

## OFFERING CIRCULAR



# IBIDEN CO., LTD.

*(incorporated in Japan with limited liability under the laws of Japan)*

**¥70,000,000,000**

## **Zero Coupon Convertible Bonds due 2031**

**OFFER PRICE: 107.5 PER CENT**

This Offering Circular relates to the issue by IBIDEN CO., LTD. (the "Company") of ¥70,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031 (the "Bonds", being bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakukentsuki shasai*), and which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated therein).

The Bonds will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Rights").

The Stock Acquisition Rights will be exercisable from, and including, 29 March 2024 to, and including, 28 February 2031, and will entitle the Bondholder (as defined in Condition 1.2 of the terms and conditions of the Bonds (the "Conditions")) to acquire fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial conversion price, subject to adjustment in certain events as set out in the Conditions, of ¥8,983 per Share. However, prior to (and including) 15 March 2029 and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter only if as of the last Trading Day (as defined in Condition 3.1) of any immediately preceding calendar quarter, the Closing Price (as defined in Condition 3.1) of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in Condition 5.1.3) in effect on the last Trading Day of such calendar quarter. Such condition to the exercise of the Stock Acquisition Rights shall not be applicable, in general, (i) during any period in which any rating assigned by a specified rating agency to the Company's issuer rating is below a specified level or certain other ratings events occur, (ii) if a notice of redemption is given to the Bondholders, or (iii) if the Company is required to give notice of certain specified Corporate Events (as defined in Condition 6.1) to the Bondholders. In addition, where a Parity Event (as defined in Condition 5.1.9) has occurred pursuant to Condition 5.1.9, such conditions to the exercise of the Stock Acquisition Rights shall not be applicable during the period of 15 consecutive Tokyo Business Days (as defined in Condition 5.1.4) from and including the first Tokyo Business Day immediately following the Company Notification Date (as defined in Condition 5.1.9) in respect of the occurrence of such Parity Event.

Unless previously redeemed, acquired or purchased and cancelled, or unless the Bonds have previously become due and repayable, the Bonds will be redeemed at 100 per cent of their principal amount on 14 March 2031. In addition, at any time on or after 15 May 2029, the Company may at its option redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount as set out in the Conditions, provided that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice (as defined in Condition 7.3) is first given, is at least 130 per cent of the Conversion Price in effect on each such Trading Day.

At any time during the period from, and including, 15 March 2030 to, and including, 13 December 2030, the Company may, but shall not be bound to, give an Acquisition Notice (as defined in Condition 7.2.1) to the Bondholders, in which event the Company shall acquire each Bond on 19 February 2031 (the "Acquisition Option Date") from those Bondholders which deliver a duly completed Acquisition Election Notice (as defined in Condition 7.2.2) on or before the date falling 14 calendar days prior to the Acquisition Option Date.

The Company may also redeem the Bonds, in whole but not in part, at 100 per cent of their principal amount if Japanese withholding taxes are imposed on payments in respect of the Bonds, as set out in the Conditions. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as at the date of issue thereof, the Bonds may be redeemed in whole but not in part at 100 per cent of their principal amount, at the option of the Company as set out in the Conditions. The Bonds may also be redeemed by the Company in whole but not in part in certain other limited events (including Corporate Events), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

The Shares are listed on the Prime Market of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") and the Premier Market of the Nagoya Stock Exchange (the "Nagoya Stock Exchange"). The closing price of the Shares on 28 February 2024, as reported by Tokyo Stock Exchange, was ¥7,074 per Share.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Japanese Taxation" and Condition 9).

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

The Bonds will be evidenced by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depository for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 15 March 2024 (the "Closing Date") for the accounts of their respective accountholders. The Joint Lead Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. For a summary of certain restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

*Joint Bookrunners and Joint Lead Managers*

**Nomura**

**Daiwa Capital Markets Europe**

**SMBC NIKKO**

The date of this Offering Circular is 28 February 2024.

*The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds, the statements contained in this Offering Circular relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.*

*In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the “Group” are to the Company and its consolidated subsidiaries and its affiliates accounted for by the equity method taken as a whole.*

*No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by the Company or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained in this Offering Circular is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.*

*This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Managers or The Law Debenture Trust Corporation p.l.c. (the “Trustee”) to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds and distribution of this Offering Circular, see “Subscription and Sale”.*

*To the fullest extent permitted by law, none of the Joint Lead Managers (or their respective affiliates), the Trustee, the Principal Agent, the Registrar, the Custodian nor the Custodian’s Agent (each as defined herein) accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made on their behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee, the Principal Agent, the Registrar, the Custodian and the Custodian’s Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.*

*No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area (including the United Kingdom), Singapore, Hong Kong and to persons connected therewith. See “Subscription and Sale”.*

*The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”). Each Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable Japanese laws,*

regulations and governmental guidelines in Japan. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

**Potential investors should note that prior notification under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (the “FEFTA”) may be required in the case of the acquisition of a certain proportion of the total issued shares of the Company upon exercise of Stock Acquisition Rights or upon acquisition by the Company of the Bonds. Potential investors should consult their own legal and other advisers on the consequences of the acquisition of Shares (including any Shares to be acquired upon exercise of the Stock Acquisition Rights), including specifically the applicable notification, reporting and other procedures and any available exemptions therefrom under the FEFTA and related cabinet orders and ministerial ordinances.**

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds may not be offered, sold or delivered within the United States or to US persons. See “Subscription and Sale”.

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights or upon acquisition by the Company of the Bonds in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (“FSMA”) with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See “Subscription and Sale”.

**Prohibition of sales to EEA retail investors:** The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of EU MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Prohibition of sales to UK retail investors:** The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565448 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97449, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014450 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Disclosure of Demand and Allocation:** Each prospective purchaser who places an order for the Bonds consents to the disclosure by the Joint Lead Managers to the Company of the prospective purchaser’s identity, the details of such order and the actual amount purchased, if any.

## STABILISATION AND OVER-ALLOTMENT

**IN CONNECTION WITH THE ISSUE OF THE BONDS, NOMURA INTERNATIONAL PLC (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to “euro” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to “US dollars”, “US\$” and “\$” are to United States dollars and references to “yen” and “¥” are to Japanese yen.

In this Offering Circular, where financial information is presented in millions of yen, amounts of less than one million have been rounded to the nearest one million (with half a million being rounded up), and where financial information is presented in billions of yen, amounts of less than one-tenth of a billion have been rounded down to the nearest one-tenth of a billion. Accordingly, the total of each column of figures may not be equal to the total of the individual items; however, in certain tables, the rounding of component figures in each column has been adjusted to equal to the total of the individual items. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent or to the nearest 0.01 per cent), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent or 0.01 per cent, as the case may be, to make the total of the relevant column equal to 100 per cent.

The Company’s fiscal year-end is 31 March of each year. The Company’s consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan (“Japanese GAAP”), which differ in certain respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and International Financial Reporting Standards (“IFRS”), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See “Investment Considerations—Considerations Relating to the Company’s Financial Information—Differences in Generally Accepted Accounting Principles”.

This Offering Circular contains the audited consolidated financial statements of the Company, prepared and presented in accordance with Japanese GAAP, as of and for the fiscal years ended 31 March 2021, 2022 and 2023, which have been audited by the Company’s independent auditor as indicated in the audit reports with respect thereto included herein at page F-2 and F-38. This Offering Circular also contains the unaudited quarterly consolidated financial statements of the Company as of and for the nine-month period ended 31 December 2023 (together with corresponding figures for the nine-month period ended 31 December 2022), which have not been audited, but have been reviewed by the Company’s independent auditor in accordance with the quarterly review standards generally accepted in Japan as indicated in the quarterly review report with respect thereto included herein at page Q-2. Such unaudited quarterly consolidated financial statements have been prepared and presented in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Unless otherwise stated or the context requires, the description of the Company’s business and financial information relating to the Company contained herein are given on a consolidated basis.

