 had become significant in its amount and was, therefor, separately presented as a reportable segment for the year ended March 31, 2019.

Methods of used to calculate sales, income, 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 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

A summary of net sales, income, assets and other items by reportable segment for the years ended March 31, 2019 and 2018 were as follows:

Millions of yen

2019

	Reportable Segments				Other	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Construction	Total				
Sales to third parties	¥ 115,982	¥102,489	¥ 6,003	¥224,474	¥ 66,652	¥291,126	¥ —	¥ 291,126
Intersegment sales and transfers	2	377	5,633	6,012	1,287	7,299	(7,299)	—
Net sales	¥ 115,984	¥102,866	¥ 11,636	¥230,486	¥ 67,939	¥ 298,425	¥ (7,299)	¥ 291,126
Segment income	¥ 2,533	¥ 2,966	¥ 1,352	¥ 6,851	¥ 3,326	¥ 10,177	¥ (39)	¥ 10,138
Segment assets	97,092	90,520	10,079	197,691	65,147	262,838	160,219	423,057
Depreciation and amortization	13,838	9,638	334	23,810	643	24,453	683	25,136
Increase in property, plant and equipment and intangible assets	14,154	6,094	34	20,282	1,039	21,321	2,720	24,041

Millions of yen

2018

	Reportable Segments				Other	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Construction	Total				
Sales to third parties	¥ 115,573	¥113,425	¥6,078	¥235,076	¥ 65,328	¥300,404	¥ —	¥ 300,404
Intersegment sales and transfers	6	263	5,950	6,219	1,470	7,689	(7,689)	—
Net sales	¥ 115,579	¥113,688	¥12,028	¥241,295	¥ 66,798	¥ 308,093	¥ (7,689)	¥ 300,404
Segment income	¥ 853	¥ 10,526	¥ 1,330	¥ 12,709	¥ 4,088	¥ 16,797	¥ (95)	¥ 16,702
Segment assets	89,294	102,096	9,314	200,704	62,917	263,621	172,804	436,425
Depreciation and amortization	12,517	9,168	356	22,041	1,813	23,854	713	24,567
Increase in property, plant and equipment and intangible assets	13,254	6,933	191	20,378	1,211	21,589	1,545	23,134

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

<i>Thousands of U.S. dollars</i>								
2019								
	Reportable Segments				Other	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Construction	Total				
Sales to third parties	\$ 1,044,884	\$ 923,321	\$ 54,083	\$ 2,022,288	\$ 600,465	\$ 2,622,753	\$ —	\$ 2,622,753
Intersegment sales and transfers	18	3,396	50,752	54,166	11,591	65,757	(65,757)	—
Net sales	<u>\$ 1,044,902</u>	<u>\$ 926,717</u>	<u>\$ 104,835</u>	<u>\$ 2,076,454</u>	<u>\$ 612,056</u>	<u>\$ 2,688,510</u>	<u>\$ (65,757)</u>	<u>\$ 2,622,753</u>
Segment income	\$ 22,822	\$ 26,721	\$ 12,181	\$ 61,724	\$ 29,960	\$ 91,684	\$ (353)	\$ 91,331
Segment assets	874,703	815,500	90,798	1,781,001	586,905	2,367,906	1,443,416	3,811,322
Depreciation and amortization	124,663	86,834	3,010	214,507	5,787	220,294	6,159	226,453
Increase in property, plant and equipment and intangible assets	127,511	54,903	308	182,722	9,362	192,084	24,506	216,590

Other in the above table includes 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 in the amount of ¥(39) million (\$ (353) thousand) and ¥(95) million for the years ended March 31, 2019 and 2018, respectively, are eliminations of intersegment transactions and expenses that could not be allocated to the business segments. Segment income is reconciled to operating income in the consolidated statement of income.

The adjustments of segment assets in the amount of ¥160,219 million (\$1,443,415 thousand) and ¥ 172,542 million for the years ended March 31, 2019 and 2018, respectively, are corporate assets that could not be allocated to the business segments.

The adjustments of depreciation in the amount of ¥683 million (\$6,159 thousand) and ¥713 million for the years ended March 31, 2019 and 2018, 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 ¥2,720 million (\$24,506 thousand) and ¥1,545 million for the years ended March 31, 2019 and 2018, respectively, are mainly amounts of corporate assets that could not be allocated to the business segments.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Related information

Geographical information

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2019 and 2018 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Japan	¥ 93,001	¥ 88,940	\$ 837,847
Asia (excluding Japan)	123,861	114,776	1,115,862
North America	26,139	32,853	235,482
Europe	47,575	61,313	428,601
Other	550	2,522	4,961
Consolidated	¥ 291,126	¥ 300,404	\$ 2,622,753

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 ¥43,494 million (\$391,839 thousand) and ¥37,243 million (\$335,519 thousand) for the year ended March 31, 2019.

Sales in Malaysia and China belonging to the Asia area were ¥38,295 million and ¥34,899 million for the year ended March 31, 2018. Sales in the United States in the North America area were ¥31,023 million for the year ended March 31, 2018.

Property, plant and equipment by country or geographical area at March 31, 2019 and 2018 was summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Japan	¥ 62,561	¥ 62,670	\$ 563,615
Asia (excluding Japan)	47,620	47,917	429,014
North America	6,278	7,645	56,555
Europe	30,251	33,077	272,531
Consolidated	¥ 146,710	¥ 151,309	\$ 1,321,715

Property, plant and equipment in Hungary belonging to the Europe area was ¥26,323 million (\$237,146 thousand) for the year ended March 31, 2019. Property, plant and equipment in Malaysia belonging to the Asia area was ¥15,259 million (\$137,465 thousand) for the year ended March 31, 2019.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Property, plant and equipment in Hungary belonging to the Europe area was ¥28,814 million for the year ended March 31, 2018.

Major customer information

Sales to major customers for the years ended March 31, 2019 and 2018 were as follows:

Customer Name	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Intel Corp.	¥ 62,197	¥ 57,010	\$ 560,331

Gain on bargain purchases

In the Ceramics segment for the year ended March 31, 2019, ¥88 million (\$791 thousand) gain on bargain purchases generated by additional purchases of a subsidiary was recorded in extraordinary income.

25. 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, 2019 was approved at a meeting of the Board of Directors held on May 16, 2019:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends (¥20 (\$0.18) per share)	¥ 2,798	\$ 25,208

The total amount of dividends includes dividends of ¥3 million (\$27 thousand) to the shares of treasury stock of the Company (for the share based compensation for directors) held by the trust account of Japan Trustee Services Bank, Ltd.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Subsequent Events (continued)

Bonds issued

The Company issued unsecured bonds per resolution at a meeting of the Board of Directors on August 1, 2019.

- (1) Name of bond: The 9th unsecured bonds
Total amount of issuance: ¥20,000 million (\$180,180 thousand)
Interest rate: 0.03%
Issuance price: ¥100 (\$0.9) per ¥100 (\$0.9) par value
Redemption period: September 12, 2022
Due date of payment: September 12, 2019
Redemption method: Full maturity redemption
Application of funds: Capital investment
- (2) Name of bond: The 10th unsecured bonds
Total amount of issuance: ¥15,000 million (\$135,135 thousand)
Interest rate: 0.11%
Issuance price: ¥100 (\$0.9) per ¥100 (\$0.9) par value
Redemption period: September 12, 2024
Due date of payment: September 12, 2019
Redemption method: Full maturity redemption
Application of funds: Capital investment



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of IBIDEN CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of IBIDEN CO., LTD. and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

September 13, 2019
Nagoya, Japan



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