



IBIDEN Co.,Ltd.

Financial Review 2020

Year Ended March 31, 2020



Consolidated Financial Statements

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

*Year Ended March 31, 2020
with Independent Auditor's Report*

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements

Year Ended March 31, 2020

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IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2020	2019	2020
Assets			
Current assets:			
Cash and deposits (<i>Notes 8 and 23</i>)	¥ 175,152	¥ 113,493	\$ 1,609,703
Notes and accounts receivable (<i>Note 8</i>):			
Trade	69,013	60,278	634,257
Other	3,351	2,483	30,794
Allowance for doubtful accounts	(136)	(98)	(1,252)
Inventories:			
Merchandise and finished goods	12,417	17,794	114,115
Work in process	13,249	11,358	121,759
Raw materials and supplies	19,615	19,619	180,273
Other current assets	7,584	4,046	69,695
Total current assets	<u>300,245</u>	<u>228,973</u>	<u>2,759,344</u>
Property, plant and equipment:			
Land (<i>Note 16 and 18</i>)	19,800	19,962	181,970
Buildings and structures (<i>Note 16</i>)	180,432	186,286	1,658,228
Machinery and equipment (<i>Note 16</i>)	433,064	458,242	3,980,006
Leased assets	269	262	2,468
Construction in progress (<i>Note 16</i>)	48,731	13,342	447,856
	<u>682,296</u>	<u>678,094</u>	<u>6,270,528</u>
Accumulated depreciation	<u>(508,782)</u>	<u>(531,384)</u>	<u>(4,675,872)</u>
Property, plant and equipment, net	<u>173,514</u>	<u>146,710</u>	<u>1,594,656</u>
Investments and other assets:			
Investment securities (<i>Notes 8, 9 and 11</i>):			
Unconsolidated subsidiaries and affiliates	17	33	162
Other	34,444	39,110	316,553
Long-term loans receivable	9	9	82
Deferred income taxes (<i>Notes 14</i>)	4,463	2,916	41,019
Other assets	6,171	5,568	56,711
Allowance for doubtful accounts	(244)	(262)	(2,245)
Total investments and other assets	<u>44,860</u>	<u>47,374</u>	<u>412,282</u>
Total assets (<i>Note 25</i>)	<u>¥ 518,619</u>	<u>¥ 423,057</u>	<u>\$ 4,766,282</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2020	2019	2020
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (<i>Notes 8 and 10</i>)	¥ 30,030	¥ 45,030	\$ 275,986
Notes and accounts payable (<i>Notes 8 and 11</i>):			
Trade	39,002	37,310	358,447
Other	32,463	12,982	298,343
Lease obligations (<i>Note 12</i>)	267	141	2,455
Accrued expenses	6,153	6,187	56,550
Income taxes payable (<i>Note 14</i>)	3,018	2,259	27,736
Accrued bonuses for employees	3,907	3,439	35,904
Accrued bonuses for directors and audit and supervisory board members	132	89	1,213
Provision for loss on liquidation of subsidiaries and affiliates	764	4,865	7,018
Other current liabilities	5,000	5,781	45,956
Total current liabilities	120,736	118,083	1,109,608
Long-term liabilities:			
Long-term debt (<i>Notes 8 and 10</i>)	120,000	25,000	1,102,840
Lease obligations (<i>Note 12</i>)	39	44	357
Liability for retirement benefits (<i>Note 13</i>)	827	672	7,603
Provision for share based compensation (<i>Note 6</i>)	250	180	2,299
Deferred income taxes (<i>Notes 14</i>)	1,645	1,974	15,115
Other long-term liabilities	1,187	799	10,911
Total long-term liabilities	123,948	28,669	1,139,125
Net assets:			
Shareholders' equity (<i>Note 15</i>):			
Common stock:			
Authorized – 230,000,000 shares			
Issued – 140,860,557 shares in 2020 and 2019	64,152	64,152	589,584
Capital surplus	64,579	64,579	593,506
Retained earnings	128,578	122,145	1,181,674
Less treasury stock, at cost	(2,575)	(2,602)	(23,671)
Total shareholders' equity	254,734	248,274	2,341,093
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	9,232	12,415	84,849
Surplus arising from land revaluation (<i>Note 18</i>)	160	160	1,472
Translation adjustments	4,192	10,013	38,521
Total accumulated other comprehensive income	13,584	22,588	124,842
Non-controlling interests (<i>Note 21</i>)	5,617	5,443	51,614
Total net assets (<i>Note 21</i>)	273,935	276,305	2,517,549
Total liabilities and net assets	¥ 518,619	¥ 423,057	\$ 4,766,282

