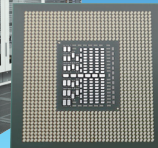




IBIDEN Co., Ltd.
Financial Review 2021
Year Ended March 31, 2021



Consolidated Financial Statements

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

*Year Ended March 31, 2021
with Independent Auditor's Report*

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements

Year Ended March 31, 2021

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IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2021	2020	2021
Assets			
Current assets:			
Cash and deposits (<i>Notes 8 and 24</i>)	¥ 126,885	¥ 175,152	\$ 1,146,100
Notes and accounts receivable (<i>Note 8</i>):			
Trade	89,796	69,013	811,093
Other	6,063	3,351	54,766
Allowance for doubtful accounts	(109)	(136)	(987)
Inventories:			
Merchandise and finished goods	13,653	12,417	123,324
Work in process	18,735	13,249	169,221
Raw materials and supplies	24,636	19,615	222,531
Other current assets (<i>Notes 8 and 25</i>)	5,706	7,584	51,540
Total current assets	<u>285,365</u>	<u>300,245</u>	<u>2,577,588</u>
 Property, plant and equipment:			
Land (<i>Notes 16 and 19</i>)	19,972	19,800	180,395
Buildings and structures (<i>Note 16</i>)	213,557	180,432	1,928,980
Machinery and equipment (<i>Note 16</i>)	471,579	433,064	4,259,593
Leased assets	566	269	5,109
Construction in progress (<i>Note 16</i>)	38,590	48,731	348,570
	<u>744,264</u>	<u>682,296</u>	<u>6,722,647</u>
Accumulated depreciation and impairment loss	(529,436)	(508,782)	(4,782,187)
Property, plant and equipment, net	<u>214,828</u>	<u>173,514</u>	<u>1,940,460</u>
 Investments and other assets:			
Investment securities (<i>Notes 8, 9 and 11</i>):			
Unconsolidated subsidiaries and affiliates	25	17	224
Other	68,173	34,444	615,782
Long-term loans receivable	9	9	78
Deferred income taxes (<i>Notes 3 and 14</i>)	3,488	4,463	31,509
Other assets	6,873	6,171	62,082
Allowance for doubtful accounts	(242)	(244)	(2,191)
Total investments and other assets	<u>78,326</u>	<u>44,860</u>	<u>707,484</u>
Total assets (<i>Note 26</i>)	<u>¥ 578,519</u>	<u>¥ 518,619</u>	<u>\$ 5,225,532</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2021	2020	2021
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (<i>Notes 8 and 10</i>)	¥ 35,131	¥ 30,030	\$ 317,324
Notes and accounts payable (<i>Notes 8 and 11</i>):			
Trade	42,564	39,002	384,459
Other	29,254	32,463	264,241
Lease obligations (<i>Note 12</i>)	395	267	3,568
Accrued expenses	5,915	6,153	53,429
Income taxes payable (<i>Note 14</i>)	5,624	3,018	50,801
Accrued bonuses for employees	4,803	3,907	43,380
Accrued bonuses for directors and audit and supervisory board members	155	132	1,400
Provision for loss on liquidation of subsidiaries and affiliates	225	764	2,034
Other current liabilities(<i>Notes 8 and 25</i>)	7,834	5,000	70,765
Total current liabilities	131,900	120,736	1,191,401
Long-term liabilities:			
Long-term debt (<i>Notes 8 and 10</i>)	115,044	120,000	1,039,152
Lease obligations (<i>Note 12</i>)	172	39	1,558
Liability for retirement benefits (<i>Note 13</i>)	1,079	827	9,743
Provision for share-based compensation (<i>Note 6</i>)	353	250	3,181
Deferred income taxes (<i>Notes 3 and 14</i>)	7,118	1,645	64,294
Other long-term liabilities	990	1,187	8,938
Total long-term liabilities	124,756	123,948	1,126,866
Net assets:			
Shareholders' equity (<i>Note 15</i>):			
Common stock:			
Authorized – 230,000,000 shares			
Issued – 140,860,557 shares in 2021 and 2020	64,152	64,152	579,466
Capital surplus	64,433	64,579	582,003
Retained earnings	149,380	128,578	1,349,290
Less treasury stock, at cost	(3,286)	(2,575)	(29,684)
Total shareholders' equity	274,679	254,734	2,481,075
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	28,639	9,232	258,681
Surplus arising from land revaluation (<i>Note 19</i>)	160	160	1,447
Translation adjustments	12,436	4,192	112,327
Total accumulated other comprehensive income	41,235	13,584	372,455
Non-controlling interests (<i>Note 22</i>)	5,949	5,617	53,735
Total net assets (<i>Note 22</i>)	321,863	273,935	2,907,265
Total liabilities and net assets	¥ 578,519	¥ 518,619	\$ 5,225,532

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income

Year Ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2021	2020	2021
Net sales (<i>Note 26</i>)	¥ 323,461	¥ 295,999	\$ 2,921,700
Cost of sales	238,011	227,845	2,149,864
Gross profit	85,450	68,154	771,836
Selling, general and administrative expenses (<i>Note 20</i>)	46,815	48,468	422,865
Operating income (<i>Note 26</i>)	38,635	19,686	348,971
Other income (expenses):			
Interest and dividend income	1,222	1,323	11,040
Interest expense	(258)	(195)	(2,334)
Gain (loss) on sales of investment securities (<i>Note 9</i>)	65	(25)	585
Other, net (<i>Notes 16, 17, 18 and 21</i>)	(7,498)	(3,264)	(67,721)
Profit before income taxes	32,166	17,525	290,541
Income taxes (<i>Note 14</i>):			
Current	(8,070)	(6,471)	(72,896)
Deferred	1,823	484	16,470
	(6,247)	(5,987)	(56,426)
Profit	25,919	11,538	234,115
Profit attributable to:			
Non-controlling interests	(220)	(208)	(1,991)
Owners of parent (<i>Note 22</i>)	¥ 25,699	¥ 11,330	\$ 232,124