### Construction of Certain References

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the “Companies Act”), the Company may issue new Shares to a Bondholder (as defined in the Conditions) and/or transfer Shares that it holds as treasury stock to a Bondholder, in each case upon exercise of a Stock Acquisition Right, or upon acquisition by the Company of the Bonds. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words “issue”, “issued”, “issuance” and “issuable” shall be construed accordingly, except where the context otherwise requires. In addition, references to the word “acquire” used in connection with the Shares shall be read as including both of the words “issue” and “transfer”, and the words “acquired” and “acquisition” shall be construed accordingly (other than where such references to “acquired” and “acquisition” are to the acquisition of the Bonds pursuant to Condition 7.2) and references to “delivery” used in connection with the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system of Japan Securities Depository Center, Inc. (“JASDEC”).

## FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as “may”, “might”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “project”, “believe” or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company’s current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company’s or the Group’s actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company’s expectations include those risks identified in “Investment Considerations” and the factors discussed in “Recent Business” and “Business”, as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company’s behalf are qualified in their entirety by these cautionary statements.



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## SUMMARY INFORMATION

*The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see “Investment Considerations”.*

### **IBIDEN CO., LTD.**

The Group is a manufacturer of integrated circuit (“IC”) package substrates used in artificial intelligence (“AI”) servers and general servers, personal computers (“PCs”) and data centres, diesel particulate filters (“DPFs”) and substrate holding mats that purify exhaust gas, and graphite specialty products (single crystal pulling apparatuses for silicon and silicon carbide, auto and aviation electric discharge machining electrodes and industrial materials for continuous casting and industrial furnaces). The Company also owns Japanese subsidiaries engaged in a variety of businesses such as the development and construction of slope facing technology and creating antiviral coating material for use in living spaces. In addition, the Group owns three hydroelectric power plants.

The Group operates in two reportable business segments, electronics and ceramics, and one “other” segment which includes businesses not included in the two reportable business segments. For the fiscal year ended 31 March 2023, sales to third parties in the Electronics, Ceramics and Others segments amounted to 60.1 per cent, 21.5 per cent and 18.4 per cent, respectively, of total consolidated net sales for the period. For the nine-month period ended 31 December 2023, sales to third parties in the Electronics, Ceramics and Others segments amounted to 52.9 per cent, 26.0 per cent and 21.1 per cent, respectively, of total consolidated net sales for the period.

As at 31 December 2023, the Company had 31 consolidated subsidiaries and two affiliates accounted for by the equity method. The Company’s consolidated net sales, operating profit, profit before income taxes and profit attributable to owners of parent for the fiscal year ended 31 March 2023 amounted to ¥417.5 billion, ¥72.3 billion, ¥71.7 billion and ¥52.1 billion, respectively and for the nine-month period ended 31 December 2023 amounted to ¥280.2 billion, ¥36.9 billion, ¥40.8 billion and ¥27.4 billion, respectively.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The registered head office of the Company is at 2-1, Kanda-cho, Ogaki-shi, Gifu 503-8604, Japan. The Shares are listed on the Prime Market of the Tokyo Stock Exchange and the Premier Market of the Nagoya Stock Exchange.

## THE OFFERING

<b>Issuer</b> .....	IBIDEN CO., LTD.
<b>Securities Offered</b> .....	¥70,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i> ).
<b>Issue Price</b> .....	105.0 per cent
<b>Offer Price</b> .....	107.5 per cent
<b>Closing Date</b> .....	On or about 15 March 2024.
<b>Delivery</b> .....	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
<b>Form</b> .....	In registered form, evidenced by a Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See “Summary of Provisions Relating to the Bonds While in Global Form”.
<b>Listing</b> .....	Approval in-principle has been received for the listing and quotation on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
<b>Lock-up Arrangements</b> .....	<p>In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement (as defined in “Subscription and Sale”) and ending on the date 180 calendar days after the Closing Date:</p> <ul style="list-style-type: none"><li>(i) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;</li><li>(ii) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;</li><li>(iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depository receipt facility; or</li><li>(iv) publicly announce any intention to do any of the above,</li></ul>



without the prior written consent of Nomura International plc on behalf of the Joint Lead Managers (as defined in “Subscription and Sale”), other than:

- (a) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights (or the acquisition of the Bonds at the option of the Company);
- (b) the issue, sale or disposition of the Shares to directors, corporate officers and managerial employees of the Company and directors of certain of its subsidiaries pursuant to the performance-linked share compensation plan of the Group as described in this Offering Circular;
- (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder’s holding, when added to the Shares held by such holder, constitute one full unit of Shares;
- (d) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and
- (e) any other issue or sale of Shares required by the Japanese laws and regulations.

See “Subscription and Sale”.

**Use of Proceeds** . . . . . The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥73 billion, and are expected to be used by the Company by the end of March 2026 for capital investment at the Ono Plant in respect of its electronics business, in order to respond to the diversification of customers for and applications of the Group’s products, and the medium- to long-term growth in demand for high-performance IC package substrates centred on generative AI.

See “Use of Proceeds”.

## THE BONDS

**Form and Denomination** ..... The Bonds are issued in registered form in the denomination of ¥10,000,000 each.

**Initial Conversion Price** ..... ¥8,983 per Share, subject to adjustment in certain events. See Condition 5.

**Coupon** ..... Zero

**Exercise of Stock Acquisition Rights** ... Subject to and upon compliance with the provisions of Condition 5, any holder of a Bond may exercise the Stock Acquisition Right in respect thereof, at any time on and after 29 March 2024 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 28 February 2031 (but in no event thereafter), except for the period from, and including, 14 December 2030 to, and including, the Elected Redemption Date (as defined in Condition 7.2.3) (if an Acquisition Notice is given pursuant to Condition 7.2), to acquire fully-paid and non-assessable Shares. See Condition 5.

The Conditions provide, among others, that the Stock Acquisition Right may not be exercised during such period whereby the relevant Stock Acquisition Date (as defined in Condition 5.9.4) (or, if the Stock Acquisition Date would not be a Tokyo Business Day (as defined in Condition 3.1), the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4).

### Condition to the Exercise of Stock

**Acquisition Rights** ..... Prior to (and including) 15 March 2029, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as of the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter, in each case as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2.

If the condition set out above is satisfied, then a Bondholder may (subject to the Conditions) exercise the Stock Acquisition Rights on and after the first day of the immediately following calendar quarter (or, in the case of the calendar quarter commenced on 1 January 2024, on and after 29 March 2024) until the end of such calendar quarter (or, in the case of the calendar quarter commencing on 1 January 2029, until 15 March 2029), provided that the relevant Deposit Date (as defined in Condition 5.9.4) falls during the Exercise Period (as defined in Condition 5.1.4).

The above condition to the exercise of the Stock Acquisition Rights shall not be applicable (i) during any period in which the issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successors (together, "R&I") is BBB (or equivalent if the rating category is changed) or lower, an issuer rating is no longer assigned to the Company by R&I, or the issuer rating assigned to the Company by R&I has been suspended or withdrawn; (ii) if a notice of redemption is given pursuant to Condition 7.3, 7.4, 7.5 (except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed), 7.6, 7.7 or 7.8; or (iii) if the Company is required to give notice of certain Corporate Events to the Bondholders. See Condition 5.

In addition, where a Parity Event has occurred pursuant to Condition 5.1.9, the above conditions to the exercise of the Stock Acquisition Rights shall not be applicable during the period of 15 consecutive Tokyo Business Days from and including the first Tokyo Business Day immediately following the Company Notification Date in respect of the occurrence of such Parity Event. See Condition 5.1.9.

