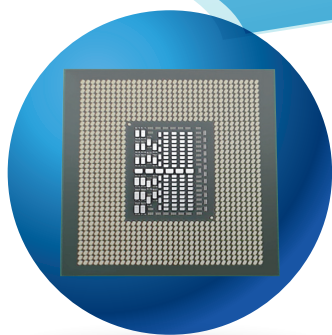


IBIDEN Co., Ltd.
Financial Review 2022
Year Ended March 31, 2022



Consolidated Financial Statements

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

*Year Ended March 31, 2022
with Independent Auditor's Report*

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements

Year Ended March 31, 2022

Contents

Independent Auditor's Report

| | |
|--|---|
| Consolidated Balance Sheet | 1 |
| Consolidated Statement of Income..... | 3 |
| Consolidated Statement of Comprehensive Income | 4 |
| Consolidated Statement of Changes in Net Assets..... | 5 |
| Consolidated Statement of Cash Flows..... | 6 |
| Notes to Consolidated Financial Statements | 8 |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2022

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 7)</i> |
|--|------------------------|------------------|---|
| | 2022 | 2021 | 2022 |
| Assets | | | |
| Current assets: | | | |
| Cash and deposits (<i>Notes 8 and 24</i>) | ¥ 185,592 | ¥ 126,885 | \$ 1,516,152 |
| Notes and accounts receivable (<i>Notes 8 and 26</i>): | | | |
| Trade | 92,083 | 89,796 | 752,251 |
| Other | 5,148 | 6,063 | 42,059 |
| Allowance for doubtful accounts | (94) | (109) | (768) |
| Inventories: | | | |
| Merchandise and finished goods | 26,823 | 13,653 | 219,120 |
| Work in process | 19,786 | 18,735 | 161,634 |
| Raw materials and supplies | 27,960 | 24,636 | 228,412 |
| Other current assets (<i>Notes 8 and 25</i>) | 5,972 | 5,706 | 48,790 |
| Total current assets | <u>363,270</u> | <u>285,365</u> | <u>2,967,650</u> |
| Property, plant and equipment: | | | |
| Land (<i>Notes 16 and 19</i>) | 20,108 | 19,972 | 164,269 |
| Buildings and structures (<i>Note 16</i>) | 216,977 | 213,557 | 1,772,542 |
| Machinery and equipment (<i>Note 16</i>) | 503,270 | 471,579 | 4,111,345 |
| Leased assets | 636 | 566 | 5,192 |
| Construction in progress (<i>Note 16</i>) | 34,014 | 38,590 | 277,869 |
| | <u>775,005</u> | <u>744,264</u> | <u>6,331,217</u> |
| Accumulated depreciation and impairment loss | (549,084) | (529,436) | (4,485,614) |
| Property, plant and equipment, net | <u>225,921</u> | <u>214,828</u> | <u>1,845,603</u> |
| Investments and other assets: | | | |
| Investment securities (<i>Notes 8, 9 and 11</i>): | | | |
| Unconsolidated subsidiaries and affiliates | 26 | 25 | 214 |
| Other | 64,612 | 68,173 | 527,833 |
| Long-term loans receivable | 8 | 9 | 69 |
| Deferred tax assets (<i>Notes 3 and 14</i>) | 3,951 | 3,488 | 32,280 |
| Other assets | 6,793 | 6,873 | 55,486 |
| Allowance for doubtful accounts | (248) | (242) | (2,025) |
| Total investments and other assets | <u>75,142</u> | <u>78,326</u> | <u>613,857</u> |
| Total assets (<i>Note 27</i>) | <u>¥ 664,333</u> | <u>¥ 578,519</u> | <u>\$ 5,427,110</u> |

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 7)</i> |
|---|------------------------|-----------|---|
| | 2022 | 2021 | 2022 |
| Liabilities and Net Assets | | | |
| Current liabilities: | | | |
| Short-term borrowings and current portion of long-term debt (<i>Notes 8 and 10</i>) | ¥ 40,030 | ¥ 35,131 | \$ 327,016 |
| Notes and accounts payable (<i>Notes 8 and 11</i>): | | | |
| Trade | 47,174 | 42,564 | 385,378 |
| Other | 27,061 | 29,254 | 221,070 |
| Lease obligations (<i>Note 12</i>) | 135 | 395 | 1,101 |
| Accrued expenses | 7,055 | 5,915 | 57,637 |
| Income taxes payable (<i>Note 14</i>) | 14,910 | 5,624 | 121,800 |
| Accrued bonuses for employees | 5,385 | 4,803 | 43,990 |
| Accrued bonuses for directors and audit and supervisory board members | 173 | 155 | 1,413 |
| Provision for loss on liquidation of subsidiaries and affiliates | 177 | 225 | 1,444 |
| Other current liabilities (<i>Notes 8 and 25</i>) | 14,061 | 7,834 | 114,867 |
| Total current liabilities | 156,161 | 131,900 | 1,275,716 |
| Long-term liabilities: | | | |
| Long-term debt (<i>Notes 8 and 10</i>) | 130,000 | 115,044 | 1,062,005 |
| Lease obligations (<i>Note 12</i>) | 200 | 172 | 1,633 |
| Liability for retirement benefits (<i>Note 13</i>) | 579 | 1,079 | 4,729 |
| Provision for share-based compensation (<i>Note 6</i>) | 493 | 353 | 4,028 |
| Deferred tax liabilities (<i>Notes 3 and 14</i>) | 5,095 | 7,118 | 41,626 |
| Other long-term liabilities | 1,077 | 990 | 8,793 |
| Total long-term liabilities | 137,444 | 124,756 | 1,122,814 |
| Net Assets: | | | |
| Shareholders' equity (<i>Note 15</i>): | | | |
| Common stock: | | | |
| Authorized – 230,000,000 shares | | | |
| Issued – 140,860,557 shares in 2022 and 2021 | 64,152 | 64,152 | 524,080 |
| Capital surplus | 64,494 | 64,433 | 526,871 |
| Retained earnings | 184,612 | 149,380 | 1,508,146 |
| Less treasury stock, at cost | (3,265) | (3,286) | (26,672) |
| Total shareholders' equity | 309,993 | 274,679 | 2,532,425 |
| Accumulated other comprehensive income: | | | |
| Net unrealized holding gain on other securities | 26,626 | 28,639 | 217,516 |
| Surplus arising from land revaluation (<i>Note 19</i>) | 160 | 160 | 1,308 |
| Translation adjustments | 27,796 | 12,436 | 227,069 |
| Total accumulated other comprehensive income | 54,582 | 41,235 | 445,893 |
| Non-controlling interests (<i>Note 22</i>) | 6,153 | 5,949 | 50,262 |
| Total net assets (<i>Note 22</i>) | 370,728 | 321,863 | 3,028,580 |
| Total liabilities and net assets | ¥ 664,333 | ¥ 578,519 | \$ 5,427,110 |

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income

Year Ended March 31, 2022

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 7)</i> |
|--|------------------------|-----------|---|
| | 2022 | 2021 | 2022 |
| Net sales (<i>Note 27</i>) | ¥ 401,139 | ¥ 323,461 | \$ 3,277,011 |
| Cost of sales | 281,059 | 238,011 | 2,296,047 |
| Gross profit | 120,080 | 85,450 | 980,964 |
| Selling, general and administrative expenses (<i>Note 20</i>) | 49,259 | 46,815 | 402,407 |
| Operating income (<i>Note 27</i>) | 70,821 | 38,635 | 578,557 |
| Other income (expenses): | | | |
| Interest and dividend income | 1,411 | 1,222 | 11,524 |
| Interest expense | (281) | (258) | (2,292) |
| Gain (loss) on sales of investment securities (<i>Note 9</i>) | 91 | 65 | 742 |
| Other, net (<i>Notes 16, 17, 0 and 0</i>) | (12,790) | (7,498) | (104,482) |
| Profit before income taxes | 59,252 | 32,166 | 484,049 |
| Income taxes (<i>Note 14</i>): | | | |
| Current | (19,049) | (8,070) | (155,614) |
| Deferred | 1,360 | 1,823 | 11,110 |
| Profit | 41,563 | 25,919 | 339,545 |
| Profit attributable to: | | | |
| Non-controlling interests | (330) | (220) | (2,705) |
| Owners of parent (<i>Note 22</i>) | ¥ 41,233 | ¥ 25,699 | \$ 336,840 |