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2021	2020	2021
Profit	¥ 25,919	¥ 11,538	\$ 234,115
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on other securities	19,472	(3,207)	175,884
Translation adjustments	8,267	(5,812)	74,671
Total other comprehensive income (loss) (Note 23)	27,739	(9,019)	250,555
Comprehensive income (loss)	¥ 53,658	¥ 2,519	\$ 484,670
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 53,349	¥ 2,326	\$ 481,879
Non-controlling interests	309	193	2,791

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2021

Millions of yen

	Number of shares issued (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on other securities	Surplus arising from land revaluation	Translation adjustments	Non- controlling interests	Total net assets
Balance at March 31, 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
Cash dividends	—	—	—	(4,897)	—	—	—	—	—	(4,897)
Profit attributable to owners of parent	—	—	—	25,699	—	—	—	—	—	25,699
Purchases of treasury stock	—	—	—	—	(763)	—	—	—	—	(763)
Retirement of treasury stock	—	—	0	—	52	—	—	—	—	52
Changes in liabilities for written put options over non-controlling interests	—	—	(146)	—	—	—	—	—	—	(146)
Other changes	—	—	—	—	—	19,407	—	8,244	332	27,983
Balance at March 31, 2021	140,861	¥ 64,152	64,433	¥ 149,380	¥ (3,286)	¥ 28,639	¥ 160	¥ 12,436	¥ 5,949	¥ 321,863

Thousands of U.S. dollars (Note 7)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on other securities	Surplus arising from land revaluation	Translation adjustments	Non- controlling interests	Total net assets
Balance at March 31, 2020	\$ 579,466	\$ 583,321	\$ 1,161,395	\$ (23,265)	\$ 83,393	\$ 1,447	\$ 37,860	\$ 50,727	\$ 2,474,344
Cash dividends	—	—	(44,229)	—	—	—	—	—	(44,229)
Profit attributable to owners of parent	—	—	232,124	—	—	—	—	—	232,124
Purchases of treasury stock	—	—	—	(6,890)	—	—	—	—	(6,890)
Retirement of treasury stock	—	1	—	471	—	—	—	—	472
Changes in liabilities for written put options over non-controlling interests	—	(1,319)	—	—	—	—	—	—	(1,319)
Other changes	—	—	—	—	175,288	—	74,467	3,008	252,763
Balance at March 31, 2021	\$ 579,466	\$ 582,003	\$ 1,349,290	\$ (29,684)	\$ 258,681	\$ 1,447	\$ 112,327	\$ 53,735	\$ 2,907,265

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2021	2020	2021
Operating activities			
Profit before income taxes	¥ 32,166	¥ 17,525	\$ 290,541
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	35,413	24,222	319,875
Loss on impairment of fixed assets	4,069	458	36,757
Reversal for accrued bonuses for employees	894	470	8,073
Reversal for accrued bonuses for directors	23	43	208
Reversal of allowance for doubtful accounts	(29)	21	(264)
Increase (decrease) in liability for retirement benefits	195	36	1,758
Interest and dividend income	(1,222)	(1,323)	(11,040)
Interest expense	258	195	2,334
Share of profit of entities accounted for using equity method	(1)	(0)	(7)
Gain on sales of property, plant and equipment	(75)	(7)	(678)
Loss on disposal of property, plant and equipment	2,563	2,198	23,150
Gain (loss) on sales of investment securities	(65)	25	(585)
Loss (gain) on valuation of investment securities	30	-	266
Loss from suspended operation	-	92	-
Loss on liquidation of subsidiaries and affiliates	-	458	-
Decrease (increase) in notes and accounts receivable, trade	(17,722)	(9,624)	(160,073)
Decrease (increase) in inventories	(9,969)	2,520	(90,043)
Increase (decrease) in notes and accounts payable	(1,450)	6,808	(13,101)
Increase (decrease) in accrued expenses	(238)	(34)	(2,151)
Other, net	(1,304)	(13,072)	(11,777)
Subtotal	43,536	31,011	393,243
Interest and dividends received	1,222	1,324	11,041
Interest paid	(258)	(195)	(2,334)
Income taxes paid	(5,545)	(6,044)	(50,087)
Net cash provided by operating activities	¥ 38,955	¥ 26,096	\$ 351,863