For the avoidance of doubt, during the period from and including 16 March 2029 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 28 February 2031, the conditions to the exercise of the Stock Acquisition Rights set forth above shall not be applicable.

**Status** ..... The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

**Negative Pledge** ..... So long as any of the Bonds remains outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the Bonds.

**Redemption at Maturity** ..... Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 per cent of their principal amount on 14 March 2031.

**Acquisition by the Company of**

**Bonds** ..... At any time during the period from, and including, 15 March 2030 to, and including, 13 December 2030, the Company may, but shall not be bound to, give an Acquisition Notice to the Bondholders, in which event the Company shall, subject to the provisions of Condition 7.2, acquire each Bond on 19 February 2031 (being the Acquisition Option Date) from those Bondholders which deliver a duly completed Acquisition Election Notice on or before the date falling 14 calendar days prior to the Acquisition Option Date. As consideration for each Bond so acquired, the Company will (i) pay an amount equal to 100 per cent of the principal amount and (ii) issue and deliver any Acquisition Shares (as defined in Condition 7.2.1), in each case to each such Bondholder.

Bonds in respect of which a duly completed Acquisition Election Notice has not been received on or prior to the relevant Acquisition Determination Date (as defined in Condition 7.2.1) will be redeemed at 100 per cent of their outstanding principal amount on the date falling two Tokyo Business Days after the relevant Acquisition Option Date.

See Condition 7.2.

**Early Redemption—Increased Share**

**Prices** ..... At any time on or after 15 May 2029, the Company may, but shall not be bound to, redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for such redemption, provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice (as defined in Condition 7.3) is first given, is at least 130 per cent of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment (as defined in Condition 5.3) not then reflected in the Conversion Price). See Condition 7.3.

**Early Redemption—Redemption at the Option of the Company upon**

**Reduced Outstanding Amounts** ..... The Company may, having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.4.

**Early Redemption—Redemption for**

**Taxation Reasons** ..... If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders, that:

- (i) the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9) in accordance with Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 February 2024, and
- (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it,

the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount.

If, however, the outstanding principal amount of the Bonds at the time of such notice of redemption is 10 per cent or more of the aggregate principal amount of the Bonds as of the date of issue thereof, the Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on the Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges.

See Condition 7.5.

**Early Redemption—Corporate**

**Events** ..... In the case of a Corporate Event, the Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of such Corporate Event and the anticipated effective date of such transaction, and the provisions set out in Condition 6 shall apply.

Upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out in Condition 7.6 and in accordance with the provisions of Condition 7.6, on the Corporate Event Redemption Date (as defined in Condition 7.6) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in Condition 6.3) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

- (i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation of such laws) to effect a scheme provided for by Condition 6.4.1; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.6.

**Early Redemption—Delisting of the**

**Shares** ..... In certain circumstances where a tender offer is made to holders of Shares of the Company by an Offeror (as defined in Condition 7.7.1) where, *inter alia*, the Company expresses its opinion to support such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in Condition 3.1), and the Offeror acquires any Shares pursuant to the offer, then the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price each calculated in the same manner as referred to in Condition 7.6, subject to the provisions of Condition 7.7. See Condition 7.7.

**Early Redemption—Squeezeout**

**Event** ..... Upon the occurrence of a Squeezeout Event (as defined in Condition 7.8.1), the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.6, subject to the provisions of Condition 7.8. See Condition 7.8.

**Cross Default** ..... The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥500,000,000 (or its equivalent in any other currency or currencies). See Conditions 10.3 and 10.4.

**Taxation** ..... All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9.

**Governing Law** ..... English law.

**Jurisdiction** ..... English courts.

**International Securities Identification**

**Number (“ISIN”)** ..... XS2774311224

**Common Code** ..... 277431122

**Legal Entity Identifier (“LEI”) of the**

**Company** ..... 52990051DBFIQEY37C91

**Trustee and Custodian** ..... The Law Debenture Trust Corporation p.l.c.

**Principal Agent and Registrar** ..... Mizuho Trust & Banking (Luxembourg) S.A.

**Custodian’s Agent in Japan** ..... Mizuho Bank, Ltd.



## INVESTMENT CONSIDERATIONS

*Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:*

### **Considerations Relating to the Group and its Business**

#### ***Changes in Demand in the Electronics Industry***

In the Group's electronics business, the Group directly markets to, and negotiates with, many electronic product and device manufacturers including major global manufacturers. The demand for IC package substrates, the Group's main product, tends to reflect the demand for products in the electronics markets. As such, the Group's viability and success depends on the success achieved by its customers in developing and marketing their products to their consumers, which is characterised by intense competition, relatively short product life cycles, rapid technological change and innovation, evolving industry standards and continuous improvements in products and services, and significant fluctuations in product demand. If the technologies or standards supported by the Group's customers become obsolete or fail to gain widespread commercial acceptance, the Group may experience a loss of certain key customers, a decline in net sales, and a decline in operating profit.

The Group's customers' demands for its products also fluctuate as a result of changes in general economic activity or other general economic events beyond the Group's control (see "—Global Economic and Other Conditions"). It can be difficult for the Group to forecast customers' demands for its products in terms of type of product, volume and timing. During periods of increased demand for their products, for example, the Group's customers typically seek to increase their inventory of the Group's products to avoid production hold-ups, and if the Group is not able to meet its customers' demands in terms of volume and timing of products supplied, then this may cause them to use other suppliers or alternative products. Further, if the Group is not able to meet the customers' demands in terms of specifications in a timely manner, for example in line with technological developments, this may cause customers to use alternative suppliers and products.

As production lines for the Group's products, especially for high-end products, typically need to be customised to the customer's requirements, once a customer has started using a competitor's product in respect of a model, the customer may be reluctant to use similar products offered by the Group until the model changes. On the other hand, when demand for the customer's products peaks and begins to decline, orders for the Group's products may rapidly decrease while accumulated inventory is being used. For instance, as a result of the increase in remote working and online education due to COVID-19, demand for IC package substrates for PCs rapidly expanded, which peaked in the second half of the fiscal year ended 31 March 2023, resulting in decreased demand for the Group's IC package substrates for PCs.

The above factors may affect the demand for the Group's products and may adversely affect the Group's results of operations and its financial condition. Further, demand for the Group's products can be seasonal or otherwise change abruptly and significantly, which can have a significant impact on the Group's financial results for any period, and such results may therefore not be indicative of the results of an annual period or any other future results.

#### ***Competitive Industry***

The electronic components industry is intensely competitive and prices for existing products tend to decrease steadily over their life cycles. Competition is based on various factors such as product quality and reliability, availability, customer service, timely delivery and price. There is substantial and continuing pressure from customers to reduce the total cost of using the electronic components manufactured by the Group, as well as pricing pressure due to competition among components manufacturers, particularly in Taiwan and South Korea. In recent years, the Group's competitors have continued to expand their manufacturing capacity of IC package substrates for PCs. To remain competitive, the Group must achieve continuous cost reductions by improving its production process and avoid falling into price competition by developing new products that offer performance advantages over its existing products and improving existing technologies and manufacturing methods. However, there can be no assurances that the Group will always be able to offer new products, advance its technologies or improve its efficiencies to a degree sufficient to maintain its required margins. Moreover, the Group may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may incur losses on the production and sale of such products. As such, there can be no assurance that competition in the Group's industry will not lead to price erosion, lower net sales growth rates and lower margins for the Group's products in the future.

In addition, the Group's growth and the profit margins of its products will suffer if its competitors are more successful in reducing the total cost to customers of their products than the Group is. Some competitors are larger than the Group and have significant financial, marketing and other resources. The greater resources of such competitors may

enable them to better respond to changing market conditions. In addition, some competitors may reduce prices (and consequently lower margins) to increase the volume of sales with a view to recovering its capital expenditure rapidly, especially in respect of middle-end and lower-end products. Although the Group seeks to counter such pricing pressure through the development of high value-added products, mainly for AI servers and general servers, and high-end substrates that are difficult to manufacture, there can be no assurance that such measures will be successful. As such, there can be no assurance that the Group will always be successful in competing with its competitors in terms of costs of production or introduction of new or high value-added products.