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2022

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 7)</i> |
|---|------------------------|----------|---|
| | 2022 | 2021 | 2022 |
| Profit | ¥ 41,563 | ¥ 25,919 | \$ 339,545 |
| Other comprehensive income (loss): | | | |
| Net unrealized holding gain (loss) on other securities | (1,989) | 19,472 | (16,248) |
| Translation adjustments | 15,377 | 8,267 | 125,621 |
| Total other comprehensive income (loss) <i>(Note 0)</i> | 13,388 | 27,739 | 109,373 |
| Comprehensive income (loss) | ¥ 54,951 | ¥ 53,658 | \$ 448,918 |
| Comprehensive income (loss) attributable to: | | | |
| Owners of parent | ¥ 54,580 | ¥ 53,349 | \$ 445,878 |
| Non-controlling interests | 371 | 309 | 3,040 |

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2022

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, 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 |
| Cumulative effects of changes in accounting policies | - | - | - | (19) | - | - | - | - | - | (19) |
| Cash dividends | - | - | - | (5,596) | - | - | - | - | - | (5,596) |
| Profit attributable to owners of parent | - | - | - | 41,233 | - | - | - | - | - | 41,233 |
| Purchases of treasury stock | - | - | - | - | (11) | - | - | - | - | (11) |
| Retirement of treasury stock | - | - | 1 | - | 32 | - | - | - | - | 33 |
| Change of scope of consolidation | - | - | - | (386) | - | - | - | - | - | (386) |
| Change in ownership interest of parent due to transactions with non-controlling interests | - | - | 60 | - | - | - | - | - | - | 60 |
| Other changes | - | - | - | - | - | (2,013) | - | 15,360 | 204 | 13,551 |
| Balance at March 31, 2022 | 140,861 | ¥ 64,152 | ¥ 64,494 | ¥ 184,612 | ¥ (3,265) | ¥ 26,626 | ¥ 160 | ¥ 27,796 | ¥ 6,153 | ¥ 370,728 |

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, 2021 | \$ 524,080 | \$ 526,375 | \$ 1,220,325 | \$ (26,847) | \$ 233,956 | \$ 1,308 | \$ 101,591 | \$ 48,599 | \$ 2,629,387 |
| Cumulative effects of changes in accounting policies | - | - | (155) | - | - | - | - | - | (155) |
| Cash dividends | - | - | (45,715) | - | - | - | - | - | (45,715) |
| Profit attributable to owners of parent | - | - | 336,840 | - | - | - | - | - | 336,840 |
| Purchases of treasury stock | - | - | - | (91) | - | - | - | - | (91) |
| Retirement of treasury stock | - | 7 | - | 266 | - | - | - | - | 273 |
| Change of scope of consolidation | - | - | (3,149) | - | - | - | - | - | (3,149) |
| Change in ownership interest of parent due to transactions with non-controlling interests | - | 489 | - | - | - | - | - | - | 489 |
| Other changes | - | - | - | - | (16,440) | - | 125,478 | 1,663 | 110,701 |
| Balance at March 31, 2022 | \$ 524,080 | \$ 526,871 | \$ 1,508,146 | \$ (26,672) | \$ 217,516 | \$ 1,308 | \$ 227,069 | \$ 50,262 | \$ 3,028,580 |

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2022

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 7)</i> |
|---|------------------------|-----------------|---|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> |
| Operating activities | | | |
| Profit before income taxes | ¥ 59,252 | ¥ 32,166 | \$ 484,049 |
| Adjustments to reconcile profit before income taxes to net cash provided by operating activities: | | | |
| Depreciation and amortization | 52,715 | 35,413 | 430,647 |
| Loss on impairment of fixed assets | 1,219 | 4,069 | 9,955 |
| Reversal for accrued bonuses for employees | 582 | 894 | 4,756 |
| Reversal for accrued bonuses for directors | 18 | 23 | 147 |
| Reversal of allowance for doubtful accounts | (10) | (29) | (81) |
| Increase (decrease) in liability for retirement benefits | (500) | 195 | (4,082) |
| Interest and dividend income | (1,411) | (1,222) | (11,524) |
| Interest expense | 281 | 258 | 2,292 |
| Share of profit of entities accounted for using equity method | (2) | (1) | (17) |
| Gain on sales of property, plant and equipment | (136) | (75) | (1,111) |
| Loss on disposal of property, plant and equipment | 6,113 | 2,563 | 49,939 |
| Gain (loss) on sales of investment securities | (91) | (65) | (742) |
| Loss on sales of shares of subsidiaries and associates | 7,098 | - | 57,981 |
| Loss (gain) on valuation of investment securities | 630 | 30 | 5,150 |
| Decrease (increase) in notes and accounts receivable, trade | (1,922) | (17,722) | (15,704) |
| Decrease (increase) in inventories | (17,602) | (9,969) | (143,794) |
| Increase (decrease) in notes and accounts payable | 4,368 | (1,450) | 35,683 |
| Increase (decrease) in accrued expenses | 1,140 | (238) | 9,314 |
| Other, net | 5,734 | (1,304) | 46,832 |
| Subtotal | <u>117,476</u> | <u>43,536</u> | <u>959,690</u> |
| Interest and dividends received | 1,411 | 1,222 | 11,530 |
| Interest paid | (280) | (258) | (2,292) |
| Income taxes paid | (10,234) | (5,545) | (83,603) |
| Net cash provided by operating activities | <u>¥ 108,373</u> | <u>¥ 38,955</u> | <u>\$ 885,325</u> |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2022

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars (Note 7)</i> |
|--|------------------------|------------------|---|
| | <u>2022</u> | 2021 | <u>2022</u> |
| Investing activities | | | |
| Purchases of property, plant and equipment | ¥ (66,200) | ¥ (75,350) | \$ (540,809) |
| Proceeds from sales of property, plant and equipment | 433 | 638 | 3,534 |
| Purchases of intangible assets | (1,014) | (1,173) | (8,286) |
| Purchases of investment securities | (36) | (6,199) | (292) |
| Proceeds from sales of investment securities | 225 | 96 | 1,842 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | (584) | - |
| Sale of shares of subsidiaries resulting in change in scope of consolidation | (1,164) | - | (9,511) |
| Increase in short-term loans receivable | - | 0 | - |
| Collection of long-term loans receivable | 0 | 0 | 2 |
| Other, net | 33 | 227 | 276 |
| Net cash used in investing activities | <u>(67,723)</u> | <u>(82,345)</u> | <u>(553,244)</u> |
| Financing activities | | | |
| Increase in short-term borrowings, net | (101) | (37) | (825) |
| Increase in long-term debt | - | 10,009 | - |
| Repayment of long-term debt | (44) | (10,000) | (363) |
| Proceeds from issuance of bonds | 35,000 | - | 285,924 |
| Redemption of bonds | (15,000) | - | (122,539) |
| Purchases of treasury stock | (11) | (763) | (91) |
| Proceeds from sales of treasury stock | 33 | 52 | 273 |
| Cash dividends paid | (5,596) | (4,897) | (45,715) |
| Cash dividends paid to non-controlling interests | (49) | (15) | (398) |
| Repayments of lease obligations | (233) | (586) | (1,901) |
| Other, net | (64) | - | (523) |
| Net cash (used in) provided by financing activities | <u>13,935</u> | <u>(6,237)</u> | <u>113,842</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>4,122</u> | <u>1,628</u> | <u>33,674</u> |
| Increase (decrease) in cash and cash equivalents | <u>58,707</u> | <u>(47,999)</u> | <u>479,597</u> |
| Cash and cash equivalents at beginning of year | <u>126,885</u> | <u>174,884</u> | <u>1,036,555</u> |
| Cash and cash equivalents at end of year (Note 24) | <u>¥ 185,592</u> | <u>¥ 126,885</u> | <u>\$ 1,516,152</u> |