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year Ended March 31, 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 7)</i>
	2021	2020	2021
Investing activities			
Purchases of property, plant and equipment	¥ (75,350)	¥ (37,269)	\$ (680,608)
Proceeds from sales of property, plant and equipment	638	844	5,760
Purchases of intangible assets	(1,173)	(1,226)	(10,597)
Purchases of investment securities	(6,199)	(26)	(55,995)
Proceeds from sales of investment securities	96	177	864
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(584)	-	(5,275)
Increase in short-term loans receivable	0	(1)	2
Collection of long-term loans receivable	0	0	2
Other, net	227	(582)	2,054
Net cash used in investing activities	(82,345)	(38,083)	(743,793)
Financing activities			
Increase in short-term borrowings, net	(37)	-	(337)
Increase in long-term debt	10,009	70,000	90,401
Repayment of long-term debt	(10,000)	-	(90,326)
Proceeds from issuance of bonds	-	35,000	-
Redemption of bonds	-	(25,000)	-
Purchases of treasury stock	(763)	(3)	(6,890)
Proceeds from sales of treasury stock	52	30	472
Cash dividends paid	(4,897)	(4,897)	(44,229)
Cash dividends paid to non-controlling interests	(15)	(15)	(132)
Repayments of lease obligations	(586)	(565)	(5,294)
Other, net	-	(66)	-
Net cash (used in) provided by financing activities	(6,237)	74,484	(56,335)
Effect of exchange rate changes on cash and cash equivalents	1,628	(1,106)	14,704
Increase (decrease) in cash and cash equivalents	(47,999)	61,391	(433,561)
Cash and cash equivalents at beginning of year	174,884	113,493	1,579,661
Cash and cash equivalents at end of year (Note 24)	¥ 126,885	¥ 174,884	\$ 1,146,100

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2021

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 38 and 39 significant consolidated subsidiaries for the years ended March 31, 2021 and 2020, respectively.

For the year ended March 31, 2021, two subsidiaries that were not consolidated for the year ended March 31, 2020 have been consolidated. IBIDEN Fine Ceramics (Suzhou) Co., Ltd. has been included in the scope of consolidation from the year ended March 31, 2021 due to its establishment and L.G. GRAPHITE S.R.L. has been included in the scope of consolidation from the year ended March 31, 2021 due to an acquisition of shares. Ibiken Wood Tech Co., Ltd. that was consolidated for the year ended March 31, 2020 has been excluded from the scope of consolidation from the year ended March 31, 2021 due to an absorption-type merger by Ibiken Co., Ltd., which is also a consolidated subsidiary of the Company. Ividen Jusetu Co., Ltd. and Eco Stock Co., Ltd. that were consolidated for the year ended March 31, 2020 have been excluded from the scope of consolidation from the year ended March 31, 2021 due to an absorption-type merger by IE・VISION Co., Ltd. (company name changed from Chubu Kozai Co., Ltd.), which is also a consolidated subsidiary of the Company.

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)

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 and 1 companies accounted for by the equity method for each of the years ended March 31, 2021 and 2020, respectively.

Ibuki Biomass Hatsuden LLC has been included in the scope of application of the equity method from the year ended March 31, 2021 due to an acquisition of shares.

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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(b) Foreign currency translation

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

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

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

(c) Cash equivalents

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

(d) Allowance for doubtful accounts

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

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

(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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(f) Investment securities

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

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

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is calculated principally by the declining balance method based on the estimated useful life of the asset and the residual value determined by the Company and each domestic consolidated subsidiary.

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

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

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

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

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

(i) Leases

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

(j) Goodwill

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(k) Accrued bonuses for employees

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

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

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

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

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

(n) Retirement benefits for employees

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

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

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

(o) Provision for share-based compensation

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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.

(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 27.)

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Estimates

Recoverability of deferred tax assets

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2021	
Deferred tax assets	¥ 8,854	\$ 79,976

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

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

4. 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 26, 2021)

(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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Standards and Guidance Not Yet Adopted (continued)

Revenue Recognition (continued)

(Effects of the application of the standards)

The Company and its domestic consolidated subsidiaries have adopted a method of recognizing revenue mainly when they ship the assets. The Company and its domestic consolidated subsidiaries plan to change to a method of recognizing revenue when they satisfy performance obligations to transfer control over assets to customers based on the terms and conditions of each customer's contract.

The amount of impact on the consolidated financial statements, including this item, is currently under investigation.

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.

5. Changes in presentation method

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

The Company adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

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

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

(Outline of the plan)

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

(The Company’s own stock in the trust)

The Company own stock in the possession of the trust is recorded as treasury stock under net assets at book value. The book value and number of shares of treasury stock were ¥869 million (\$7,852 thousand) and 257 thousand shares and ¥321 million and 166 thousand shares as of the year ended March 31, 2021 and 2020, respectively.

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

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Additional Information (continued)

(b) Share-based compensation plan for employees

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

(Outline of the plan)

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

(The Company's own stock in the trust)

The Company's own stock in the possession of the trust is recorded as treasury stock under net assets at book value. The book value and number of shares of treasury stock were ¥157 million (\$1,421 thousand) and 43 thousand shares as of the year ended March 31, 2021.

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

The Company's senior management

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 ¥110.71 to U.S. \$1.00, the rate of exchange prevailing on March 31, 2021. 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Financial Instruments (continued)

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

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

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

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

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

The fair value of financial instruments is based on their quoted market prices, if available. When there is no quoted market price available, the fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 25, "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, 2021 and 2020 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.