### ***Key Customers***

A significant portion of the Group's net sales are made to two of its largest customers, namely Intel Corporation ("Intel"), a major US manufacturer of microprocessors for computers and laptops, and Advanced Micro Devices Inc. ("AMD"), a major US semiconductor company engaged in the development of computer processors. The Group's sales to Intel and AMD are principally comprised of sales of plastic package substrates. For the fiscal year ended 31 March 2023, sales to Intel and AMD accounted for 36.1 per cent and 12.1 per cent, respectively, of the Group's total consolidated net sales. There can be no assurance that Intel and/or AMD will continue to adopt the Group's products. Further, sales to Intel and/or AMD may be directly impacted by market demand for electronic parts and other products, as well as being indirectly affected by sales and prices of PCs and servers that install central processing units ("CPUs") manufactured by Intel or AMD. The Group's customer concentration could also fluctuate, depending on future customer requirements, which will depend in large part on market conditions in the electronics industry in which the Group's customers participate. If the Group loses Intel, AMD or other key customers, it may be difficult to attract new customers or generate comparable levels of business from other existing customers to offset the loss. Further, as the Group has significant capital expenditures and depreciation expenses that are fixed in nature, any fluctuations in demand from its major customers could negatively affect its profitability. In addition, much of the Group's capital expenditures and research and development ("R&D") activities are conducted with a specific focus of supplying products to its major customers; R&D activities are also at times conducted in conjunction with the Group's major customers. If the Group were to lose demand from its major customers, or if production facilities focused on the manufacture of the Group's major customers were to have overcapacity due to less than expected demand from the major customers, then it may take time and cost to reconfigure its production facilities to manufacture products for other customers and obtain relevant certifications from such replacement customers. As such, the loss of or a decline in sales to Intel, AMD or other key customers of the Group could materially and adversely affect the Group's business, results of operations and financial condition.

In addition, during industry downturns, the Group may need to reduce prices to limit the level of order losses, and it may be unable to collect payments from its customers. There can be no assurance that the Group's key customers would not cancel orders, that they would continue to place orders with the Group in the future at the same levels as prior periods, that they would be able to meet their payment obligations, or that the end-products that use the Group's products would be successful. This concentration of customer base may materially and adversely affect the Group's business, results of operations and financial condition due to the loss or cancellation of business from any of these key customers, significant changes in scheduled deliveries to any of these customers, or decreases in the prices of the products sold to any of these customers.

### ***Automotive Industry***

The Group's ceramics operation provides automotive exhaust system components, such as DPFs and substrate holding mats, to customers within the automotive industry. The automotive industry has historically experienced multi-year cycles of growth and decline. If sales of automobiles should decline or go into a cyclical downturn, the Group's sales of DPFs and substrate holding mats could decline, and this could have a material adverse impact on the Group's business, results of operations and financial condition.

For safety and regulatory (including environmental regulatory) reasons, automotive customers have strict quality standards that generally exceed the quality requirements of other customers. If such products do not meet these quality standards, the Group's business, financial condition, and results of operations may be materially and adversely affected. These automotive customers may require long periods of time to evaluate whether the Group's manufacturing processes and facilities meet their quality standards. If the Group were to lose automotive customers due to quality control issues, the Group might not be able to regain those customers or gain new automotive customers for long periods of time, which could have a material adverse effect on its business, results of operations and financial condition.

The automotive industry is currently experiencing a trend shift towards development of more fuel-efficient engines, hybrid engines and alternative clean power systems using fuel cells or clean burning gaseous fuels. There is a risk that production volume of diesel engines may decrease due to the trend shift to greener energy solutions within the automotive industry, which may in turn decrease the sales of the Group's DPFs

products which are used to purify exhaust gas emitted by diesel engines, which may have a material adverse effect on the Group's business, results of operations and financial condition.

#### ***Defective Products***

Users of the Group's products require consistently high reliability and high performance in all areas. While the Group continues to strive to maintain the highest standards for all its products, due to the fact that, among other things, cutting-edge technologies are utilised in its products, which adopt prescribed quality standards at production bases in various countries that the Group operates in, it is possible that the Group may produce products that do not meet customer specifications, contain or are perceived to contain defects or errors, or are otherwise incompatible with their intended uses. Any partial or complete malfunction or defect of one of the Group's products could result in substantial losses to the Group. The Group may incur substantial costs in remedying such defects or errors, which could include material inventory write-offs. In particular, if the Group's customers' products which contain the Group's products must be recalled, the Group may become obliged to pay substantial amounts in respect of compensation to such customers, and this may have a significant negative effect on the Group's reputation; such negative effects on the Group (in terms of both amounts and reputation) may be particularly acute if the products supplied by the Group relates to high-value products (such as servers) or affects human life (such as products relating to automobiles). Although the Group takes precautions by way of insurance coverage to provide compensation for product liability claims, all losses caused to the Group by product defects may not be fully covered by such insurance and the cost of compensation may be high. All or any of the above may have a material adverse effect on the Group's business, results of operations and financial condition.

#### ***Demand for Innovative Products***

The electronics markets for the products that the Group offers, in particular products for application in AI servers and general servers, are characterised by rapidly developing technology and the frequent introduction of new products. As such, the Group believes the flow of new products and manufacturing processes will keep the Group at the forefront of its customers' product designs. Successful innovation is therefore critical for maintaining profitability in the face of potential erosion of selling prices for existing products. As a result, the Group may be required to maintain its research and development ("R&D") expenditure at a high level regardless of its financial condition, which could materially and adversely affect its business, results of operations and financial condition.

The Group works to create cutting-edge elemental technologies through R&D and has achieved its market share and maintained profitability by promptly introducing on the market new products incorporating those technologies. Developing and marketing new products requires start-up costs that may not be recouped if these products or production techniques are not successful. There are numerous risks inherent in product development, including the risks that the Group will be unable to anticipate the direction of technological change or that it will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. The introduction and development of new technologies by competitors may rapidly make the Group's products less attractive. Further, competitors may also develop product or service innovations that could put the Group's products at a disadvantage. Even if the Group is able to develop new technologies and/or products, they may lose the novelty which they would be expected by the Group to have as a result of the long development process, which is sometimes required. Further, the development and commercialisation of new technologies and the introduction of new products may render the Group's existing products obsolete or less marketable.

In addition, new technological developments, as well as unrecognised or erroneously anticipated technology developments, could result in technology substitutions, consolidation of the supply chain and/or shifts in demand for the Group's products. This could decrease the Group's market share and result in excess capacities of existing technologies, lowering number of customers and decreasing prices of the Group's products. If such developments offer new market opportunities, the Group could fail to develop the technologies to take such opportunities, which could materially and adversely affect its business, results of operations and financial condition.

If all or any of the above occurs, the Group could lose customers and its business, results of operations and financial condition may be materially and adversely affected.