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2020	2019	2020
Net sales (<i>Note 25</i>)	¥ 295,999	¥ 291,126	\$ 2,720,329
Cost of sales	227,845	232,806	2,093,974
Gross profit	68,154	58,320	626,355
Selling, general and administrative expenses (<i>Note 19</i>)	48,468	48,182	445,436
Operating income (<i>Note 25</i>)	19,686	10,138	180,919
Other income (expenses):			
Interest and dividend income	1,323	1,342	12,158
Interest expense	(195)	(159)	(1,790)
Gain (loss) on sales of investment securities (<i>Note 9</i>)	(25)	4,667	(228)
Other, net (<i>Notes 16, 17 and 20</i>)	(3,264)	(6,661)	(29,996)
Profit before income taxes	17,525	9,327	161,063
Income taxes (<i>Note 14</i>):			
Current	(6,471)	(6,509)	(59,474)
Deferred	484	755	4,448
	(5,987)	(5,754)	(55,026)
Profit	11,538	3,573	106,037
Profit attributable to:			
Non-controlling interests	(208)	(267)	(1,912)
Owners of parent (<i>Note 21</i>)	¥ 11,330	¥ 3,306	\$ 104,125

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2020	2019	2020
Profit	¥ 11,538	¥ 3,573	\$ 106,037
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on other securities	(3,207)	(7,827)	(29,476)
Deferred gain on hedges	-	(77)	-
Translation adjustments	(5,812)	(826)	(53,414)
Total other comprehensive income (loss) <i>(Note 22)</i>	(9,019)	(8,730)	(82,890)
Comprehensive income (loss)	<u>¥ 2,519</u>	<u>¥ (5,157)</u>	<u>\$ 23,147</u>
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 2,326	¥ (5,445)	\$ 21,373
Non-controlling interests	193	288	1,774

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2020

<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, 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
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
Cash dividends	—	—	—	(4,897)	—	—	—	—	—	—	(4,897)
Profit attributable to owners of parent	—	—	—	11,330	—	—	—	—	—	—	11,330
Purchases of treasury stock	—	—	—	—	(3)	—	—	—	—	—	(3)
Retirement of treasury stock	—	—	—	—	30	—	—	—	—	—	30
Other changes	—	—	—	—	—	(3,183)	—	—	(5,821)	174	(8,830)
Balance at March 31, 2020	140,861	¥ 64,152	¥ 64,579	¥ 128,578	¥ (2,575)	¥ 9,232	¥ —	¥ 160	¥ 4,192	¥ 5,617	¥ 273,935

	Thousands of U.S. dollars (Note 7)									
	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, 2019	\$ 589,584	\$ 593,506	\$ 1,122,550	\$ (23,915)	\$ 114,103	\$ —	\$ 1,472	\$ 92,019	\$ 50,021	\$ 2,539,340
Cash dividends	—	—	(45,001)	—	—	—	—	—	—	(45,001)
Profit attributable to owners of parent	—	—	104,125	—	—	—	—	—	—	104,125
Purchases of treasury stock	—	—	—	(27)	—	—	—	—	—	(27)
Retirement of treasury stock	—	—	—	271	—	—	—	—	—	271
Other changes	—	—	—	—	(29,254)	—	—	(53,498)	1,593	(81,159)
Balance at March 31, 2020	\$ 589,584	\$ 593,506	\$ 1,181,674	\$ (23,671)	\$ 84,849	\$ —	\$ 1,472	\$ 38,521	\$ 51,614	\$ 2,517,549

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Operating activities			
Profit before income taxes	¥ 17,525	¥ 9,327	\$ 161,063
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	24,222	25,136	222,613
Loss on impairment of fixed assets	458	330	4,210
Reversal for accrued bonuses for employees	470	(389)	4,316
Reversal for accrued bonuses for directors	43	(1)	395
Reversal of allowance for doubtful accounts	21	(10)	192
Increase (decrease) in liability for retirement benefits	36	56	332
Interest and dividend income	(1,323)	(1,342)	(12,158)
Interest expense	195	159	1,790
Share of profit of entities accounted for using equity method	(0)	(1)	(0)
Gain on sales of property and equipment	(7)	(51)	(58)
Loss on disposal of property and equipment and other assets	2,198	916	20,198
Gain (loss) on sales of investment securities	25	(4,667)	228
Loss from suspended operation	92	-	843
Loss on liquidation of subsidiaries and affiliates	458	5,288	4,214
Decrease (increase) in notes and accounts receivable, trade	(9,624)	1,197	(88,451)
Decrease (increase) in inventories	2,520	(9,018)	23,161
Increase (decrease) in notes and accounts payable	6,808	875	62,564
Increase (decrease) in accrued expenses	(34)	(386)	(308)
Other, net	(13,072)	(1,520)	(120,141)
Subtotal	31,011	25,899	285,003
Interest and dividends received	1,324	1,370	12,163
Interest paid	(195)	(158)	(1,790)
Income taxes paid	(6,044)	(8,555)	(55,544)
Net cash provided by operating activities	¥ 26,096	¥ 18,556	\$ 239,832