See accompanying Notes to Consolidated Financial Statements.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2022

1. Basis of Presentation

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

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

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

2. Summary of Significant Accounting Policies

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

Under the principles of consolidation, companies are to include in their consolidated financial statements. Significant subsidiaries over which substantial control is exerted through majority ownership of voting stock and/or by other means. Accordingly, the accompanying consolidated financial statements include the accounts of the Company and its 34 and 38 significant consolidated subsidiaries for the years ended March 31, 2022 and 2021, respectively.

For the year ended March 31, 2022, one subsidiary that was not consolidated for the year ended March 31, 2021 has been consolidated. IBIDEN Human Network Co., Ltd. has been included in the scope of consolidation from the year ended March 31, 2022 due to its establishment.

IB Green Co., Ltd., a subsidiary that was consolidated for the year ended March 31, 2021, has been excluded from the scope of consolidation from the year ended March 31, 2022 due to its completed liquidation. Ividen Ceram GmbH and its subsidiaries Ividen Ceram Inc., Ceram Frauenthal Korea Co., Ltd. and Ividen Ceram Liegenschaftsverwaltung GmbH, which were consolidated for the year ended March 31, 2021, have been excluded from the scope of consolidation from the year ended March 31, 2022 due to a transfer of all shares.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Significant investments in affiliates over which the Company has the ability to exercise significant influence with regard to the operating and financial policies of the investees are also accounted for by the equity method. There were 2 companies accounted for by the equity method for each of the years ended March 31, 2022 and 2021.

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

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

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

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

(b) Foreign currency translation

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

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

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

(c) Cash equivalents

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

(d) Allowance for doubtful accounts

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

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

(e) Inventories

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

(f) Investment securities

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

(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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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

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

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

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

(i) Leases

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

(j) Goodwill

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

(k) Accrued bonuses for employees

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

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

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

(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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

subsidiaries are credited or charged to income in the year in which the gain or loss is recognized.

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

(o) Provision for share-based compensation

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

(p) Income taxes

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

(q) Deferred assets

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

(r) Research and development costs

Research and development costs are charged to expense as incurred.

(s) Recognition criteria for revenue and expenses

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

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

(t) Derivatives

Derivative positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred and reported as deferred gain

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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 28.)

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> |
|---------------------|------------------------|-------------|----------------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> |
| Deferred tax assets | ¥ 10,634 | ¥ 8,854 | \$ 86,870 |

(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. Changes in accounting policies

Revenue Recognition

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the current fiscal year.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, compared with amounts that would have been reported using the previous

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

accounting method, the application of the new standard resulted in reductions of ¥467 million (\$5,939 thousand) in net sales, ¥338 million (\$207 thousand) in cost of sales and ¥129 million (\$401 thousand) in gross profit, operating profit, ordinary profit and profit before income taxes. In addition, the new standard reduced retained earnings at the beginning of the current fiscal year by ¥19 million (\$155 thousand).

Fair Value Measurement

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the current fiscal year and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There has been no effect from the application of these standards on the consolidated financial statements.

5. Standards and Guidance Not Yet Adopted

Fair Value Measurement

The following guidance was issued but not yet adopted.

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(Overview)

Guidance on fair value about Investment trust, etc. was issued.

(Effective date)

Fair Value Accounting Standards and guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2023.

(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.

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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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 ¥840 million (\$6,860 thousand) and 248 thousand shares and ¥869 million and 257 thousand shares as of the year ended March 31, 2022 and 2021, respectively.

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

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

(b) Share-based compensation plan for employees

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

(Outline of the plan)

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

(The Company's own stock in the trust)

The Company's own stock in the possession of the trust is recorded as treasury stock under net assets at book value. The book value and number of shares of treasury stock were ¥157 million (\$1,279 thousand) and 43 thousand shares and ¥157 million and 43 thousand shares as of the year ended March 31, 2022 and 2021, respectively.

(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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

a rate of ¥122.41 to U.S. \$1.00, the rate of exchange prevailing on March 31, 2022. 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.

8. Financial Instruments

Status of financial instruments

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

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

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

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

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

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

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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.

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, 2022 and 2021 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.

The Company has omitted the disclosure of information on cash and deposits, Notes and accounts receivable, Notes and accounts payable and short-term borrowings, based on the ASBJ Guidance No.19 - Implementation Guidance on Disclosures about Fair Value of Financial Instruments.

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

| | 2022 | | |
|-----------------------------|------------------------------------|---------------------------------|-------------------|
| | Carrying value | Estimated fair value | Difference |
| | <i>(Millions of yen)</i> | | |
| <u>Assets:</u> | | | |
| Investment securities | ¥ 64,168 | ¥ 64,168 | ¥ – |
| Total assets | <u>64,168</u> | <u>64,168</u> | <u>–</u> |
| <u>Liabilities:</u> | | | |
| Bonds payable | ¥ 70,000 | ¥ 69,708 | ¥ (292) |
| Long-term loans payable | 80,000 | 79,706 | (294) |
| Total liabilities | <u>150,000</u> | <u>149,414</u> | <u>(586)</u> |
| Derivative transactions (*) | ¥ (724) | ¥ (724) | ¥ – |
| | 2021 | | |
| | Carrying value | Estimated fair value | Difference |
| | <i>(Millions of yen)</i> | | |
| <u>Assets:</u> | | | |
| Investment securities | ¥ 67,738 | ¥ 67,738 | ¥ – |
| Total assets | <u>67,738</u> | <u>67,738</u> | <u>–</u> |
| <u>Liabilities:</u> | | | |
| Bonds payable | ¥ 50,000 | ¥ 49,868 | ¥ (132) |
| Long-term loans payable | 80,044 | 79,448 | (596) |
| Total liabilities | <u>130,044</u> | <u>129,316</u> | <u>(728)</u> |
| Derivative transactions (*) | ¥ (807) | ¥ (807) | ¥ – |
| | 2022 | | |
| | Carrying value | Estimated fair value | Difference |
| | <i>(Thousands of U.S. dollars)</i> | | |
| <u>Assets:</u> | | | |
| Investment securities | \$ 524,204 | \$ 524,204 | \$ – |
| Total assets | <u>524,204</u> | <u>524,204</u> | <u>–</u> |
| <u>Liabilities:</u> | | | |
| Bonds payable | \$ 571,849 | \$ 569,463 | \$ (2,386) |
| Long-term loans payable | 653,541 | 651,142 | (2,399) |
| Total liabilities | <u>1,225,390</u> | <u>1,220,605</u> | <u>(4,785)</u> |
| Derivative transactions (*) | \$ (5,913) | \$ (5,913) | \$ – |

*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

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 Investments in equity securities without market prices at March 31, 2022 and 2021 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|----------------------------|------------------------|-------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Unlisted equity securities | ¥ 444 | ¥ 435 | \$ 3,629 |