	2021		
	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
<u>Assets:</u>			
Cash and deposits	¥ 126,885	¥ 126,885	¥ –
Notes and accounts receivable-trade	89,796	89,796	–
Investment securities	67,738	67,738	–
Total assets	<u>284,419</u>	<u>284,419</u>	<u>–</u>
<u>Liabilities:</u>			
Short-term borrowings	¥ 20,131	¥ 20,131	¥ –
Notes and accounts payable-trade	42,564	42,564	–
Notes and accounts payable-other	29,254	29,254	–
Long-term debt, including current portion of long-term debt	130,044	129,315	(729)
Total liabilities	<u>221,993</u>	<u>221,264</u>	<u>(729)</u>
Derivative transactions (*)	¥ (807)	¥ (807)	¥ –
	2020		
	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
<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	130,000	129,143	(857)
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)

	2021		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
<u>Assets:</u>			
Cash and deposits	\$1,146,100	\$1,146,100	\$ –
Notes and accounts receivable-trade	811,093	811,093	–
Investment securities	611,852	611,852	–
Total assets	<u>2,569,045</u>	<u>2,569,045</u>	<u>–</u>
<u>Liabilities:</u>			
Short-term borrowings	\$ 181,835	\$ 181,835	\$ –
Notes and accounts payable-trade	384,459	384,459	–
Notes and accounts payable-other	264,241	264,241	–
Long-term debt, including current portion of long-term debt	<u>1,174,641</u>	<u>1,168,060</u>	<u>(6,581)</u>
Total liabilities	<u>2,005,176</u>	<u>1,998,595</u>	<u>(6,581)</u>
Derivative transactions (*)	\$ (7,294)	\$ (7,294)	\$ –

*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 25, "Derivatives."

The carrying values of financial instruments for which it was extremely difficult to determine the fair value at March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Unlisted equity securities	¥ 435	¥ 441	\$ 3,930

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, 2021 and 2020 was as follows:

2021				
	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	¥ 126,885	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	89,796	–	–	–
Total	<u>¥ 216,681</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
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	<u>¥ 244,165</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
2021				
	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	\$ 1,146,100	\$ –	\$ –	\$ –
Notes and accounts receivable-trade	811,093	–	–	–
Total	<u>\$ 1,957,193</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

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, 2021 and 2020 were summarized as follows:

	2021		
	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	¥ 21,918	¥ 64,245	¥ 42,327
Other	—	—	—
Subtotal	21,918	64,245	42,327
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	4,427	3,493	(934)
Other	—	—	—
Subtotal	4,427	3,493	(934)
Total	¥ 26,345	¥ 67,738	¥ 41,393

	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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Investment Securities (continued)

	2021		
	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	\$ 197,978	\$ 580,302	\$ 382,324
Other	—	—	—
Subtotal	197,978	580,302	382,324
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	39,985	31,550	(8,435)
Other	—	—	—
Subtotal	39,985	31,550	(8,435)
Total	<u>\$ 237,963</u>	<u>\$ 611,852</u>	<u>\$ 373,889</u>

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

Loss on the devaluation of investment securities were recorded due to other-than-temporary impairment in the amount of ¥ 30million (\$266thousand) for the year ended March 31, 2021.

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, 2021 and 2020 were summarized as follows:

2021			
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 96	¥ 65	¥ -
Total	¥ 96	¥ 65	¥ -

2020			
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Millions of yen)</i>		
Equity securities	¥ 177	¥ 20	¥ 45
Total	¥ 177	¥ 20	¥ 45

2021			
	Proceeds	Gross realized gain	Gross realized loss
	<i>(Thousands of U.S. dollars)</i>		
Equity securities	\$ 864	\$ 585	\$ -
Total	\$ 864	\$ 585	\$ -

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, 2021 and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Short-term borrowings	¥ 20,131	¥ 20,030	\$ 181,835
Current portion of long-term debt	15,000	10,000	135,489
	<u>¥ 35,131</u>	<u>¥ 30,030</u>	<u>\$ 317,324</u>

The weighted average annual interest rates applicable to short-term borrowings outstanding were 0.17% and 0.16% at March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021 and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Debt without collateral:			
Loans from banks due April 2017 through September 2024 at average interest rates of 0.20% per annum at March 31, 2021 and 2020	¥ 80,044	¥ 80,000	\$ 723,011
Bonds in yen due August 2021 at rate of 0.120%	15,000	15,000	135,489
Bonds in yen due September 2022 at rate of 0.030%	20,000	20,000	180,652
Bonds in yen due September 2024 at rate of 0.110%	15,000	15,000	135,489
Subtotal	¥ 130,044	¥ 130,000	\$ 1,174,641
Less current portion	(15,000)	(10,000)	(135,489)
	<u>¥ 115,044</u>	<u>¥ 120,000</u>	<u>\$ 1,039,152</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 were summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2022	15,000	135,489
2023	20,044	181,054
2024	45,000	406,467
2025	50,000	451,631
2026 and thereafter	-	-
	<u>¥ 130,044</u>	<u>\$ 1,174,641</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 ¥98 million (\$885 thousand) and ¥112 million at March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Investment securities	¥ 32	¥ 20	\$ 289

12. Lease Obligations

The aggregate annual maturities of lease obligations subsequent to March 31, 2021 were summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2022	395	3,568
2023	14	131
2024	25	227
2025	28	256
2026 and thereafter	105	944
	<u>¥ 567</u>	<u>\$ 5,126</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, 2021 and 2020 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>
	2021	2020	2021
Retirement benefit obligation at the beginning of the year	¥ 509	¥ 499	\$ 4,595
Service cost	23	24	209
Interest cost	7	8	61
Retirement benefit payment	(20)	-	(181)
Foreign currency translation differences	43	(20)	390
Actuarial differences	(33)	(2)	(296)
Retirement benefit obligation at the end of the year	¥ 529	¥ 509	\$ 4,778