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year Ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2020	2019	2020
Investing activities			
Purchases of property and equipment	¥ (37,269)	¥ (23,438)	\$ (342,514)
Proceeds from sales of property and equipment	844	147	7,760
Purchases of intangible assets	(1,226)	(1,174)	(11,268)
Purchases of investment securities	(26)	(281)	(243)
Proceeds from sales of investment securities	177	6,873	1,629
Purchases of investments in subsidiaries resulting in change in scope of consolidation	-	(88)	-
Increase in short-term loans receivable	(1)	-	(12)
Collection of long-term loans receivable	0	0	2
Other, net	(582)	(75)	(5,353)
Net cash used in investing activities	(38,083)	(18,036)	(349,999)
Financing activities			
Increase in short-term borrowings, net	-	30	-
Increase in long-term debt	70,000	-	643,323
Repayment of long-term debt	-	(6)	-
Proceeds from issuance of bonds	35,000	-	321,662
Redemption of bonds	(25,000)	-	(229,758)
Purchases of treasury stock	(3)	(3)	(27)
Proceeds from sales of treasury stock	30	10	271
Cash dividends paid	(4,897)	(4,896)	(45,001)
Cash dividends paid to non-controlling interests	(15)	(15)	(135)
Repayments of lease obligations	(565)	(46)	(5,193)
Other, net	(66)	-	(611)
Net cash (used in) provided by financing activities	74,484	(4,926)	684,531
Effect of exchange rate changes on cash and cash equivalents	(1,106)	139	(10,157)
Increase (decrease) in cash and cash equivalents	61,391	(4,267)	564,207
Cash and cash equivalents at beginning of year	113,493	117,760	1,043,037
Cash and cash equivalents at end of year (Note 23)	¥ 174,884	¥ 113,493	\$ 1,607,244

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2020

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 significant consolidated subsidiaries for the years ended March 31, 2020 and 2019.

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 1 and 2 companies accounted for by the equity method for each of the years ended March 31, 2020 and 2019, respectively.

Chubu Godo Acetylene Co., Ltd. has been excluded from the scope of application of the equity method from the year ended March 31, 2020 due to the completion of its liquidation.

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, 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.

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 2 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 26.)

3. Accounting Change

(Changes due to adoption of IFRS 16)

Certain consolidated overseas subsidiaries adopted IFRS 16 “Leases” from the beginning of the current fiscal year and, as a lessee, recognized all leases as assets and liabilities on the balance sheets in principle. The effect of this change on the consolidated financial statements was immaterial.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. 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 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

(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:

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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Standards and Guidance Not Yet Adopted (continued)

Fair Value Measurement

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

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(Overview)

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (together, hereinafter referred to as “Fair Value Accounting Standards”) were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments in “Accounting Standard for Financial Instruments”; and
- Inventories held for trading purposes in “Accounting Standard for Measurement of Inventories.”

(Effective date)

Fair Value Accounting Standards and guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2022.

(Effects of 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Standards and Guidance Not Yet Adopted (continued)

Accounting Policy Disclosures, Accounting Changes and Error Corrections

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

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

(Overview)

The purpose of this accounting standard is to provide an outline of the accounting principles and procedures adopted in cases in which the provisions of the relevant accounting standards are not clear.

(Effective date)

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

Disclosure of Accounting Estimates

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

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(Overview)

The purpose of this accounting standard is to disclose information that can contribute to financial statement users’ understanding of accounting estimates of items in the current consolidated fiscal year that may materially affect the financial statements of the following consolidated fiscal year.

(Effective date)

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

5. Changes in Accounting Estimates

(Changes in the useful life)

With the operation of equipment for the next generation and new fields in the fiscal year ended March 31, 2020, the Company reviewed the actual use of some electronic parts manufacturing facilities. As a result, the Company changed the useful lives of some equipment from the beginning of the current fiscal year. Following this change, operating profit, ordinary profit and profit before income taxes increased by ¥880 million (\$8,087 thousand) compared to the amounts that would have been reported using the previous method.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. 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 ¥321 million (\$2,953 thousand) and 166 thousand shares and ¥350 million and 181 thousand shares as of the year ended March 31, 2020 and 2019, 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

(b) Accounting estimates associated with the spread of COVID-19

The Company and its consolidated subsidiaries (collectively, the “Group”) continue business activities under strict measures at each business site, and the impact of COVID-19 on production is expected to be limited. However, since it is difficult to predict the future impact of COVID-19, the Group made accounting estimates for the recoverability of deferred tax assets, determination of impairment losses and other items with an assumption that the COVID-19 impact will continue for a certain period during the fiscal year ending March 31, 2021, based on information from external sources.