The redemption schedule for monetary assets at March 31, 2022 and 2021 were as follows:

| | 2022 | | | |
|---------------------------|--------------------------|---------------------------------------|---|----------------------|
| | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years | Over 10 years |
| | <i>(Millions of yen)</i> | | | |
| Cash and deposits | ¥ 185,592 | ¥ – | ¥ – | ¥ – |
| Notes receivable-trade | 5,015 | – | – | – |
| Accounts receivable-trade | 83,970 | – | – | – |
| Total | ¥ 274,577 | ¥ – | ¥ – | ¥ – |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

| 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 | ¥ 216,681 | ¥ – | ¥ – | ¥ – |
| 2022 | | | | |
| | 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 | \$ 1,516,152 | \$ – | \$ – | \$ – |
| Notes receivable-trade | 40,970 | – | – | – |
| Accounts receivable-trade | 685,970 | – | – | – |
| Total | \$ 2,243,092 | \$ – | \$ – | \$ – |

Breakdown of financial instruments by level of each fair value

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

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

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

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

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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

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

| | 2022 | | | Total |
|-------------------------|------------------------------------|----------------|----------|----------------|
| | Level 1 | Level 2 | Level 3 | |
| | <i>(Thousands of U.S. dollars)</i> | | | |
| <u>Assets:</u> | | | | |
| Investment securities | \$ 524,204 | \$ – | \$ – | \$ 524,204 |
| Total assets | <u>524,204</u> | <u>–</u> | <u>–</u> | <u>524,204</u> |
| <u>Liabilities:</u> | | | | |
| Derivative transactions | \$ – | \$ (5,913) | \$ – | \$ (5,913) |
| Total liabilities | <u>–</u> | <u>(5,913)</u> | <u>–</u> | <u>(5,913)</u> |

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

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

| | 2022 | | | Total |
|-------------------------|------------------------------------|------------------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| | <i>(Thousands of U.S. dollars)</i> | | | |
| <u>Liabilities:</u> | | | | |
| Bonds payable | \$ – | \$ 569,463 | \$ – | \$ 569,463 |
| Long-term loans payable | – | 651,142 | – | 651,142 |
| Total liabilities | <u>–</u> | <u>1,220,605</u> | <u>–</u> | <u>1,220,605</u> |

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

Investment securities

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Derivatives

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

Bonds payable

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

Long-term loans payable

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

9. Investment Securities

- (a) Marketable securities classified as other securities at March 31, 2022 and 2021 were summarized as follows:

| | 2022 | | |
|--|--------------------------|--|-------------------|
| | Acquisition cost | Market value reflected in the balance sheet | Difference |
| | <i>(Millions of yen)</i> | | |
| Securities whose market value reflected in the balance sheet exceeds their acquisition cost: | | | |
| Equity securities | ¥ 23,305 | ¥ 62,087 | ¥ 38,782 |
| Other | - | - | - |
| Subtotal | <u>23,305</u> | <u>62,087</u> | <u>38,782</u> |
| Securities whose market value reflected in the balance sheet does not exceed their acquisition cost: | | | |
| Equity securities | 2,312 | 2,081 | (231) |
| Other | - | - | - |
| Subtotal | <u>2,312</u> | <u>2,081</u> | <u>(231)</u> |
| Total | <u>¥ 25,617</u> | <u>¥ 64,168</u> | <u>¥ 38,551</u> |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

| | 2021 | | |
|--|-------------------|---|-------------------|
| | Acquisition cost | Market value reflected in the balance sheet <i>(Millions of yen)</i> | Difference |
| Securities whose market value reflected in the balance sheet exceeds their acquisition cost: | | | |
| Equity securities | ¥ 21,918 | ¥ 64,245 | ¥ 42,327 |
| Other | — | — | — |
| Subtotal | <u>21,918</u> | <u>64,245</u> | <u>42,327</u> |
| Securities whose market value reflected in the balance sheet does not exceed their acquisition cost: | | | |
| Equity securities | 4,427 | 3,493 | (934) |
| Other | — | — | — |
| Subtotal | <u>4,427</u> | <u>3,493</u> | <u>(934)</u> |
| Total | <u>¥ 26,345</u> | <u>¥ 67,738</u> | <u>¥ 41,393</u> |
| | | | |
| | 2022 | | |
| | Acquisition cost | Market value reflected in the balance sheet <i>(Thousands of U.S. dollars)</i> | Difference |
| Securities whose market value reflected in the balance sheet exceeds their acquisition cost: | | | |
| Equity securities | \$ 190,387 | \$ 507,208 | \$ 316,821 |
| Other | — | — | — |
| Subtotal | <u>190,387</u> | <u>507,208</u> | <u>316,821</u> |
| Securities whose market value reflected in the balance sheet does not exceed their acquisition cost: | | | |
| Equity securities | 18,886 | 16,996 | (1,890) |
| Other | — | — | — |
| Subtotal | <u>18,886</u> | <u>16,996</u> | <u>(1,890)</u> |
| Total | <u>\$ 209,273</u> | <u>\$ 524,204</u> | <u>\$ 314,931</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 ¥ 630 million (\$5,150 thousand) for the year ended March 31, 2022.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

- (b) The proceeds from sales of and gross realized gain and loss on other securities for the years ended March 31, 2022 and 2021 were summarized as follows:

| | 2022 | | |
|-------------------|--------------------------|----------------------------|----------------------------|
| | Proceeds | Gross realized gain | Gross realized loss |
| | <i>(Millions of yen)</i> | | |
| Equity securities | ¥ 225 | ¥ 91 | ¥ - |
| Total | ¥ 225 | ¥ 91 | ¥ - |

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

| | 2022 | | |
|-------------------|------------------------------------|----------------------------|----------------------------|
| | Proceeds | Gross realized gain | Gross realized loss |
| | <i>(Thousands of U.S. dollars)</i> | | |
| Equity securities | \$ 1,842 | \$ 742 | \$ - |
| Total | \$ 1,842 | \$ 742 | \$ - |

10. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and the current portion of long-term debt at March 31, 2022 and 2021 consisted of the following:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|-----------------------------------|------------------------|----------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Short-term borrowings | ¥ 20,030 | ¥ 20,131 | \$ 163,631 |
| Current portion of long-term debt | 20,000 | 15,000 | 163,385 |
| | ¥ 40,030 | ¥ 35,131 | \$ 327,016 |

The weighted average annual interest rates applicable to short-term borrowings outstanding at March 31, 2022 and 2021 were 0.17%.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Long-term debt at March 31, 2022 and 2021 consisted of the following:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-----------------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Debt without collateral: | | | |
| Loans from banks due April 2023 through September 2024 at average interest rates of 0.21% per annum at March 31, 2022 and 2021 | ¥ 80,000 | ¥ 80,044 | \$ 653,542 |
| Bonds in yen due August 2021 at rate of 0.120% | - | 15,000 | - |
| Bonds in yen due September 2022 at rate of 0.030% | 20,000 | 20,000 | 163,385 |
| Bonds in yen due September 2024 at rate of 0.110% | 15,000 | 15,000 | 122,539 |
| Bonds in yen due September 2024 at rate of 0.001% | 20,000 | - | 163,385 |
| Bonds in yen due September 2026 at rate of 0.110% | 15,000 | - | 122,539 |
| Subtotal | ¥ 150,000 | ¥ 130,044 | \$ 1,225,390 |
| Less current portion | (20,000) | (15,000) | (163,385) |
| | <u>¥ 130,000</u> | <u>¥115,044</u> | <u>\$ 1,062,005</u> |

The aggregate annual maturities of long-term debt subsequent to March 31, 2022 were summarized as follows:

| <u>Year ending March 31,</u> | <u>Millions of yen</u> | <u>Thousands of U.S. dollars</u> |
|------------------------------|------------------------|----------------------------------|
| 2023 | 20,000 | 163,385 |
| 2024 | 45,000 | 367,617 |
| 2025 | 70,000 | 571,849 |
| 2026 | - | - |
| 2027 and thereafter | 15,000 | 122,539 |
| | <u>¥ 150,000</u> | <u>\$ 1,225,390</u> |