#### ***Global Economic and Other Conditions***

The Group is active in markets outside of Japan, including several key markets in Asia and Europe, as well as the United States, and net sales in such markets accounted for 76.1 per cent of the Group's total consolidated net sales for the fiscal year ended 31 March 2023. As a global company with clients operating in a range of businesses and industries, the Group's performance is affected by global economic conditions and the demand for products that use components manufactured by the Group in international markets. Adverse economic conditions may negatively affect ultimate customer demand for the consumer and other products sold by the Group's customers, and could result in postponed or decreased spending amidst customer concerns over unemployment or slowing demand for their products,

reduced asset values, volatile energy costs, geopolitical issues, inflation, high interest rates, the availability and cost of credit, and the stability and solvency of financial institutions, financial markets, businesses, local and state governments, and sovereign nations. Weak or unstable global economic conditions, including those attributable to international conflicts, such as the recent escalation in the ongoing Israel-Hamas conflict, international trade protection measures and disputes, such as those between the United States and China, or public health issues could also harm the Group's business by contributing to product shortages or delays, supply chain disruptions (particularly in the electronic industry that is characterised by highly integrated transnational supply chains based on free trade of goods and services), insolvency of key suppliers, customer and counterparty insolvencies, increased product and materials costs and associated price increases, reduced global sales, reduced sales prices, and other adverse effects on the Group's operations. Any such effects could have a negative impact on the Group's business, results of operations and financial condition.

In particular, whilst the direct impact of the conflict between Russia and Ukraine on the Group was limited (the Group does not have sales or production bases in Russia or Ukraine), there were certain indirect specific consequences for the Group. These included resultant decrease in demand for automobiles and other weakness in the automobile market, which decreased the net sales of the Group's DPFs in the fiscal year ended 31 March 2023, and saw increases in overall production costs, in particular in the prices of raw materials, increased energy costs, and higher logistics costs as a result of increased fuel prices as well as the re-routing of transportation. In addition, the Group's business was affected by the COVID-19 pandemic, as restrained economic activity slowed the global economy and supply chains were disrupted. Any resurgence in COVID-19 infections or any other global public health crisis could have a similar or more significant negative impact on the Group's results of operations and financial condition.

### ***Global Operations***

To adapt to global business environments, customer needs and country risks, the Group has a global support structure with 33 bases in 16 countries and regions (excluding Japan) as at 31 March 2023, with production bases and sales offices in locations such as China, Malaysia, Philippines, South Korea, Hungary and Mexico. Some of the countries and regions in which the Group's businesses are based have experienced political and/or economic instability in the past or are located in parts of the world where such instability is present. The Group's global operations are subject to risks similar to those affecting its Japanese operations as well as a number of additional risks including:

- difficulties in enforcing contractual and intellectual property rights;
- impositions or increases of withholding and other taxes on remittances and other payments by subsidiaries and affiliates or changes in tax policies in the jurisdictions in which the Group operates;
- differences in business practices;
- exposure to different legal standards;
- trade restrictions and changes in tariffs;
- fluctuations in foreign currency exchange rates;
- impositions or increases of investment and other restrictions by foreign governments;
- the requirements of, and possible changes in, a wide variety of foreign laws;
- political and economic instability or slowdown and social turmoil;
- acts of terrorism, war, natural disasters, adverse weather conditions and epidemics;
- changes in the political and/or economic relationship between Japan and the countries in which the Group or its customers operate;
- changes in raw material prices and demand due to fluctuating exchange rates or other factors;
- unexpected events and accidents caused in particular by less developed infrastructure (such as power failures);
- rising wages, difficulties in staffing, geographical labour shortages, industrial action, general strikes or other disruptions in working conditions; and
- difficulties associated with managing local personnel and operations, including supervision, compliance, monitoring and management control.

In addition, if the overseas operations of the customers of the Group are similarly affected, this may affect such customers' demand for the Group's products and the Group's business, results of operations and financial condition may be negatively affected.

### ***Chinese Market***

The Group operates both ceramic production and sales bases in China, one of the world's primary economic powers. In addition, many of the Group's customers also operate production bases in China and the growth strategies of some of such customers are dependent on economic growth in China. The impact of economic reforms and other policies implemented by the Chinese government can be unpredictable and may have unforeseen results. In addition to the risks described in "—Global Operations" above, in the event that unexpected events occur due to political factors such as changes in laws, regulations and policies, economic factors such as weaknesses or defaults in major industry sectors (such as the real estate sector weakness currently being experienced and the recent deterioration in the outlook for China described in certain credit ratings), a slowdown in economic growth, tensions between China and the United States over trade, territory and other matters, exchange rate fluctuations between the Renminbi (either onshore or offshore) and the US dollar and/or the Japanese yen, changes in sentiment towards Japanese companies such as the Group as a result of reaction to political and social tensions between Japan and China, and/or social factors such as widespread disease, there could be a material adverse effect on the Group's business, results of operations and financial condition.

### ***Foreign Currency Exchange Risk***

The Group operates in many parts of the world and, as a result, is affected by fluctuations in foreign exchange rates. The Group's sales to overseas customers accounted for 76.1 per cent of its consolidated net sales for the fiscal year ended 31 March 2023, a significant proportion of which is denominated in US dollars and euro and other local currencies. Accordingly, the Group's results are impacted by fluctuations in the exchange rate between the relative value of the currencies in which it receives payment or in which it pays its production and other costs and expenses.

In addition, foreign currency exchange rate fluctuations can affect the Japanese yen value of the Group's assets and liabilities arising from business transactions and investments denominated in foreign currencies. The Company's consolidated financial statements are presented in yen. By translating the foreign currency financial statements of the Company's foreign subsidiaries into yen, the amounts of the Group's assets and liabilities, net assets and net sales and expenses, on a consolidated basis, are mostly affected by the rates of exchange as at the last day of the fiscal year or period (in the case of assets and liabilities and net assets) and by the average rate of exchange for the relevant fiscal year or period (in the case of net sales and expenses), which rates are used for such translation purposes.

Although the Group attempts to reduce some of its foreign currency exchange risks, primarily by using financial and derivative instruments, the Group may not be able to fully insulate itself from the effects of foreign currency exchange rate fluctuations. In particular, a weak Japanese yen against the US dollar, euro or local currencies tends to have a favourable effect on the Group's results of operations and financial condition, as the Group's sales, which are often denominated in US dollars, euro or local currencies, are translated into Japanese yen for recording in its consolidated financial statements. While the Japanese yen has recently undergone a period of sustained weakness against the US dollar and the euro, depending on future changes in monetary policy by central banks, particularly in the United States, the European Union and/or Japan, or changes in levels of inflation or other economic indicators in various economies, the Japanese yen can become stronger than has been the case recently. A rapid strengthening of the Japanese yen can have a material adverse effect on the Group's results of operations and financial condition.

### ***Interest Rate Risk***

As at 31 March 2023, the balance of the Group's interest-bearing debt (comprising short- and long-term loans payable and bonds payable) amounted to ¥270,030 million. All of such loans are yen-denominated. The current level of interest rates charged on yen-denominated loans are low, but the outlook for yen interest rates is uncertain and interest rates may increase in the future. In addition to monetary policy changes, interest rates may rise for various reasons, including financial market turmoil, economic collapse, deterioration in the financial condition of banks, and other factors. Increases in prevailing interest rates, as well as deterioration in the credit market, may also increase the refinancing cost on maturity of the Group's debts. Further, if the Group's credit ratings were to change (which may occur not necessarily due to changes in the Group's financial condition but may, for example, be due to changes in the relevant rating agent's policies), the Group's funding costs (whether for borrowings from financial institutions or for bond issues) may also change, or its access to funds may in some circumstances (including due to increased interest rates) become more restricted or more expensive. Any such events may adversely affect the Group's results of operations and financial condition.



### ***Provision of Credit to Business Customers***

The Group extends credit to its business customers in the form of trade receivables and sets what it believes are appropriate payment terms and limits and reserves for credit losses to avoid exposure to credit risk. However, these measures do not ensure complete avoidance of exposure to credit risk, and if the financial condition of the Group's business counterparties (in particular, customers to which the Group regularly provides a large volume of its products) were to deteriorate, which may occur simultaneously if the markets in which the Group's business counterparties operate were to deteriorate, the Group's credit losses may increase, which may adversely affect the Group's results of operations and financial condition.