7. 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 ¥108.81 to U.S. \$1.00, the rate of exchange prevailing on March 31, 2020. 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)

8. 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, 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)

8. 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 24, "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)

8. 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, 2020 and 2019 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.

	2020		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
<u>Assets:</u>			
Cash and deposits	¥ 175,152	¥ 175,152	¥ –
Notes and accounts receivable-trade	69,013	69,013	–
Investment securities	34,005	34,005	–
Total assets	<u>278,170</u>	<u>278,170</u>	<u>–</u>
<u>Liabilities:</u>			
Short-term borrowings	¥ 20,030	¥ 20,030	¥ –
Notes and accounts payable-trade	39,002	39,002	–
Notes and accounts payable-other	32,463	32,463	–
Long-term debt, including current portion of long-term debt	<u>130,000</u>	<u>129,143</u>	<u>(857)</u>
Total liabilities	<u>221,495</u>	<u>220,638</u>	<u>(857)</u>
Derivative transactions (*)	¥ 144	¥ 144	¥ –

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Financial Instruments (continued)

	2019		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Cash and deposits	¥ 113,493	¥ 113,493	¥ –
Notes and accounts receivable-trade	60,278	60,278	–
Investment securities	38,513	38,513	–
Total assets	212,284	212,284	–
Liabilities:			
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	120,322	120,309	(13)
Derivative transactions (*)	¥ 54	¥ 54	¥ –
	2020		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Cash and deposits	\$ 1,609,703	\$ 1,609,703	\$ –
Notes and accounts receivable-trade	634,257	634,257	–
Investment securities	312,516	312,516	–
Total assets	2,556,476	2,556,476	–
Liabilities:			
Short-term borrowings	\$ 184,082	\$ 184,082	\$ –
Notes and accounts payable-trade	358,447	358,447	–
Notes and accounts payable-other	298,343	298,343	–
Long-term debt, including current portion of long-term debt	1,194,744	1,186,869	(7,875)
Total liabilities	2,035,616	2,027,741	(7,875)
Derivative transactions (*)	\$ 1,328	\$ 1,328	\$ –

*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)

8. 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 9, "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 24, "Derivatives."

The carrying values of financial instruments for which it was extremely difficult to determine the fair value at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Unlisted equity securities	¥ 441	¥ 630	\$ 4,057

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Financial Instruments (continued)

The redemption schedule for monetary assets at March 31, 2020 and 2019 was as follows:

2020				
	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	¥ 175,152	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	69,013	–	–	–
Total	¥ 244,165	¥ –	¥ –	¥ –
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	¥ –	¥ –	¥ –
2020				
	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	\$ 1,609,703	\$ –	\$ –	\$ –
Notes and accounts receivable-trade	634,257	–	–	–
Total	\$ 2,243,960	\$ –	\$ –	\$ –

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Investment Securities

- (a) Marketable securities classified as other securities at March 31, 2020 and 2019 were summarized as follows:

	2020		
	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	¥ 15,765	¥ 31,034	¥ 15,269
Other	—	—	—
Subtotal	15,765	31,034	15,269
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	4,603	2,971	(1,632)
Other	—	—	—
Subtotal	4,603	2,971	(1,632)
Total	¥ 20,368	¥ 34,005	¥ 13,637
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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Investment Securities (continued)

	2020		
	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	\$ 144,882	\$ 285,213	\$ 140,331
Other	—	—	—
Subtotal	144,882	285,213	140,331
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	42,304	27,303	(15,001)
Other	—	—	—
Subtotal	42,304	27,303	(15,001)
Total	\$ 187,186	\$ 312,516	\$ 125,330

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 not recorded due to other-than-temporary impairment for the year ended March 31, 2020, and were recorded in the amount of ¥ 347 million for the year ended March 31, 2019.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Investment Securities (continued)

- (b) The proceeds from sales of and gross realized gain and loss on other securities for the years ended March 31, 2020 and 2019 were summarized as follows:

2020			
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 177	¥ 20	¥ 45
Total	¥ 177	¥ 20	¥ 45
2019			
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 6,873	¥ 4,667	¥ —
Total	¥ 6,873	¥ 4,667	¥ —
2020			
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Thousands of U.S. dollars)</i>		
Equity securities	\$ 1,629	\$ 187	\$ 415
Total	\$ 1,629	\$ 187	\$ 415

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and the current portion of long-term debt at March 31, 2020 and 2019 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Short-term borrowings	¥ 20,030	¥ 20,030	\$ 184,082
Bonds in yen due April 2019 at rate of 0.294%	-	25,000	-
Current portion of long-term debt	10,000	-	91,904
	<u>¥ 30,030</u>	<u>¥ 45,030</u>	<u>\$ 275,986</u>

The weighted average annual interest rates applicable to short-term borrowings outstanding at March 31, 2020 and 2019 were 0.16%.