Changes in the retirement benefit obligation under the simplified method for the years ended March 31, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Retirement benefit obligation at the beginning of the year	¥ 318	¥ 173	\$ 2,876
Service cost	242	148	2,186
Benefits paid	(10)	(3)	(97)
Retirement benefit obligation at the end of the year	¥ 550	¥ 318	\$ 4,965

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, 2021 and 2020 and liabilities recognized in the consolidated balance sheet at March 31, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Unfunded retirement benefit obligation*	¥ 1,079	¥ 827	\$ 9,743
Net amount of liabilities and assets recognized in consolidated balance sheet	1,079	827	9,743
Liability for retirement benefits	1,079	827	9,743
Asset for retirement benefits	—	—	—
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 1,079	¥ 827	\$ 9,743

* 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, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Service cost	¥ 265	¥ 172	\$ 2,395
Interest cost	7	8	61
Amortization of actuarial loss	(33)	(2)	(296)
Retirement benefit expenses	¥ 239	¥ 178	\$ 2,160

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

	2021	2020
Discount rates	1.4-1.6 %	1.8-1.9 %
Rate of salary increase	2.7-4.3 %	2.7-4.5 %

Required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,732 million (\$15,640 thousand) and ¥1,998 million for the years ended March 31, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020 differed from the statutory tax rate for the following reasons:

	<u>2021</u>	<u>2020</u>
Statutory tax rate	29.9 %	29.9 %
Effect of:		
Tax effect of retained earnings in overseas consolidated subsidiaries	0.9	1.3
Permanently nondeductible expenses	0.2	0.5
Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries	(5.9)	(5.3)
Tax credits	(8.8)	(3.4)
Valuation allowance	1.5	3.0
Loss and others at subsidiaries	1.1	10.7
Permanently nontaxable dividends received	(0.2)	(0.4)
Other, net	0.7	(2.1)
Effective tax rate	<u>19.4 %</u>	<u>34.2 %</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, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Deferred tax assets:			
Depreciation	¥ 5,061	¥ 4,256	\$ 45,713
Carryforward tax loss	139	304	1,258
Accrued bonuses	1,482	1,204	13,388
Intercompany profit on sales of property, plant and equipment	1,284	846	11,597
Loss on devaluation of investment securities	301	301	2,719
Loss on devaluation of inventories	428	575	3,865
Loss on impairment of fixed assets	1,286	714	11,616
Other	3,464	3,172	31,290
Gross deferred tax assets	13,445	11,372	121,446
Valuation allowance of carryforward tax loss *	(42)	(252)	(383)
Valuation allowance of deductible temporary difference and others	(3,360)	(2,660)	(30,347)
Less valuation allowance	(3,402)	(2,912)	(30,730)
Total deferred tax assets	10,043	8,460	90,716
Deferred tax liabilities:			
Reserve for depreciation for tax purposes	(31)	(33)	(279)
Net unrealized gain on land revaluation resulting from inclusion of a subsidiary in consolidation	(540)	(541)	(4,881)
Tax effect of retained earnings in overseas consolidated subsidiaries	(12,325)	(1,011)	(111,323)
Net unrealized holding gain on other securities	(777)	(4,057)	(7,018)
Total deferred tax liabilities	(13,673)	(5,642)	(123,501)
Net deferred tax assets (liabilities)	¥ (3,630)	¥ 2,818	\$ (32,785)

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>							
2021							
	2022	2023	2024	2025	2026	2027 thereafter	Total
Carryforward tax loss (a)	¥ 81	¥ 34	¥ 0	¥ 7	¥ -	¥ 17	¥ 139
Valuation reserve	-	(18)	(0)	(7)	-	(17)	(42)
Net deferred tax assets	¥ 81	¥ 16	¥ -	¥ -	¥ -	¥ -	¥ 97

<i>Millions of yen</i>							
2020							
	2021	2022	2023	2024	2025	2026 thereafter	Total
Carryforward tax loss (a)	¥ 165	¥ 81	¥ 34	¥ 0	¥ 7	¥ 17	¥ 304
Valuation reserve	(113)	(81)	(34)	(0)	(7)	(17)	(252)
Net deferred tax assets	¥ 52	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 52

<i>Thousands of U.S. dollars</i>							
2021							
	2022	2023	2024	2025	2026	2027 thereafter	Total
Carryforward tax loss (a)	\$ 732	\$ 303	\$ 1	\$ 64	\$ -	\$ 158	\$ 1,258
Valuation reserve	-	(160)	(1)	(64)	-	(158)	(383)
Net deferred tax assets	\$ 732	\$ 143	\$ -	\$ -	\$ -	\$ -	\$ 875

(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, 2021 and 2020 amounted to ¥3,548 million (\$32,053 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, 2021 and 2020 were summarized as follows:

		Number of shares			
		2021			
		March 31, 2020	Increase	Decrease	March 31, 2021
Treasury stock:					
Common stock		1,124,913	162,479	26,885	1,260,507

		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

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, 2021 and 2020, respectively, includes 300 thousand shares and 165 thousand shares entrusted for the share-based compensation plan for directors and share-based compensation plan for employees held by the trust account of Custody Bank of Japan, Ltd.

Changes in liabilities for written put options over non-controlling interests

A consolidated subsidiary which has adopted International Financial Reporting Standards grants written put options with its shares over non-controlling interests. The amount expected to be paid in the future is recorded as other liabilities, and the same amount is reduced from capital surplus.

16. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the year ended March 31, 2021 was summarized as follows:

Location	Classification	Description	2021	
			Millions of yen	Thousands of U.S. dollars
Ogaki City, Gifu Prefecture	Buildings and structures	Idle	¥ 1,849	\$ 16,706
Ogaki City, Gifu Prefecture	Machinery and equipment	Idle	158	1,428
Ogaki City, Gifu Prefecture	Construction in progress	Idle	161	1,453
Ogaki City, Gifu Prefecture	Others	Idle	61	549
Ibigawa Cho, Gifu Prefecture	Machinery and equipment	Idle	22	198
Ibigawa Cho, Gifu Prefecture	Construction in progress	Idle	66	598
Penang, Malaysia	Buildings and structures	Idle	11	100
Penang, Malaysia	Machinery and equipment	Idle	1,129	10,194
Penang, Malaysia	Construction in progress	Idle	490	4,425
Penang, Malaysia	Others	Idle	14	126
Frauental, Austria	Machinery and equipment	Idle	108	980

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Loss on Impairment of Fixed Assets (continued)

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 ¥4,069 million (\$36,757 thousand) for the year ended March 31, 2021 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, 2021.

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>
Ogaki City, Gifu Prefecture	Construction in progress	Idle	¥ 238
Batangas, Republic of Philippines	Machinery and equipment	Idle	55
Pohang, South Korea	Machinery and equipment	Idle	13
Pohang, South Korea	Construction in progress	Idle	132
Frauental, Austria	Machinery and equipment	Idle	20
Courtenay, France	Land, buildings and structures	Production facilities	210

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 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 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 for the year ended March 31, 2020.

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 was as follows:

	<i>Millions of yen</i>
	<u>2020</u>
Impairment loss on fixed assets for the dissolution of subsidiary	¥ 210
Expenses of dissolution of subsidiary	185
Loss on devaluation of inventories	63

18. Loss on disaster

This is mainly the cost of measures to prevent the spread of COVID-19.

19. 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, 2021, the fair value of this land was ¥224 million (\$2,026 thousand) less than its carrying value after revaluation.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Salaries	¥ 8,757	¥ 9,328	\$ 79,099
Provision for employees' bonuses	804	737	7,260
Provision for directors' bonuses	155	132	1,400
Provision for employees' retirement benefit expenses	290	270	2,617
Provision for share compensation expenses	98	100	891
Research and development costs	16,841	16,201	152,118
Other	19,870	21,700	179,480
Total	¥ 46,815	¥ 48,468	\$ 422,865

21. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Gain (loss) on sales and disposals of property, plant and equipment, net	¥ (2,488)	¥ (2,191)	\$ (22,472)
Loss on impairment of fixed assets	(4,069)	(458)	(36,757)
Foreign exchange gain (loss), net	677	588	6,121
Share of profit of entities accounted for using equity method	1	0	7
Insurance claim income	152	-	1,372
Bond issuance costs	-	(147)	-
Compensation expenses	(997)	-	(9,005)
Loss on disaster	(503)	-	(4,543)
Loss on devaluation of securities	(30)	-	(266)
Loss on liquidation of subsidiaries and affiliates	-	(458)	-
Loss from suspended operation	-	(92)	-
Extra retirement payments	-	(514)	-
Other, net	(241)	8	(2,178)
Total	¥ (7,498)	¥ (3,264)	\$ (67,721)

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Amounts Per Share

	<i>Yen</i>		<i>U.S. dollars</i>
	2021	2020	2021
Basic profit attributable to owners of parent	¥ 183.94	¥ 81.08	\$ 1.66
Net assets	2,262.99	1,920.19	20.44
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, 2021 and 2020 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, 2021 and 2020 is not disclosed as the Company had no potentially dilutive common shares for the years ended March 31, 2021 and 2020. Amounts per share of net assets were computed based on the number of shares of common stock outstanding at the year end.

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

To calculate the amount of basic profit attributable to the owners of the parent per share, the Company's shares held by a trust account of Custody Bank of Japan, Ltd. (entrusted for share compensation for directors, etc. and employees) are included in treasury stock (189 thousand shares and 168 thousand shares for the years ended March 31, 2021 and 2020, 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 (300 thousand shares and 166 thousand shares for the years ended March 31, 2021 and 2020, 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, 2021 and 2020 in the table above were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Profit attributable to owners of parent	¥ 25,699	¥ 11,330	\$ 232,124

	<i>Thousands of shares</i>	
	2021	2020
Weighted average number of shares of common stock outstanding during the year	139,712	139,735

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Amounts Per Share (continued)

Financial data for the computation of net assets per share at March 31, 2021 and 2020 in the above table were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Total net assets	¥ 321,863	¥ 273,935	\$ 2,907,265
Deductions from total net assets:			
Non-controlling interests	(5,949)	(5,617)	(53,735)
Total net assets attributable to common stockholders	¥ 315,914	¥ 268,318	\$ 2,853,530
	<i>Thousands of shares</i>		
	2021	2020	
Number of shares of common stock used in the calculation of net assets per share	139,600	139,736	

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects for other comprehensive income (loss) for the years ended March 31, 2021 and 2020:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 27,758	¥ (4,467)	\$ 250,726
Reclassification adjustments for loss (gain) realized in the statement of income	(35)	(20)	(318)
Before tax effect	27,723	(4,487)	250,408
Tax effect	(8,251)	1,280	(74,524)
Net unrealized holding gain (loss) on securities	19,472	(3,207)	175,884
Translation adjustments:			
Amount arising during the year	8,267	(5,812)	74,671
Reclassification adjustments for gain realized in the statement of income	—	—	—
Translation adjustments	8,267	(5,812)	74,671
Total	¥ 27,739	¥ (9,019)	\$ 250,555