### ***Capital Investments***

The Group's business and the nature of the industry in which it operates require it to make substantial capital expenditures. The Group makes, and expects to continue to make, capital investments in fixed assets, primarily with regard to production and manufacturing facilities. Under the previous medium-term management plan, the Group made capital investments with a focus on the Electronics segment, including approximately ¥130 billion in investments to seek to capture medium- to long-term demand in the PC and server markets, primarily at the Ogaki Central Plant. The Group is also currently making its largest-ever investment for the expansion of its share of high value-added IC package substrate products through the construction of the Ono Plant and the Gama Plant in Japan. Such investments will be spent in advance of any net sales being generated by new or upgraded production facilities, and they carry certain specific risks, including delays in the construction and development of the Group's facilities, difficulty in obtaining necessary land and lease related rights, approvals and authorisations, increased development and/or running costs as a result of increases in labour or material costs, changes in foreign exchange rates or interest rates, or other factors, and the unavailability of sufficient labour supply for operating such new facilities at reasonable capacities due to local market trends or macro-events such as the COVID-19 pandemic or regulatory restrictions on use of foreign labour. Further, macro-economic or industry trends may result in the demand for the Group's products manufactured at such new facilities to be substantially below the Group's expectations, which may result in the Group being required to operate such facilities at capacities below the level it had expected to operate, or to halt or delay their operation. For example, the Company announced in October 2023 that it will delay the commencement of operations of the new Gama Plant from the initially planned fiscal year ending 31 March 2025, to the fiscal year ending 31 March 2027, due to factors such as restrained investments by major IT company customers and the delay in recovery in demand for general-purpose products for servers. Such factors are outside of the Group's control and could result in reductions (or less than expected increases) in the Group's production capacity and/or operational efficiency, increased costs for the Group, inability to obtain sufficient return on its investments, or impairments, which may adversely affect the Group's business, results of operations and financial condition.

In connection with its business strategy, the Group spent ¥131,275 million on capital expenditure (increase in property, plant and equipment and intangible assets (including the investments at and related to the Ogaki Central Plant described above)) in the fiscal year ended 31 March 2023, representing 31.4 per cent of total net sales, primarily for expanding and upgrading its production capacity. Further, the Group's planned capital expenditure for the fiscal year ending 31 March 2024 is at a level higher than the fiscal year ended 31 March 2023. The Group anticipates that it will fund its capital expenditures with proceeds from its business operations, bank borrowings and issuances of bonds (including the Bonds). However, in the event of adverse market conditions in the future or changes in the Group's growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, the Group's actual expenditures may exceed its planned expenditures and it may not have sufficient sources of liquidity to affect its current operational plan and would need to secure additional financing from external sources to partially fund its expenditures. There can be no assurance that external sources of liquidity will be available to fund the Group's ongoing operations or its product development. The failure to obtain financing would hinder the Group's ability to make continued investments in product development, which could materially and adversely affect its business, results of operations and financial condition.

### ***Utilisation Rates and Production Yields***

Given the relatively high fixed costs of the Group's operations, high capacity utilisation rates and production yields allow the Group to allocate fixed costs over a greater quantity of products. Decreases in capacity utilisation rates and production yields can have an adverse impact on the Group's gross margin. The Group's ability to maintain or improve its gross margin will continue to depend, in part, on maintaining high capacity utilisation rates and production yields. In turn, the Group's ability to maintain satisfactory capacity utilisation will depend on the demand for its products, the volume of orders it receives, its ability to maintain a sufficient workforce at its facilities, and its ability to offer products that meet its customers' requirements at competitive prices. There can be no assurance that the Group's utilisation rates and production yields will not be negatively affected by adverse factors such as, among others, excess capacity, equipment malfunction, interruption in the availability of utilities, deficiencies in quality control, inadequate



sample testing, labour shortages and human error. There can be no assurance that the Group will be able to maintain high capacity utilisation rates and production yields in the future. If demand for the Group's products does not meet its expectations, the Group's production bases would be underutilised, its sales may not fully cover its fixed overhead expenses, and the Group would be less likely to achieve its expected gross margins, which could materially and adversely affect its business, results of operations and financial condition.

#### ***Procurement of Raw Materials***

The Group's operations depend on obtaining raw materials and parts, such as multi-layer copper-clad laminate, copper foil, Ajinomoto build-up film (ABF), chemical solutions, gold and other precious metals for its electronics business, and silicon carbide, alumina fibre and coke for its ceramics business, at adequate quality and quantity in a timely manner. In its electronics business, the Group is dependent on certain specific suppliers, due to customer requirements which only allow the use of raw materials and parts specified by such customers. In the event of factors such as natural disasters, accidents, the bankruptcy of suppliers, export restrictions, or greater than expected industry demand, it may be difficult for the Group to substitute one supplier for another or increase the number of suppliers in a timely manner or at all should there be a shortage or interruption of supply. The Group's dependence on certain suppliers, as well as any industry shortage of supply, may also weaken the Group's negotiating power with its suppliers and expose the Group to the risk of shortage or interruption of supply. Any of these factors may adversely affect the Group's business, results of operations and financial condition.

The costs of the Group's raw materials, parts and the energy that its manufacturing operations consume have risen recently, particularly in Europe. The prices of raw materials, parts and energy may increase due to factors including industry cycles, production levels, scarcity of resources, geopolitical factors, demand and supply conditions and foreign exchange rates. There can be no assurance that the price of the Group's raw materials and the energy that its manufacturing operations consume will not increase further or fluctuate in the future. If the price of raw materials or energy increases and the Group is not able to compensate for or pass on such increased costs to customers, its profitability and financial results may be adversely affected.

In addition, given the global scarcity of certain precious metals, including gold and palladium that are used in the Group's products, the Group may in the future face difficulties in procuring the precious metals needed for its production activities on reasonable terms, or the terms of supply (including prices) could be changed in a manner unfavourable to the Group. The Group may also face difficulties in obtaining raw materials or parts from its current limited suppliers in sufficient quantities or at all, or in finding alternative suppliers. Any of these developments may materially and adversely affect the Group's business, results of operations and financial condition.

#### ***Regulations and Internal Control***

The Group's business activities are subject to the regulatory regimes of each country where the Group operates, relating to corporate governance and compliance, trade, antitrust, patent, product liability, environment, emissions and recycling as well as governmental permits for conducting business and making or divesting of investments, taxation, laws and regulations governing the safety of electronic products, laws and regulations relating to national security between nations and export/import restrictions due to national security, as well as laws and regulations relating to sanctions, anti-money laundering and anti-corruption. The business activities of the Group's customers are also subject to such regulatory regimes, some of which affect the Group's products (for example, emissions regulations relating to automobiles may have a positive effect on the demand for the Group's DPF products, while regulations relating to the complete phasing out of fossil fuel vehicles may have a negative impact on the demand for such products).

Although the Group has in place internal control and compliance systems for the purpose of complying with such laws and regulations, there can be no assurance that such systems, and other efforts by the Group to promote compliance, will always succeed in ensuring compliance or in preventing deliberate misconduct by employees. Any violation of the relevant regulations could result in a mandatory suspension from certain business activities or fines, as well as litigation, and could also harm the Group's reputation. In addition, the regulatory environment in which the Group operates is subject to change and such change may lead to the Company having to bear increased compliance costs. The Group's costs and its business generally may be adversely affected as a result of new or revised laws or regulations or by changes in the interpretation or enforcement of existing laws and regulations. Any of these factors could have a material adverse effect on the results of operations and financial condition of the Group.

The Group also faces the risk of fraudulent activities being conducted either by its employees or customers, such as concealment of improper or unsuccessful activities, or falsification of data. Such types of fraud may be difficult to prevent or detect, however robust an internal control system may be. As such, there can be no assurance that the Group's risk management and internal control systems will always be adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against the Group and/or its employees, disruption to the risk management system, and an adverse effect on the Group's business, results of operations and financial condition.

The internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault. The Group's production processes are heavily dependent on high-precision, complex machines and components which require accurate and appropriate operation, and factors such as human error, malfunction of equipment, system errors, accidents or force majeure events may lead to the production of defective products, as well as breakdowns and damage. Operational disruptions due to such events could have a material adverse effect on the results of operations and financial condition of the Group.

#### ***Licences, Approvals and Permits***

The Group's operations in Asia, Europe, the United States and other regions require a number of regulatory licenses, approvals and permits. There can be no assurances that the Group will always be able to obtain licenses, approvals or permits or make filings and registrations necessary for its operations in Asia, Europe, the United States and other regions, or that it will be able to successfully renew its existing licenses, approvals or permits. In addition, if the relevant authorities enact new regulations, the Group may not be able to successfully meet the requirements under such regulations. If the Group fails to obtain or renew the necessary regulatory licenses, approvals or permits, or make the necessary filings and registrations, the Group may have to cease operation, be subject to fines, or face other penalties, which could have a material adverse effect on its business, financial condition and results of operations. Even if the Group already obtained the licenses, approvals and permits, there could be parties or interest groups with different views who may take actions against the renewal of such licenses, approvals and permits, which may have an adverse effect on the Group's business, financial condition and results of operations.

#### ***Environmental Liabilities***

The Group is subject to a variety of environmental laws and regulations relating to waste water discharge, air emissions, handling of hazardous materials, disposal of solid waste and hazardous waste, greenhouse gas emissions and remediation of soil and ground water contamination. The Group uses a number of chemicals or similar substances, and generates wastes, that are classified as hazardous. The Group requires environmental permits to conduct many of its operations. The Group's ability to obtain, maintain, or renew such permits on acceptable terms is subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. There can be no assurances that the Group will always be successful and timely in obtaining the required environmental permits. Violations of environmental laws and regulations could result in substantial fines, penalties, and other sanctions.

Changes in environmental laws or regulations (or in their enforcement) affecting or limiting, for example, the Group's chemical uses, certain of its manufacturing processes, or its disposal practices, could restrict the Group's ability to operate as it is currently operating, impose additional costs or otherwise cause delays in the delivery of its products to its customers, which may lead to damaging its relationships with them. In addition, the Group may experience releases of certain chemicals or discover existing contamination (including in relation to properties acquired from third parties), which could cause the Group to incur material clean-up costs or other damages. Moreover, changes in environmental, health and safety regulations could inhibit or interrupt the Group's operations or require modifications to its facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

The Group is also increasingly required to certify compliance with various material content restrictions in its products based on laws of various jurisdictions or territories such as the Restriction of Hazardous Substances ("RoHS") and Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH directives") in the European Union and China's RoHS legislation. Similar laws have been adopted in other jurisdictions and may become increasingly prevalent. The REACH directive requires the identification of Substances of Very High Concern ("SVHCs") periodically. The Group must survey its supply chain and certify to the non-presence or presence of SVHCs to its customers. The Group may incur liability and pay damages if its products do not conform to such certifications, which could materially and adversely affect its business, results of operations and financial condition.

#### ***Intellectual Property Rights and Knowhow***

Patents and other intellectual property rights are an important competitive factor because of the emphasis on innovation of products and processes in the market in which the Group operates, which is subject to frequent innovations in technology. The Group largely relies on the technologies it has developed for its business, and it seeks to protect such technologies through a combination of patents and other intellectual property rights. However, policing of products which imitate or are similar to products created by the Group utilising the technologies developed by it is difficult and costly, and there can be no assurance that the Group's products will always be adequately protected by its intellectual property rights. It may at times become necessary for the Group to resort to litigation based on its intellectual property rights in order to protect its products from imitation and other unauthorised use, but any such proceedings could be burdensome, costly, and distracting to management, and the Group may not prevail. Failure to successfully establish or enforce the Group's intellectual property rights could materially and adversely affect its business, results of operations and financial condition.

In some countries where intellectual property rights are not given sufficient protection or are difficult to protect or enforce effectively, there may be a possibility that local companies could imitate and sell products similar to products developed by the Group, which would damage the Group's sales opportunity of the products. Further, poor quality of the imitated products could harm the Group's credibility. In addition, other parties, including competitors, may independently develop or acquire similar or more advanced technology than those of the Group protected by its patents or other intellectual property rights; or the Group may not be successful in obtaining patents or other intellectual property protection, or such patents or other intellectual property rights may be invalidated, circumvented or challenged and revoked. Moreover, certain technological knowhow possessed by the Group may not be patentable or may be subject to imitation or industrial espionage; and while the Group attempts to protect such knowhow through confidentiality agreements and enforcement of regulations designed to prevent unfair competition, they may be leaked to competitors, particularly if former employees of the Group were to join such competitors, causing the Group to lose its competitive edge.

Further, some of the products manufactured by the Group incorporate intellectual property rights owned by third parties, and the Group maintains a number of licences to use such third parties' patents and other intellectual property rights. There can be no assurance, however, that in the future the owners of such patents and other intellectual property rights will continue to maintain them or extend licences to the Group on the same basis as at the present or at all.

The Group could be accused of infringing the intellectual property rights of other companies with respect to the Group's products or production processes. The Group has no means of knowing what patent applications have been filed anywhere in the world until they are made public, as such information is not available until such time. In addition, there is a possibility that the products designed and manufactured by the Group may inadvertently incorporate aspects of existing design patents or other intellectual property rights. The Group may also use or develop components or technologies which infringe on patents or other intellectual property rights owned by its competitors or other third parties. If any third party were to make valid intellectual property right infringement claims against the Group, the Group could be restricted from making, using, selling, lending or exporting or importing some of its products, which could in turn materially and adversely affect its business, results of operations and financial condition.

The Group deals with various technologies and products in a wide range of business fields, in particular in fields where the pace of technological innovations is very fast. In addition, the Group's operations are becoming increasingly global. These factors increase the possibility of a dispute by the Group with third parties over intellectual property or other similar rights, or the leakage of its knowhow, and any such dispute or leakage may have a negative impact on the Group's business, results of operations and financial condition.

### ***Climate Change***

Many governments, regulators, investors, employees, customers, and other stakeholders are increasingly focused on environmental considerations relating to businesses, including climate change and greenhouse gas emissions. The Group aims to contribute to the achievement of the international environmental goals and is making efforts to reduce the environmental impact of its operations (see "Business—Sustainability"). However, such efforts involve risks and uncertainties, require capital investments, and depend in part on third-party performance or data (including those of suppliers) that is outside of the Group's control. Proposed and existing legislative efforts to control or limit greenhouse gas emissions could also affect the Group's energy sources and supply choices, as well as increase the cost of energy and raw materials that are derived from sources that generate greenhouse gas emissions, which could materially and adversely affect the Group's business, results of operations and financial condition.

The Group cannot guarantee that it will achieve its announced sustainability goals and initiatives. Some stakeholders may also disagree with the Group's goals and initiatives, or find them insufficient. Any failure, or perceived failure, by the Group to achieve its goals, further its initiatives, adhere to its public statements, comply with applicable laws and regulations, or meet evolving and varied stakeholder expectations and standards, could result in legal or regulatory proceedings against the Group, and materially and adversely affect the Group's business, reputation, results of operations, and financial condition.

### ***Recruitment and Retention of Personnel***

The Group's success depends upon the continued contributions of its executive officers and certain other employees, many of whom have many years of experience with the Group and would be very difficult to replace. The Group must also attract and retain experienced and highly skilled R&D, engineering, sales and marketing, business administration and managerial personnel. Competition for qualified personnel is intense in the industry the Group is in, and the Group may not be successful in hiring and retaining these people or may have to pay a significant amount of salary for them. If the Group loses the services of its executive officers or its other highly qualified and experienced employees, or cannot attract and retain other qualified personnel, the Group's business could suffer through less effective management due to loss of accumulated knowledge of its business or through less successful products due to a reduced ability to design, manufacture and market its products. Further, if the Group's employees were to leave the

Group to join its competitors, the Group's know-how and technology may be leaked to such competitors. Any such factors may adversely affect the Group's business, results of operations and financial condition.