Long-term debt at March 31, 2020 and 2019 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Debt without collateral:			
Loans from banks due April 2017 through September 2024 at average interest rates of 0.20% per annum at March 31, 2020 and 2019	¥ 80,000	¥ 10,000	\$ 735,227
Bonds in yen due April 2019 at rate of 0.294%	-	25,000	-
Bonds in yen due August 2021 at rate of 0.120%	15,000	15,000	137,855
Bonds in yen due September 2022 at rate of 0.030%	20,000	-	183,807
Bonds in yen due September 2024 at rate of 0.110%	15,000	-	137,855
Subtotal	<u>¥ 130,000</u>	<u>¥ 50,000</u>	<u>\$ 1,194,744</u>
Less current portion	<u>(10,000)</u>	<u>(25,000)</u>	<u>(91,904)</u>
	<u>¥ 120,000</u>	<u>¥ 25,000</u>	<u>\$ 1,102,840</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2020 were summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2021	10,000	91,904
2022	15,000	137,855
2023	20,000	183,807
2024	45,000	413,565
2025 and thereafter	40,000	367,613
	<u>¥ 130,000</u>	<u>\$ 1,194,744</u>

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Assets Pledged as Collateral

Assets pledged as collateral for accounts payable of ¥112 million (\$1,027 thousand) and ¥140 million at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Investment securities	¥ 20	¥ 16	\$ 179

12. Lease Obligations

The aggregate annual maturities of lease obligations subsequent to March 31, 2020 were summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2021	267	2,455
2022	18	164
2023	12	109
2024	6	58
2025 and thereafter	3	26
	<u>¥ 306</u>	<u>\$ 2,812</u>

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. 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, 2020 and 2019 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>
	2020	2019	2020
Retirement benefit obligation at the beginning of the year	¥ 499	¥ 497	\$ 4,587
Service cost	24	25	220
Interest cost	8	9	79
Foreign currency translation differences	(20)	(24)	(188)
Actuarial differences	(2)	(8)	(21)
Retirement benefit obligation at the end of the year	<u>¥ 509</u>	<u>¥ 499</u>	<u>\$ 4,677</u>

Changes in the retirement benefit obligation under the simplified method for the years ended March 31, 2020 and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Retirement benefit obligation at the beginning of the year	¥ 173	¥ 28	\$ 1,589
Service cost	148	83	1,361
Benefits paid	(3)	(0)	(24)
Change in scope of consolidation	-	62	-
Retirement benefit obligation at the end of the year	<u>¥ 318</u>	<u>¥ 173</u>	<u>\$ 2,926</u>

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Retirement Benefits (continued)

Balance of retirement benefit obligation and plan assets at fair value at March 31, 2020 and 2019 and liabilities recognized in the consolidated balance sheet at March 31, 2020 and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Unfunded retirement benefit obligation*	¥ 827	¥ 672	\$ 7,603
Net amount of liabilities and assets recognized in consolidated balance sheet	827	672	7,603
Liability for retirement benefits	827	672	7,603
Asset for retirement benefits	—	—	—
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 827	¥ 672	\$ 7,603

* 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, 2020 and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Service cost	¥ 172	¥ 108	\$ 1,581
Interest cost	8	9	79
Amortization of actuarial loss	(2)	(8)	(21)
Retirement benefit expenses	¥ 178	¥ 109	\$ 1,639

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

	2020	2019
Discount rates	1.8-1.9 %	1.8-2.0 %
Rate of salary increase	2.7-4.5 %	1.8-3.9 %

Required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,998 million (\$18,363 thousand) and ¥1,559 million for the years ended March 31, 2020 and 2019, respectively.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. 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, 2020 and 2019. 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, 2020 and 2019 differed from the statutory tax rate for the following reasons:

	<u>2020</u>	<u>2019</u>
Statutory tax rate	29.9 %	29.9 %
Effect of:		
Tax effect of retained earnings in overseas consolidated subsidiaries	1.3	6.5
Permanently nondeductible expenses	0.5	0.9
Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries	(5.3)	(8.1)
Tax credits	(3.4)	(7.9)
Valuation allowance	2.9	(10.7)
Loss and others at subsidiaries	10.7	54.1
Permanently nontaxable dividends received	(0.4)	(0.7)
Other, net	(2.0)	(2.3)
Effective tax rate	<u>34.2 %</u>	<u>61.7 %</u>