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. 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>
	2021	2020	2021
Cash and deposits	¥ 126,885	¥ 175,152	\$ 1,146,100
Time deposits with maturities in excess of three months	-	(268)	-
Cash and cash equivalents	<u>¥ 126,885</u>	<u>¥ 174,884</u>	<u>\$ 1,146,100</u>

25. 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, 2021 and 2020 for which hedge accounting had been applied. There were no derivatives with maturities over one year at March 31, 2021 and 2020. 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)

25. Derivatives (continued)

Method of hedge accounting	Transaction	Hedged items	2021	
			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		¥ 14,695	¥ (568)
	Euros		5,740	(239)
	Total		¥ 20,435	¥ (807)
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
Method of hedge accounting	Transaction	Hedged items	2021	
			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		\$ 132,736	\$ (5,133)
	Euros		51,846	(2,161)
	Total		\$ 184,582	\$ (7,294)

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Segment Information

Overview of reportable segments

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

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

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

Electronics segment:

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

Ceramics segment:

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

The Construction segment, which was previously a reportable segment, has been included in the "Others" due to its decreased significance since the beginning of the year ended March 31, 2021. Segment information for the previous fiscal year's corresponding period was prepared following this change.

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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Segment Information (continued)

A summary of net sales, income (loss), assets and other items by reportable segment for the years ended March 31, 2021 and 2020 were as follows:

<i>Millions of yen</i>							
2021							
	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Sales to third parties	¥ 166,070	¥ 87,355	¥ 253,425	¥ 70,036	¥ 323,461	¥ -	¥ 323,461
Intersegment sales and transfers	3	187	190	18,977	19,167	(19,167)	-
Net sales	¥ 166,073	¥ 87,542	¥ 253,615	¥ 89,013	¥ 342,628	¥ (19,167)	¥ 323,461
Segment income(loss)	¥ 27,810	¥ 4,632	¥ 32,442	¥ 6,550	¥ 38,992	¥ (357)	¥ 38,635
Segment assets	225,300	110,751	336,051	69,989	406,040	172,479	578,519
Depreciation and amortization	25,626	6,817	32,443	1,159	33,602	1,811	35,413
Increase in property, plant and equipment and intangible assets	70,482	3,359	73,841	892	74,733	4,659	79,392

<i>Millions of yen</i>							
2020							
	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Sales to third parties	¥ 132,170	¥ 88,427	¥ 220,597	¥ 75,401	¥ 295,999	¥ -	¥ 295,999
Intersegment sales and transfers	3	215	217	21,790	22,009	(22,009)	-
Net sales	¥ 132,173	¥ 88,642	¥ 220,815	¥ 97,192	¥ 318,008	¥ (22,009)	¥ 295,999
Segment income	¥ 14,892	¥ (982)	¥ 13,910	¥ 5,827	¥ 19,738	¥ (52)	¥ 19,686
Segment assets	153,670	109,295	262,964	79,297	342,263	176,356	518,619
Depreciation and amortization	12,325	8,444	20,768	1198	21,967	2,255	24,222
Increase in property, plant and equipment and intangible assets	48,703	6,256	54,958	982	55,941	2,296	58,237

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Segment Information (continued)

<i>Thousands of U.S. dollars</i>							
2021							
	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Sales to third parties	\$ 1,500,046	\$ 789,045	\$ 2,289,091	\$ 632,609	\$ 2,921,700	\$ -	\$ 2,921,700
Intersegment sales and transfers	32	1,687	1,719	171,407	173,126	(173,126)	-
Net sales	<u>\$ 1,500,078</u>	<u>\$ 790,732</u>	<u>\$ 2,290,810</u>	<u>\$ 804,016</u>	<u>\$ 3,094,826</u>	<u>\$ (173,126)</u>	<u>\$ 2,921,700</u>
Segment income(loss)	\$ 251,195	\$ 41,835	\$ 293,030	59,168	352,198	(3,227)	348,971
Segment assets	2,035,043	1,000,371	3,035,414	632,186	3,667,600	1,557,932	5,225,532
Depreciation and amortization	231,473	61,576	293,049	10,466	303,515	16,360	319,875
Increase in property, plant and equipment and intangible assets	636,631	30,344	666,975	8,056	675,031	42,087	717,118

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

The adjustments of segment income (loss) in the amount of ¥(357) million (\$ (3,227) thousand) and ¥(52) million for the years ended March 31, 2021 and 2020, 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 ¥172,479 million (\$1,557,932 thousand) and ¥176,356 million for the years ended March 31, 2021 and 2020, respectively, are corporate assets that could not be allocated to the business segments.

The adjustments of depreciation in the amount of ¥1,811 million (\$16,360 thousand) and ¥2,255 million for the years ended March 31, 2021 and 2020, 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 ¥4,659 million (\$42,087 thousand) and ¥2,296 million for the years ended March 31, 2021 and 2020, 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)

26. 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, 2021 and 2020 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Japan	¥ 86,109	¥ 93,385	\$ 777,785
Asia (excluding Japan)	176,894	137,397	1,597,813
North America	26,005	26,473	234,896
Europe	33,591	38,012	303,416
Others	862	732	7,790
Consolidated	¥ 323,461	¥ 295,999	\$ 2,921,700

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

Sales in Malaysia, China and Vietnam belonging to the Asia area were ¥62,750 million (\$566,799 thousand), ¥45,809 million (\$413,776 thousand) and ¥37,686 million (\$340,400 thousand) for the year ended March 31, 2021.