11. Assets Pledged as Collateral

Assets pledged as collateral for accounts payable of ¥14 million (\$112 thousand) and ¥98 million at March 31, 2022 and 2021 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|-----------------------|------------------------|------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Investment securities | ¥ 37 | ¥ 32 | \$ 301 |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

12. Lease Obligations

The aggregate annual maturities of lease obligations subsequent to March 31, 2022 were summarized as follows:

| Year ending March 31, | <i>Millions of yen</i> | <i>Thousands of U.S. dollars</i> |
|-----------------------|------------------------|--------------------------------------|
| 2023 | 135 | 1,101 |
| 2024 | 103 | 845 |
| 2025 | 46 | 380 |
| 2026 | 34 | 275 |
| 2027 and thereafter | 17 | 133 |
| | ¥ 335 | \$ 2,734 |

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, 2022 and 2021 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> |
|--|------------------------|-------|--------------------------------------|
| | 2022 | 2021 | 2022 |
| Retirement benefit obligation at the beginning of the year | ¥ 529 | ¥ 509 | \$ 4,321 |
| Service cost | 17 | 23 | 140 |
| Interest cost | 7 | 7 | 59 |
| Retirement benefit payment | (29) | (20) | (237) |
| Foreign currency translation differences | 23 | 43 | 185 |
| Actuarial differences | (138) | (33) | (1,125) |
| Decrease resulting from exclusion of subsidiaries from consolidation | (409) | - | (3,343) |
| Retirement benefit obligation at the end of the year | ¥ - | ¥ 529 | \$ - |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Changes in the retirement benefit obligation under the simplified method for the years ended March 31, 2022 and 2021 were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of</i> |
|--|------------------------|-------|---------------------|
| | 2022 | 2021 | <i>U.S. dollars</i> |
| Retirement benefit obligation at the beginning of the year | ¥ 550 | ¥ 318 | \$ 4,490 |
| Service cost | 73 | 242 | 599 |
| Benefits paid | (95) | (10) | (774) |
| Foreign currency translation differences | 51 | - | 414 |
| Retirement benefit obligation at the end of the year | ¥ 579 | ¥ 550 | \$ 4,729 |

Balance of retirement benefit obligation and plan assets at fair value at March 31, 2022 and 2021 and liabilities recognized in the consolidated balance sheet at March 31, 2022 and 2021 were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of</i> |
|---|------------------------|---------|---------------------|
| | 2022 | 2021 | <i>U.S. dollars</i> |
| Unfunded retirement benefit obligation* | ¥ 579 | ¥ 1,079 | \$ 4,729 |
| Net amount of liabilities and assets recognized in consolidated balance sheet | 579 | 1,079 | 4,729 |
| Liability for retirement benefits | 579 | 1,079 | 4,729 |
| Asset for retirement benefits | - | - | - |
| Net amount of liabilities and assets recognized in consolidated balance sheet | ¥ 579 | ¥ 1,079 | \$ 4,729 |

* 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, 2022 and 2021 were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of</i> |
|--------------------------------|------------------------|-------|---------------------|
| | 2022 | 2021 | <i>U.S. dollars</i> |
| Service cost | ¥ 91 | ¥ 265 | \$ 740 |
| Interest cost | 7 | 7 | 59 |
| Amortization of actuarial loss | - | (33) | - |
| Retirement benefit expenses | ¥ 98 | ¥ 239 | \$ 799 |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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

| | <u>2022</u> | <u>2021</u> |
|-------------------------|-------------|-------------|
| Discount rates | 2.1-2.2 % | 1.4-1.6 % |
| Rate of salary increase | 2.5-4.5 % | 2.7-4.3 % |

Required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥1,761 million (\$14,386 thousand) and ¥1,732 million for the years ended March 31, 2022 and 2021, respectively.

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, 2022 and 2021. 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, 2022 and 2021 differed from the statutory tax rate for the following reasons:

| | <u>2022</u> | <u>2021</u> |
|---|---------------|---------------|
| Statutory tax rate | 29.9 % | 29.9 % |
| Effect of: | | |
| Tax effect of retained earnings in overseas consolidated subsidiaries | 0.7 | 0.9 |
| Permanently nondeductible expenses | 0.0 | 0.2 |
| Difference between statutory tax rate in Japan and income tax rates applied at overseas consolidated subsidiaries | (3.8) | (5.9) |
| Tax credits | (2.4) | (8.8) |
| Valuation allowance | 2.1 | 1.5 |
| Loss and others at subsidiaries | 5.8 | 1.1 |
| Permanently nontaxable dividends received | (0.2) | (0.2) |
| Other, net | (2.2) | 0.7 |
| Effective tax rate | <u>29.9 %</u> | <u>19.4 %</u> |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

The significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-----------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Deferred tax assets: | | | |
| Depreciation | ¥ 6,722 | ¥ 5,061 | \$ 54,915 |
| Carryforward tax loss | 58 | 139 | 476 |
| Accrued bonuses | 1,667 | 1,482 | 13,622 |
| Intercompany profit on sales of property, plant and equipment | 754 | 1,284 | 6,157 |
| Loss on devaluation of investment securities | 448 | 301 | 3,662 |
| Loss on devaluation of inventories | 492 | 428 | 4,018 |
| Loss on impairment of fixed assets | 792 | 1,286 | 6,470 |
| Other | 5,047 | 3,464 | 41,223 |
| Gross deferred tax assets | 15,980 | 13,445 | 130,543 |
| Valuation allowance of carryforward tax loss* | (13) | (42) | (103) |
| Valuation allowance of deductible temporary difference and others | (4,604) | (3,360) | (37,615) |
| Less valuation allowance | (4,617) | (3,402) | (37,718) |
| Total deferred tax assets | 11,363 | 10,043 | 92,825 |
| Deferred tax liabilities: | | | |
| Reserve for depreciation for tax purposes | - | (31) | - |
| Net unrealized gain on land revaluation resulting from inclusion of a subsidiary in consolidation | (540) | (540) | (4,414) |
| Tax effect of retained earnings in overseas consolidated subsidiaries | (425) | (777) | (3,472) |
| Net unrealized holding gain on other securities | (11,542) | (12,325) | (94,284) |
| Total deferred tax liabilities | (12,507) | (13,673) | (102,170) |
| Net deferred tax assets (liabilities) | ¥ (1,144) | ¥ (3,630) | \$ (9,345) |

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

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

| <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>Thousands of U.S. dollars</i> | | | | | | | |
|----------------------------------|---------------|-------------|--------------|------|------|--------------------|---------------|
| 2022 | | | | | | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 thereafter | Total |
| Carryforward tax loss (a) | \$ 274 | \$ 1 | \$ 57 | \$ - | \$ - | \$ 144 | \$ 476 |
| Valuation reserve | - | - | - | - | - | (103) | (103) |
| Net deferred tax assets | \$ 274 | \$ 1 | \$ 57 | \$ - | \$ - | \$ 41 | \$ 373 |

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

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, 2022 and 2021 amounted to ¥3,548 million (\$28,990 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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

and regulations.