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

The significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Deferred tax assets:			
Depreciation	¥ 4,256	¥ 4,577	\$ 39,112
Carryforward tax loss	280	555	2,574
Accrued bonuses	1,204	1,066	11,069
Intercompany profit on sales of property, plant and equipment	846	529	7,779
Loss on devaluation of investment securities	301	326	2,762
Loss on devaluation of inventories	575	463	5,285
Loss on impairment of fixed assets	714	723	6,562
Other	3,172	1,798	29,148
Gross deferred tax assets	11,348	10,037	104,291
Valuation allowance of carryforward tax loss *	(228)	(499)	(2,098)
Valuation allowance of deductible temporary difference and others	(2,660)	(1,880)	(24,443)
Less valuation allowance	(2,888)	(2,379)	(26,541)
Total deferred tax assets	8,460	7,658	77,750
Deferred tax liabilities:			
Reserve for depreciation for tax purposes	(33)	(35)	(302)
Net unrealized gain on land revaluation resulting from inclusion of a subsidiary in consolidation	(541)	(540)	(4,966)
Tax effect of retained earnings in overseas consolidated subsidiaries	(1,011)	(718)	(9,291)
Net unrealized holding gain on other securities	(4,057)	(5,423)	(37,287)
Total deferred tax liabilities	(5,642)	(6,716)	(51,846)
Net deferred tax assets (liabilities)	¥ 2,818	¥ 942	\$ 25,904

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

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

<i>Millions of yen</i>							
2020							
	2021	2022	2023	2024	2025	2026 thereafter	Total
Carryforward tax loss (a)	¥ 165	¥ 81	¥ 34	¥ -	¥ -	¥ -	¥ 280
Valuation reserve	(113)	(81)	(34)	-	-	-	(228)
Net deferred tax assets	¥ 52	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 52

<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>							
2020							
	2021	2022	2023	2024	2025	2026 thereafter	Total
Carryforward tax loss (a)	\$ 1,521	\$ 745	\$ 308	\$ -	\$ -	\$ -	\$ 2,574
Valuation reserve	(1,045)	(745)	(308)	-	-	-	(2,098)
Net deferred tax assets	\$ 476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 476

(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)

15. 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, 2020 and 2019 amounted to ¥3,548 million (\$32,613 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, 2020 and 2019 were summarized as follows:

		Number of shares		
		2020		
	March 31, 2019	Increase	Decrease	March 31, 2020
Treasury stock:				
Common stock	1,138,769	1,382	15,238	1,124,913

		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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Shareholders' Equity (continued)

The number of shares of treasury stock at March 31, 2020 and 2019, respectively, includes 165 thousand shares and 181 thousand shares entrusted for the share based compensation for directors held by the trust account of Japan Trustee Services Bank, Ltd.

16. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the year ended March 31, 2020 was summarized as follows:

Location	Classification	Description	2020	
			<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Ogaki City, Gifu Prefecture	Construction in progress	Idle	¥ 238	\$ 2,184
Batangas, Republic of Philippines	Machinery and equipment	Idle	55	509
Pohang, South Korea	Machinery and equipment	Idle	13	122
Pohang, South Korea	Construction in progress	Idle	132	1,213
Frauental, Austria	Machinery and equipment	Idle	20	182
Courtenay, France	Land, buildings and structures	Production facilities	210	1,932

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 ¥458 million (\$4,210 thousand) for the year ended March 31, 2020 was recorded as impairment loss. As a result of the decision of the sale destination 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 ¥210 million (\$1,932 thousand) for the year ended March 31, 2020 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 land, buildings and structures were reduced to values estimated sales price, and the carrying values of idle assets were reduced to ¥1 (\$0.01) for the year ended March 31, 2020.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Loss on Impairment of Fixed Assets (continued)

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>
Ogaki City, Gifu Prefecture	Construction in progress	Idle	¥ 258
Courtenay, France	Machinery and equipment	Idle	72
Courtenay, France	Buildings and structures	Production facilities	280

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 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 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 for the year ended March 31, 2019.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Loss on Liquidation of Subsidiaries and Affiliates

The details of loss on liquidation of subsidiaries and affiliates for the year ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Impairment loss on fixed assets for the dissolution of subsidiary	¥ 210	¥ 280	\$ 1,932
Expenses of dissolution of subsidiary	185	5,680	1,699
Loss on devaluation of inventories	63	578	583

18. 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, 2020, the fair value of this land was ¥234 million (\$2,154 thousand) less than its carrying value after revaluation.

19. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Salaries	¥ 9,328	¥ 10,481	\$ 85,727
Provision for employees’ bonuses	737	1,014	6,771
Provision for directors’ bonuses	132	89	1,213
Provision for employees’ retirement benefit expenses	270	252	2,480
Provision for share compensation expenses	100	114	918
Research and development costs	16,201	14,753	148,891
Other	21,700	21,479	199,436
Total	¥ 48,468	¥ 48,182	\$ 445,436

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Other Income (Expenses)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2020 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Gain (loss) on sales and disposals of property, plant and equipment, net	¥ (2,191)	¥ (865)	\$ (20,140)
Loss on impairment of fixed assets	(458)	(330)	(4,210)
Foreign exchange gain (loss), net	588	419	5,403
Gain on bargain purchases	-	88	-
Gain on step acquisitions	-	161	-
Share of profit of entities accounted for using equity method	0	1	0
Bond issuance costs	(147)	-	(1,350)
Compensation income	-	854	-
Compensation expenses	-	(370)	-
Loss on disaster	-	(69)	-
Loss on devaluation of securities	-	(347)	-
Loss on liquidation of subsidiaries and affiliates	(458)	(6,538)	(4,214)
Loss from suspended operation	(92)	-	(843)
Extra retirement payments	(514)	-	(4,720)
Other, net	8	335	78
Total	¥ (3,264)	¥ (6,661)	\$ (29,996)

21. Amounts Per Share

	<i>Yen</i>		<i>U.S. dollars</i>
	2020	2019	2020
Basic profit attributable to owners of parent	¥ 81.08	¥ 23.66	\$ 0.75
Net assets	1,920.19	1,938.59	17.65
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, 2020 and 2019 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, 2020 and 2019 is not disclosed as the Company had no potentially dilutive common shares for the years ended March 31, 2020 and 2019. 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)

21. 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 (168 thousand shares and 182 thousand shares for the years ended March 31, 2020 and 2019, 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 (166 thousand shares and 180 thousand shares for the years ended March 31, 2020 and 2019, 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, 2020 and 2019 in the table above were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Profit attributable to owners of parent	¥ 11,330	¥ 3,306	\$ 104,125

	<i>Thousands of shares</i>	
	2020	2019
Weighted average number of shares of common stock outstanding during the year	139,735	139,721

Financial data for the computation of net assets per share at March 31, 2020 and 2019 in the above table were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Total net assets	¥ 273,935	¥ 276,305	\$ 2,517,549
Deductions from total net assets:			
Non-controlling interests	(5,617)	(5,443)	(51,614)
Total net assets attributable to common stockholders	¥ 268,318	¥ 270,862	\$ 2,462,935

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Amounts Per Share (continued)

	<i>Thousands of shares</i>	
	2020	2019
Number of shares of common stock used in the calculation of net assets per share	139,736	139,722

22. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects for other comprehensive income (loss) for the years ended March 31, 2020 and 2019:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ (4,467)	¥ (5,862)	\$ (41,057)
Reclassification adjustments for loss (gain) realized in the statement of income	(20)	(4,666)	(187)
Before tax effect	(4,487)	(10,528)	(41,244)
Tax effect	1,280	2,701	11,768
Net unrealized holding gain (loss) on securities	(3,207)	(7,827)	(29,476)
Deferred gain on hedges:			
Amount arising during the year	—	—	—
Reclassification adjustments for (gain) loss realized in the statement of income	—	(110)	—
Before tax effect	—	(110)	—
Tax effect	—	33	—
Deferred gain on hedges	—	(77)	—
Translation adjustments:			
Amount arising during the year	(5,812)	(826)	(53,414)
Reclassification adjustments for gain realized in the statement of income	—	—	—
Translation adjustments	(5,812)	(826)	(53,414)
Total	¥ (9,019)	¥ (8,730)	\$ (82,890)

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. 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>
	2020	2019	2020
Cash and deposits	¥ 175,152	¥ 113,493	\$ 1,609,703
Time deposits with maturities in excess of three months	(268)	—	(2,459)
Cash and cash equivalents	<u>¥ 174,884</u>	<u>¥ 113,493</u>	<u>\$ 1,607,244</u>

24. 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, 2020 and 2019 for which hedge accounting had been applied. There were no derivatives with maturities over one year at March 31, 2020 and 2019. 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)

24. Derivatives (continued)

Method of hedge accounting	Transaction	Hedged items	2020	
			Notional amount	Estimated fair value
			(Millions of yen)	
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥ 10,287	¥ 82
	Euros		5,435	62
	Total		¥ 15,722	¥ 144
			2019	
			Notional amount	Estimated fair value
			(Millions of yen)	
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥ 10,549	¥ (69)
	Euros		3,113	123
	Total		¥ 13,662	¥ 54
			2020	
			Notional amount	Estimated fair value
			(Thousands of U.S. dollars)	
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		\$ 94,544	\$ 758
	Euros		49,954	570
	Total		\$ 144,498	\$ 1,328

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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", "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.

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.