Sales in Malaysia and China belonging to the Asia area were ¥49,677 million and ¥41,384 million for the year ended March 31, 2020.

Property, plant and equipment by country or geographical area at March 31, 2021 and 2020 was summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Japan	¥ 134,807	¥ 98,003	\$ 1,217,661
Asia (excluding Japan)	47,991	42,359	433,484
North America	3,689	4,610	33,321
Europe	28,341	28,542	255,994
Consolidated	¥ 214,828	¥ 173,514	\$ 1,940,460

Property, plant and equipment in Hungary belonging to the Europe area was ¥25,029 million (\$226,078 thousand) for the year ended March 31, 2021.

Property, plant and equipment in Hungary belonging to the Europe area was ¥25,383 million for the year ended March 31, 2020.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Segment Information (continued)

Major customer information

Sales to major customers for the years ended March 31, 2021 and 2020 were as follows:

Customer Name	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2021	2020	2021
Intel Corp.	¥ 115,550	¥ 76,666	\$ 1,043,721

Amortization amount and remaining balance of goodwill

The amortization amount and remaining balance of goodwill by reportable segment for the years ended and as of March 31, 2021 are summarized as follows:

<i>Millions of yen</i>							
2021							
Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements	
Electronics	Ceramics	Total					
Goodwill:							
Amortization amount	¥ –	¥ 22	¥ 22	¥ –	¥ 22	¥ –	¥ 22
Remaining balance	–	436	436	–	436	–	436

<i>Thousands of U.S. dollars</i>							
2021							
Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements	
Electronics	Ceramics	Total					
Goodwill:							
Amortization amount	\$ –	\$ 198	\$ 198	\$ –	\$ 198	\$ –	\$ 198
Remaining balance	–	3,935	3,935	–	3,935	–	3,935

There is no relevant information for the year ended March 31, 2020.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Segment Information (continued)

Loss on impairment of fixed assets

Loss on impairment of fixed assets by reportable segment for the year ended March 31, 2021 was summarized as follows:

Millions of yen							
2021							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 4,069	¥ 4,069

Thousands of U.S. dollars							
2021							
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Loss on impairment of fixed assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 36.757	\$ 36.757

Due to the immateriality of the amount, loss on impairment of fixed assets for the year ended March 31, 2020 is not disclosed.

27. 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, 2021 was approved at a meeting of the Board of Directors held on May 14, 2021:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends (¥20 (\$0.18) per share)	¥ 2,798	\$ 25,273

The total amount of dividends includes dividends of ¥6 million (\$54 thousand) to the shares of treasury stock of the Company (for the share-based compensation plan for directors and share-based compensation plan for employees) held by the trust account of Custody Bank of Japan, Ltd.



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, 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Accuracy of the accounting for transactions for the acquisition of property, plant and equipment as part of the large-scale investments in the Electronics Operation

The key audit matter	How the matter was addressed in our audit
In the current fiscal year, IBIDEN CO., LTD. (the "Company") made capital investments of ¥64,428 million mainly in the Electronics Operation production facilities. This amount accounted for 11.1% of total assets in the consolidated financial statements for the current fiscal year.	The primary procedures we performed to assess the accuracy of the accounting for transactions for the acquisition of property, plant and equipment as part of the large-scale investments in the Electronics Operation of the Company included the following: (1) Internal control testing

<p>Capital investments are transferred to the relevant permanent accounts, such as machinery and equipment, and depreciation of the assets starts when they are placed in service.</p> <p>As a result of aggressive capital investments in the Electronics Operation, the transaction volume and amount increased. Accordingly, any failure in the accurate treatment for the amount recognized, timing of recognition, account title, and the timing when depreciation of the acquired assets started, could increase the effect of the accounting treatment on the amount.</p> <p>We, therefore, determined that our assessment of the accuracy of the accounting for transactions for the acquisition of property, plant and equipment as part of the large-scale investments in the Electronics Operation of the Company was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the transactions for the acquisition of property, plant and equipment. In the assessment, we focused our testing on controls to ensure the accuracy of the amount recognized, timing of recognition, account title, and the timing when depreciation of the acquired assets started.</p> <p>(2) Assessment of the accuracy of the amount recognized, timing of recognition, account title, and the timing when depreciation of the acquired assets started</p> <ul style="list-style-type: none"> ● We inspected the materials used for managing the progress of the large-scale investments in the Electronics Operation, and compared the investment plans with the actual amounts recognized and timing of recognition to identify any differences; ● We compared the transactions for the recorded acquisition of property, plant and equipment with the purchase order forms, delivery forms, installation certificates, and other evidence of the acquisition transactions; and ● We assessed whether the account titles, acquisition cost, and timing when depreciation started were accurately registered in the basic information for the depreciation calculation of the acquired assets by comparing the information with the list of assets to be recognized, which is used for approval of the accounting titles, acquisition cost, and the date on which the asset is put to business use.
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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 with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

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

We also provide Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with Audit and Supervisory Committee we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 30, 2021

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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Issued:ESG Promotion Group, Corporate Planning Division