Treasury stock

Movements in treasury stock during the years ended March 31, 2022 and 2021 were summarized as follows:

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

| | 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 |

The number of shares of treasury stock at March 31, 2022 and 2021, respectively, includes 290 thousand shares and 300 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

16. Loss on Impairment of Fixed Assets

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

| Location | Classification | Description | 2022 | |
|---------------------------------|-----------------------------|-------------|--------------------|------------------------------|
| | | | Millions of yen | Thousands of U.S. dollars |
| Ogaki City, Gifu Prefecture | Buildings and structures | Idle | ¥ 226 | \$ 1,845 |
| Ogaki City, Gifu Prefecture | Machinery and equipment | Idle | 17 | 140 |
| Ogaki City, Gifu Prefecture | Construction in progress | Idle | 64 | 520 |
| Ogaki City, Gifu Prefecture | Others | Idle | 1 | 8 |
| Godo Cho, Gifu Prefecture | Buildings and structures | Idle | 146 | 1,189 |
| Godo Cho, Gifu Prefecture | Machinery and equipment | Idle | 59 | 481 |
| Godo Cho, Gifu Prefecture | Others | Idle | 1 | 6 |
| Ibigawa Cho, Gifu Prefecture | Buildings and structures | Idle | 58 | 473 |
| Ibigawa Cho, Gifu Prefecture | Construction in progress | Idle | 92 | 749 |
| Ibigawa Cho, Gifu Prefecture | Others | Idle | 37 | 305 |
| Penang, Malaysia | Buildings and structures | Idle | 15 | 124 |
| Penang, Malaysia | Machinery and equipment | Idle | 89 | 729 |
| Penang, Malaysia | Construction in progress | Idle | 332 | 2,709 |
| Penang, Malaysia | Others | Idle | 0 | 4 |
| Beijing, China | Others | Idle | 57 | 463 |
| Dunavarsany, Hungary | Construction in progress | Idle | 26 | 212 |

In general, fixed assets are grouped based on business segment. Indications of impairment of idle assets is individually determined. The carrying values of idle assets have been reduced to recoverable amounts, and a decrease in the amount of ¥1,219 million (\$9,955 thousand) for the year ended March 31, 2022 was recorded as impairment loss. The recoverable amounts were measured at estimated net selling value, and the carrying values of idle assets were reduced to ¥1 (\$0.01) for the year ended March 31, 2022.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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

| Location | Classification | Description | 2021 |
|---------------------------------|--------------------------|-------------|------------------------|
| | | | <i>Millions of yen</i> |
| Ogaki City, Gifu Prefecture | Buildings and structures | Idle | ¥ 1,849 |
| Ogaki City, Gifu Prefecture | Machinery and equipment | Idle | 158 |
| Ogaki City, Gifu Prefecture | Construction in progress | Idle | 161 |
| Ogaki City, Gifu Prefecture | Others | Idle | 61 |
| Ibigawa Cho, Gifu Prefecture | Machinery and equipment | Idle | 22 |
| Ibigawa Cho, Gifu Prefecture | Construction in progress | Idle | 66 |
| Penang, Malaysia | Buildings and structures | Idle | 11 |
| Penang, Malaysia | Machinery and equipment | Idle | 1,129 |
| Penang, Malaysia | Construction in progress | Idle | 490 |
| Penang, Malaysia | Others | Idle | 14 |
| Frauental, Austria | Machinery and equipment | Idle | 108 |

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 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 for the year ended March 31, 2021.

17. Loss on sales of shares of subsidiaries and associates

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

Transferee and transfer date of shares
Core Value Industry Holding GmbH
March 31, 2022

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Transfer profit or loss

| | 2022 | |
|---|------------------------|----------------------------------|
| | <i>Millions of yen</i> | <i>Thousands of U.S. dollars</i> |
| Loss on sales of shares of subsidiaries and associates* | ¥ 7,098 | \$ 57,981 |

* Difference between the consolidated carrying amount of the transferred shares and the transfer price

Book value of assets and liabilities related to the transferred business

| | 2022 | |
|-----------------------|------------------------|---|
| | <i>Millions of yen</i> | |
| Company name | Ibiden Ceram GmbH | Ibiden Ceram Liegenchaftsverwaltung GmbH |
| Current assets | ¥ 7,864 | ¥ 141 |
| Fixed assets | 2,465 | 107 |
| Current liabilities | 2,225 | 9 |
| Long-term liabilities | 472 | - |

| | 2022 | |
|-----------------------|----------------------------------|---|
| | <i>Thousands of U.S. dollars</i> | |
| Company name | Ibiden Ceram GmbH | Ibiden Ceram Liegenchaftsverwaltung GmbH |
| Current assets | \$ 64,244 | \$ 1,150 |
| Fixed assets | 20,139 | 875 |
| Current liabilities | 18,174 | 76 |
| Long-term liabilities | 3,858 | - |

Segment

The reportable segment that included the transfer of shares was the ceramics segment.

Estimated profit or loss

Estimated profit or loss related to the transferred business was as follows:

| | 2022 | |
|--------------------------|------------------------|---|
| | <i>Millions of yen</i> | |
| Company name | Ibiden Ceram GmbH | Ibiden Ceram Liegenchaftsverwaltung GmbH |
| Net sales | ¥ 10,886 | ¥ 23 |
| Operating income or loss | 196 | (1) |

| | 2022 | |
|--------------------------|----------------------------------|---|
| | <i>Thousands of U.S. dollars</i> | |
| Company name | Ibiden Ceram GmbH | Ibiden Ceram Liegenchaftsverwaltung GmbH |
| Net sales | \$ 88,931 | \$ 188 |
| Operating income or loss | 1,599 | (5) |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

18. Loss on disaster

Loss on disaster consists mainly of the cost of measures to prevent the spread of COVID-19 for the year ended March 31, 2021. It is not applicable for the year ended March 31, 2022.

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, 2022, the fair value of this land was ¥200 million (\$1,638 thousand) less than its carrying value after revaluation.

20. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of</i> |
|--|------------------------|-----------------|---------------------|
| | 2022 | 2021 | 2022 |
| Salaries | ¥ 9,473 | ¥ 8,757 | \$ 77,387 |
| Provision for employees’ bonuses | 984 | 804 | 8,039 |
| Provision for directors’ bonuses | 173 | 155 | 1,413 |
| Provision for employees’ retirement benefit expenses | 288 | 290 | 2,353 |
| Provision for share compensation expenses | 147 | 98 | 1,205 |
| Research and development costs | 15,734 | 16,841 | 128,534 |
| Other | 22,460 | 19,870 | 183,476 |
| Total | ¥ 49,259 | ¥ 46,815 | \$ 402,407 |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

21. Other Income (Expenses)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2022 and 2021 were as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|------------------|--------------------------------------|
| | 2022 | 2021 | 2022 |
| Gain (loss) on sales and disposals of property, plant and equipment, net | ¥ (5,977) | ¥ (2,488) | \$ (48,828) |
| Loss on impairment of fixed assets | (1,219) | (4,069) | (9,955) |
| Foreign exchange gain (loss), net | 2,052 | 677 | 16,762 |
| Share of profit of entities accounted for using equity method | 2 | 1 | 17 |
| Insurance claim income | 99 | 152 | 806 |
| Bond issuance costs | (146) | - | (1,191) |
| Compensation expenses | 410 | (997) | 3,353 |
| Loss on disaster | - | (503) | - |
| Loss on devaluation of securities | (630) | (30) | (5,150) |
| Loss on sales of shares of subsidiaries and associates | (7,098) | - | (57,981) |
| Other, net | (283) | (241) | (2,315) |
| Total | ¥ (12,790) | ¥ (7,498) | \$ (104,482) |

22. Amounts Per Share

| | <i>Yen</i> | | <i>U.S. dollars</i> |
|---|-------------|----------|---------------------|
| | 2022 | 2021 | 2022 |
| Basic profit attributable to owners of parent | ¥ 295.35 | ¥ 183.94 | \$ 2.41 |
| Net assets | 2,611.43 | 2,262.99 | 21.33 |
| Cash dividends applicable to the year | 40.00 | 35.00 | 0.33 |