(Changes in the useful life)

With the operation of equipment for the next generation and new fields in the fiscal year ended March 31, 2020, the Company reviewed the actual use of some electronic parts manufacturing facilities. As a result, the Company changed the useful lives of some equipment from the beginning of the current fiscal year. Following this change, segment income of "Electronics" increased by ¥880 million (\$8,087 thousand) compared to the amount that would have been reported using the previous method.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

A summary of net sales, income (loss), assets and other items by reportable segment for the years ended March 31, 2020 and 2019 were as follows:

Millions of yen

2020

	Reportable Segments				Other	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Construction	Total				
Sales to third parties	¥ 132,170	¥ 88,427	¥ 5,698	¥ 226,295	¥ 69,704	¥ 295,999	¥ —	¥ 295,999
Intersegment sales and transfers	3	215	7,708	7,926	14,083	22,009	(22,009)	—
Net sales	¥ 132,173	¥ 88,642	¥ 13,406	¥ 234,221	¥ 83,787	¥ 318,008	¥ (22,009)	¥ 295,999
Segment income(loss)	¥ 14,892	¥ (982)	¥ 1,520	¥ 15,430	¥ 4,308	¥ 19,738	¥ (52)	¥ 19,686
Segment assets	153,670	109,295	12,226	275,191	67,072	342,263	176,356	518,619
Depreciation and amortization	12,325	8,444	330	21,099	868	21,967	2,255	24,222
Increase in property, plant and equipment and intangible assets	48,703	6,256	60	55,019	922	55,941	2,296	58,237

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

<i>Thousands of U.S. dollars</i>								
2020								
	Reportable Segments				Other	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Construction	Total				
Sales to third parties	\$ 1,214,687	\$ 812,677	\$ 52,364	\$ 2,079,728	\$ 640,601	\$ 2,720,329	\$ —	\$ 2,720,329
Intersegment sales and transfers	30	1,970	70,846	72,846	129,420	202,266	(202,266)	—
Net sales	<u>\$ 1,214,717</u>	<u>\$ 814,647</u>	<u>\$ 123,210</u>	<u>\$ 2,152,574</u>	<u>\$ 770,021</u>	<u>\$ 2,922,595</u>	<u>\$ (202,266)</u>	<u>\$ 2,720,329</u>
Segment income(loss)	\$ 136,863	\$ (9,020)	\$ 13,965	\$ 141,808	\$ 39,591	\$ 181,399	\$ (480)	\$ 180,919
Segment assets	1,412,273	1,004,460	112,362	2,529,095	616,411	3,145,506	1,620,776	4,766,282
Depreciation and amortization	113,266	77,606	3,032	193,904	7,978	201,882	20,731	222,613
Increase in property, plant and equipment and intangible assets	447,599	57,490	550	505,639	8,481	514,120	21,096	535,216

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 (loss) in the amount of ¥(52) million (\$ (480) thousand) and ¥(39) million for the years ended March 31, 2020 and 2019, 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 ¥176,356 million (\$ 1,620,776 thousand) and ¥ 160,219 million for the years ended March 31, 2020 and 2019, respectively, are corporate assets that could not be allocated to the business segments.

The adjustments of depreciation in the amount of ¥2,255 million (\$20,731 thousand) and ¥683 million for the years ended March 31, 2020 and 2019, 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 ¥2,295 million (\$21,096 thousand) and ¥2,720 million for the years ended March 31, 2020 and 2019, 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)

25. 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, 2020 and 2019 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Japan	¥ 93,385	¥ 93,001	\$ 858,242
Asia (excluding Japan)	137,397	123,861	1,262,725
North America	26,473	26,139	243,291
Europe	38,012	47,575	349,343
Other	732	550	6,728
Consolidated	¥ 295,999	¥ 291,126	\$ 2,720,329

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 ¥49,677 million (\$456,549 thousand) and ¥41,384 million (\$380,328 thousand) for the year ended March 31, 2020.

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.

Property, plant and equipment by country or geographical area at March 31, 2020 and 2019 was summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Japan	¥ 98,003	¥ 62,561	\$ 900,682
Asia (excluding Japan)	42,359	47,620	389,299
North America	4,610	6,278	42,368
Europe	28,542	30,251	262,307
Consolidated	¥ 173,514	¥ 146,710	\$ 1,594,656

Property, plant and equipment in Hungary belonging to the Europe area was ¥25,383 million (\$233,281 thousand) for the year ended March 31, 2020.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

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.

Major customer information

Sales to major customers for the years ended March 31, 2020 and 2019 were as follows:

Customer Name	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Intel Corp.	¥ 76,666	¥ 62,197	\$ 704,587

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.

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, 2020 was approved at a meeting of the Board of Directors held on May 15, 2020:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends (¥20 (\$0.18) per share)	¥ 2,798	\$ 25,715

The total amount of dividends includes dividends of ¥3 million (\$30 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.

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, 2020, 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, 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, 2020, and its consolidated financial performance and 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.

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 is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 7 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.

Atsushi Fukui
Designated Engagement Partner
Certified Public Accountant

Tetsuya Nakamura
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Nagoya Office, Japan
July 10, 2020

Notes to the Reader of Independent Auditor's Report:

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



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