Basic profit attributable to the owners of the parent per share for the years ended March 31, 2022 and 2021 were computed based on the profit attributable to the shareholders of common stock and the weighted average number of shares of common stock outstanding during the year. Diluted profit attributable to the owners of the parent per share for the years ended March 31, 2022 and 2021 is not disclosed as the Company had no potentially dilutive common shares for the years ended March 31, 2022 and 2021. 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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 (291 thousand shares and 189 thousand shares for the years ended March 31, 2022 and 2021, 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 (290 thousand shares and 300 thousand shares for the years ended March 31, 2022 and 2021, 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, 2022 and 2021 in the table above were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|---|----------------------------|----------|--------------------------------------|
| | 2022 | 2021 | 2022 |
| Profit attributable to owners of parent | ¥ 41,233 | ¥ 25,699 | \$ 336,840 |
| | <i>Thousands of shares</i> | | |
| | 2022 | 2021 | |
| Weighted average number of shares of common stock outstanding during the year | 139,608 | 139,712 | |

Financial data for the computation of net assets per share at March 31, 2022 and 2021 in the above table were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|----------------------------|-----------|--------------------------------------|
| | 2022 | 2021 | 2022 |
| Total net assets | ¥ 370,728 | ¥ 321,863 | \$ 3,028,580 |
| Deductions from total net assets: | | | |
| Non-controlling interests | (6,153) | (5,949) | (50,262) |
| Total net assets attributable to common stockholders | ¥ 364,575 | ¥ 315,914 | \$ 2,978,318 |
| | <i>Thousands of shares</i> | | |
| | 2022 | 2021 | |
| Number of shares of common stock used in the calculation of net assets per share | 139,608 | 139,600 | |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

23. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects for other comprehensive income (loss) for the years ended March 31, 2022 and 2021:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|--|------------------------|-----------------|--------------------------------------|
| | 2022 | 2021 | 2022 |
| Net unrealized holding gain (loss) on securities: | | | |
| Amount arising during the year | ¥ (3,323) | ¥ 27,758 | \$ (27,148) |
| Reclassification adjustments for loss (gain) realized in the statement of income | <u>539</u> | <u>(35)</u> | <u>4,408</u> |
| Before tax effect | (2,784) | 27,723 | (22,740) |
| Tax effect | <u>795</u> | <u>(8,251)</u> | <u>6,492</u> |
| Net unrealized holding gain (loss) on securities | (1,989) | 19,472 | (16,248) |
| Translation adjustments: | | | |
| Amount arising during the year | 15,377 | 8,267 | 125,621 |
| Reclassification adjustments for gain realized in the statement of income | - | - | - |
| Translation adjustments | <u>15,377</u> | <u>8,267</u> | <u>125,621</u> |
| Total | <u>¥ 13,388</u> | <u>¥ 27,739</u> | <u>\$ 109,373</u> |

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> |
|---|------------------------|------------------|--------------------------------------|
| | 2022 | 2021 | 2022 |
| Cash and deposits | ¥ 185,592 | ¥ 126,885 | \$ 1,516,152 |
| Time deposits with maturities in excess of three months | - | - | - |
| Cash and cash equivalents | <u>¥ 185,592</u> | <u>¥ 126,885</u> | <u>\$ 1,516,152</u> |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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, 2022 and 2021 for which hedge accounting had been applied. There were no derivatives with maturities over one year at March 31, 2022 and 2021. The estimated fair values were based on the prices obtained from financial institutions.

| Method of hedge accounting | Transaction | Hedged items | 2022 | |
|--------------------------------------|--|---|--------------------------|-------------------------|
| | | | Notional amount | Estimated fair value |
| | | | <i>(Millions of yen)</i> | |
| Principal method of accounting | Forward foreign exchange contracts: | Accounts receivable denominated in a foreign currency | | |
| | Sell: | | | |
| | U.S. dollars | | ¥ 11,752 | ¥ (585) |
| | Euros | | 4,107 | (139) |
| | Total | | <u>¥ 15,859</u> | <u>¥ (724)</u> |
| | | | <i>(Millions of yen)</i> | |
| Method of hedge accounting | Transaction | Hedged items | 2021 | |
| | | | Notional amount | Estimated fair value |
| | | | <i>(Millions of yen)</i> | |
| Principal method of accounting | Forward foreign exchange contracts: | Accounts receivable denominated in a foreign currency | | |
| | Sell: | | | |
| | U.S. dollars | | ¥ 14,695 | ¥ (568) |
| | Euros | | 5,740 | (239) |
| | Total | | <u>¥ 20,435</u> | <u>¥ (807)</u> |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

| Method of hedge accounting | Transaction | Hedged items | 2022 | |
|-----------------------------------|--|---|------------------------------------|-------------------------|
| | | | Notional amount | Estimated fair value |
| | | | <i>(Thousands of U.S. dollars)</i> | |
| | Forward foreign exchange contracts: | Accounts receivable denominated in a foreign currency | | |
| Principal method of accounting | Sell | | | |
| | U.S. dollars | | \$ 96,007 | \$ (4,778) |
| | Euros | | 33,552 | (1,135) |
| | Total | | <u>\$ 129,559</u> | <u>\$ (5,913)</u> |

26. Revenue Recognition

Contract balances

The following table presents the balances of receivables, contract assets and contract liabilities from contracts with customers. Receivables and contract assets from contracts with customers are included in “Notes and accounts receivable,” and contract liabilities are included in “other current liabilities” in the consolidated balance sheet.

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

| | 2022 | |
|----------------------|------------------------------------|------------------------------|
| | Balance at March 31, 2021 | Balance at March 31, 2022 |
| | <i>(Thousands of U.S. dollars)</i> | |
| Receivables | \$ 710,629 | \$ 726,940 |
| Contract assets | 22,939 | 25,311 |
| Contract liabilities | - | 49,056 |

27. 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.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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

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

Electronics segment:

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

Ceramics segment:

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

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

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

A summary of net sales, income (loss), assets and other items by reportable segment for the years ended March 31, 2022 and 2021 were as follows:

| | <i>Millions of yen</i> | | | | | | Consolidated Financial Statements |
|---|------------------------|----------|-----------|----------|-----------|------------|---|
| | Reportable Segments | | | Others | Total | Adjustment | |
| | Electronics | Ceramics | Total | | | | |
| Sales to third parties | ¥ 236,982 | ¥ 90,678 | ¥ 327,660 | ¥ 73,479 | ¥ 401,139 | ¥ - | ¥ 401,139 |
| Intersegment sales and transfers | 3 | 141 | 144 | 16,617 | 16,761 | (16,761) | - |
| Net sales | ¥ 236,985 | ¥ 90,819 | ¥ 327,804 | ¥ 90,096 | ¥ 417,900 | ¥ (16,761) | ¥ 401,139 |
| Segment income(loss) | ¥ 55,114 | ¥ 8,718 | ¥ 63,832 | ¥ 7,090 | ¥ 70,922 | ¥ (101) | ¥ 70,821 |
| Segment assets | 254,186 | 113,537 | 367,723 | 101,904 | 469,627 | 194,706 | 664,333 |
| Depreciation and amortization | 43,267 | 6,226 | 49,493 | 1,154 | 50,647 | 2,068 | 52,715 |
| Increase in property, plant and equipment and intangible assets | 54,786 | 3,110 | 57,896 | 996 | 58,892 | 2,770 | 61,662 |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Millions of yen
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 | ¥ 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 |

Thousands of U.S. dollars
2022

| | Reportable Segments | | | Others | Total | Adjustment | Consolidated Financial Statements |
|---|---------------------|------------|--------------|------------|--------------|--------------|---|
| | Electronics | Ceramics | Total | | | | |
| Sales to third parties | \$ 1,935,962 | \$ 740,777 | \$ 2,676,739 | \$ 600,272 | \$ 3,277,011 | \$ - | \$ 3,277,011 |
| Intersegment sales and transfers | 28 | 1,152 | 1,180 | 135,745 | 136,925 | (136,925) | - |
| Net sales | \$ 1,935,990 | \$ 741,929 | \$ 2,677,919 | \$ 736,017 | \$ 3,413,936 | \$ (136,925) | \$ 3,277,011 |
| Segment income(loss) | \$ 450,236 | \$ 71,222 | \$ 521,458 | \$ 57,922 | \$ 579,380 | \$ (823) | \$ 578,557 |
| Segment assets | 2,076,510 | 927,517 | 3,004,027 | 832,485 | 3,836,512 | 1,590,598 | 5,427,110 |
| Depreciation and amortization | 353,457 | 50,861 | 404,318 | 9,429 | 413,747 | 16,900 | 430,647 |
| Increase in property, plant and equipment and intangible assets | 447,570 | 25,402 | 472,972 | 8,130 | 481,102 | 22,633 | 503,735 |

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 ¥(101) million (\$823) thousand and ¥(357) million for the years ended March 31, 2022 and 2021, 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 ¥194,706 million (\$1,590,598 thousand) and ¥172,479 million for the years ended March 31, 2022 and 2021, respectively, are corporate assets that could not be allocated to the business segments.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

The adjustments of depreciation in the amount of ¥2,068 million (\$16,900 thousand) and ¥1,811 million for the years ended March 31, 2022 and 2021, respectively, are depreciation from corporate assets that could not be allocated to the business segments.

The adjustments of increase in property, plant and equipment and intangible assets in the amount of ¥2,770 million (\$22,633 thousand) and ¥4,659 million for the years ended March 31, 2022 and 2021, respectively, are mainly amounts of corporate assets that could not be allocated to the business segments.

Related information

Geographical information

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2022 and 2021 were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|------------------------|------------------------|-----------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Japan | ¥ 91,994 | ¥ 86,109 | \$ 751,523 |
| Asia (excluding Japan) | 233,905 | 176,894 | 1,910,831 |
| North America | 36,169 | 26,005 | 295,473 |
| Europe | 32,785 | 33,591 | 267,826 |
| Others | 6,286 | 862 | 51,358 |
| Consolidated | ¥ 401,139 | ¥ 323,461 | \$ 3,277,011 |

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 ¥85,895 million (\$701,697 thousand), ¥55,196 million (\$450,908 thousand) and ¥50,962 million (\$416,323 thousand) for the year ended March 31, 2022.

Sales in Malaysia, China and Vietnam belonging to the Asia area were ¥62,750 million, ¥45,809 million and ¥37,686 million for the year ended March 31, 2021.

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Property, plant and equipment by country or geographical area at March 31, 2022 and 2021 were summarized as follows:

| | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|------------------------|------------------------|-----------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Japan | ¥ 129,711 | ¥ 134,807 | \$ 1,059,642 |
| Asia (excluding Japan) | 67,662 | 47,991 | 552,744 |
| North America | 3,760 | 3,689 | 30,716 |
| Europe | 24,788 | 28,341 | 202,501 |
| Consolidated | ¥ 225,921 | ¥ 214,828 | \$ 1,845,603 |

Property, plant and equipment in Philippines belonging to the Asia area and Hungary belonging to the Europe area were ¥35,157 million (\$287,211 thousand) and ¥24,424 million (\$199,525 thousand) for the year ended March 31, 2022.

Property, plant and equipment in Hungary belonging to the Europe area was ¥25,029 million for the year ended March 31, 2021.

Major customer information

Sales to major customers for the years ended March 31, 2022 and 2021 were as follows:

| Customer Name | <i>Millions of yen</i> | | <i>Thousands of U.S. dollars</i> |
|----------------------|------------------------|-----------|----------------------------------|
| | 2022 | 2021 | 2022 |
| Intel Corp. | ¥ 173,638 | ¥ 115,550 | \$ 1,418,493 |

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, 2022 and 2021 were as follows:

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

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

| <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> | | | | | | | |
|----------------------------------|---------------------|----------|--------|--------|--------|---------------------------|-----------------------------------|
| 2022 | | | | | | | |
| | Reportable Segments | | | Others | Total | Corporate and Elimination | Consolidated Financial Statements |
| | Electronics | Ceramics | Total | | | | |
| Goodwill: | | | | | | | |
| Amortization amount | \$ – | \$ 757 | \$ 757 | \$ – | \$ 757 | \$ – | \$ 757 |
| Remaining balance | – | 2,962 | 2,962 | – | 2,962 | – | 2,962 |

Loss on impairment of fixed assets

Loss on impairment of fixed assets by reportable segment for the year ended March 31, 2022 and 2021 were as follows:

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

| <i>Millions of yen</i> | | | | | | | |
|------------------------------------|---------------------|----------|-------|--------|-------|---------------------------|-----------------------------------|
| 2021 | | | | | | | |
| | Reportable Segments | | | Others | Total | Corporate and Elimination | Consolidated Financial Statements |
| | Electronics | Ceramics | Total | | | | |
| Loss on impairment of fixed assets | ¥ – | ¥ – | ¥ – | ¥ – | ¥ – | ¥ 4,069 | ¥ 4,069 |

IBIDEN CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Thousands of U.S. dollars

| | 2022 | | | | | | |
|------------------------------------|----------------------------|-----------------|--------------|---------------|--------------|----------------------------------|--|
| | Reportable Segments | | | Others | Total | Corporate and Elimination | Consolidated Financial Statements |
| | Electronics | Ceramics | Total | | | | |
| Loss on impairment of fixed assets | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 9,955 | \$ 9,955 |

28. 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, 2022 was approved at a meeting of the Board of Directors held on May 16, 2022:

| | <i>Millions of yen</i> | <i>Thousands of U.S. dollars</i> |
|--|------------------------|----------------------------------|
| Year-end cash dividends (¥20 (\$0.16) per share) | ¥ 2,798 | \$ 22,857 |

The total amount of dividends includes dividends of ¥6 million (\$47 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.

Bonds issued

The Company has passed a comprehensive resolution regarding the issuance of domestic unsecured straight bonds at a meeting of the Board of Directors held on August 2, 2022.

| | |
|--------------------------|--|
| Total amount of issuance | ¥50,000 million (\$408,464 thousand) or less |
| Time of issuance | From August 2, 2022 to March 31, 2023 |
| Interest rate | 0.6% or less |
| Issuance price | ¥100 (\$1) per ¥100 (\$1) par value |
| Maturity | Within 5 years |
| Redemption method | Full maturity redemption |
| Application of funds | Bond redemption and capital investment |



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, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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

| The key audit matter | How the matter was addressed in our audit |
|--|---|
| During the current fiscal year, IBIDEN CO., LTD. (the “Company”) made capital investments totalling ¥34,242 million mainly for production facilities and equipment in the Electronics Operation. This amount accounted for 5.2% of total assets in the consolidated financial statements for the current fiscal year. The amount of assets that were transferred from construction in progress to the respective | The primary procedures we performed to assess the accuracy of the accounting treatment for acquisitions of property, plant and equipment as part of the large-scale capital investments in the Electronics Operation of the Company included the following: (1) Internal control testing We tested the design and operating effectiveness of certain internal controls of the Company that are |

accounts within property, plant and equipment for the current fiscal year was ¥40,543 million.

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

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

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

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

relevant to the transactions to acquisitions of property, plant and equipment. In the assessment, we focused our testing on controls to ensure the accuracy of the amount recognized, the timing of recognition, the account used, and the timing of when depreciation of the acquired assets starts.

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

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

Other Information

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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan. Audit and Supervisory Committee 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, 2022 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
August 31, 2022

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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