### ***Information Technology***

The Group relies significantly on information technology systems to conduct its business and also retains a variety of confidential information (such as information on technology, customers, suppliers, business partners, personal information and intellectual property). Whilst the Group makes significant investments in the security and functionality of its systems and the education of its employees, its systems may experience service interruptions or degradation because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, ransomware, malware, or other events. The Group's systems may also be subject to break-ins, sabotage, theft and intentional acts of vandalism, including by the Group's employees. Some of the Group's systems are not fully redundant and its disaster recovery planning may not be sufficient for all eventualities. The Group's business interruption insurance may not be sufficient to cover all of its losses that may result from interruptions in service as a result of systems failures and similar events. There can be no assurance that unauthorised access to the Group's confidential information or failures of systems will not occur, which could result in, among other things, unfavourable publicity, governmental inquiry and oversight, difficulty in marketing the Group's services, allegations by the customers that the Group has not performed its contractual obligations, loss of customers, litigation by affected parties, and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

### ***Natural Disasters, Uncontrollable Events and Accidents***

Japan and other parts of the world where the Group operates have historically experienced, and the Group's operations are vulnerable to, earthquakes and other natural disasters, including volcanic eruptions, tidal waves, floods, landslides, typhoons, hurricanes and other extreme weather conditions, fires, infectious diseases, pandemics and epidemics. In addition, other events outside the Group's control (such as deliberate acts of sabotage or vandalism) or accidents (whether due to human or equipment error) could damage, cause operational interruptions or otherwise adversely affect any of the Group's manufacturing or other facilities. For instance, a fire occurred at the Group's Aoyanagi Plant in 2020, and six warehouses and one steel-framed warehouse were burnt down. In the event of a major natural disaster or other uncontrollable events or accidents, the Group's facilities, particularly its manufacturing and R&D facilities, may experience a catastrophic loss, operations at such production sites may be halted, shipments of products may be suspended or delayed, large losses and expenses to repair or replace the facility may be incurred, a significant reduction or loss of net sales may be experienced, or other problems (such as problems relating to the Group's information network) may be caused to the Group's operations. Although the Group has insurance to cover certain potential losses at its production facilities, these insurance policies may not be adequate to cover all possible losses and expenses. Furthermore, the Group's business may also be adversely affected if the Group's suppliers or customers, or the distribution systems used by the Group or its suppliers, were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events. For instance, in the wake of the Great East Japan Earthquake in 2011, the Group's procurement network was disrupted due to damage to major suppliers and the implementation of planned power outages. As a result, natural disasters, accidents or other uncontrollable events could have a material adverse effect on the Group's business, results of operations and financial condition.

### ***Management Plan***

To respond to the current and future business environment, the Group has formulated a medium-term plan for the five fiscal years ending 31 March 2028 known as "Moving on to our New Stage 115 Plan" in order to achieve further growth through expansion of existing businesses and launch of new products by strengthening business competitiveness and commercialising new products. In particular, the Group is seeking to increase the Group's competitive strength, commercialise new products, promote manufacturing reform, reform its corporate culture and proceed with ESG management. See "Business—Strategy". Failure to make progress according to plan, inability to obtain the expected benefits and results, or the occurrence of unforeseen problems in connection with the implementation of these measures may affect the Group's business performance, results of operations and financial condition.

The successful implementation of the Group's management plan and strategies is subject to various internal and external factors, including general economic and market conditions in which the Group operates, the level of competition, demand for the Group's products as well as those of its customers and the development of markets which the Group is targeting. There can be no assurance that the Group's management plan and strategies will be implemented successfully, that the implementation of the business plan or strategies will have its intended effect, that the assumptions underlying the plan will not differ from actual figures, that targets (whether quantitative or qualitative, and whether in the long-term or short-term) set by the Group (in the management plan or elsewhere) will be met in time or at all, or that such targets and aims will not be changed in the future by the Company's management.



### ***Acquisitions and Alliances***

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, tie-ups, joint ventures and alliances with other companies, such as the Group's acquisition of an 80 per cent stake in L.G. Graphite S.r.l. in November 2020. However, there can be no assurance that such activities will achieve the desired results, or that the Group will be able to recoup the value of the investments made by the Group. Where the Group has acquired subsidiaries, it may record goodwill in its financial statements based on the amount by which the consideration paid for the acquisition exceeds the fair value of net assets acquired of such subsidiaries. However, if such subsidiaries are not able to generate the expected profits, the Group may need to record impairments in respect of that goodwill. If the Group fails to successfully manage any acquired business, or otherwise fails to achieve the intended results of such activities, the Group's business, results of operations and financial condition may be adversely affected.

Further, if the Group decides that a particular business, alliance or other relationship with a third party is not beneficial to the Group's business, it may seek to divest, rationalise or end such business or relationship. For example, the Company transferred all of its shares in its consolidated subsidiary engaged in the printed wiring board business, IBIDEN Electronics (Beijing) Co., Ltd., in the three-month period ended 30 June 2023, from the perspective of selection and concentration of its business. However, such actions may not meet with cooperation from counterparties, or face difficulties in obtaining regulatory approval from a competition perspective.

In the event that the Group decides to implement any of the foregoing measures, the Group's business, results of operations and financial condition may be adversely affected.

### ***Deferred Tax Assets***

The Group recorded ¥5,534 million in deferred tax assets on its consolidated balance sheet as at 31 March 2023 with respect to the differences between the amounts recorded for financial reporting purposes and the tax base of the assets and were measured using the enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. The Group determines the recoverability of deferred tax assets based on a reasonable estimate of future taxable income for deductible temporary differences and tax loss carryforwards. However, in the event that actual taxable income differs from forecasts and recoverability is in doubt, or where there is a change in the tax system of a relevant jurisdiction, including a change in the tax rate, it would become necessary to review the calculation of deferred tax assets. Any future need to reverse deferred tax assets could have an adverse effect on the Group's results of operations and financial condition.

### ***Impairments***

The Group's long-lived assets include operational facilities, land and a variety of other tangible and intangible fixed assets. The Group periodically reviews the carrying values of its long-lived assets to determine if the expected amounts to be realised from these assets will be sufficient to recover their respective carrying values. If these long-lived assets do not generate sufficient cash flows, the Group will need to recognise impairment losses, which will adversely affect the Group's results of operations and financial condition.

The value of the Group's inventory, which principally consists of finished goods, work-in-process and raw materials and supplies, can also be subject to impairment if market conditions result in a decrease in net realisable value below the recorded cost.

### ***Equity Holdings***

As at 31 March 2023 and 31 December 2023, the Group held ¥61,342 million and ¥83,828 million, respectively, in investment securities, mainly comprising of Japanese equities, principally for the purpose of maintaining relationships with counterparties and financial institutions. Fluctuation in the prices of listed shares held by the Group could affect the Group's results of operations and financial condition, particularly if the Group is required to recognise any impairment in the value of such investment securities. In addition, if either the Group or other companies that have invested in the same companies as the Group decide to reduce their investments in such companies in the future, it may result in sales of the securities of such investee companies, which could create downward pressure on the prices of such securities.

## **Considerations Relating to the Company's Financial Information**

### ***Differences in Generally Accepted Accounting Principles***

The Company's consolidated and non-consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other jurisdictions. The Company's financial statements may therefore differ from those prepared for companies outside Japan. This Offering Circular does not include a reconciliation of the Company's or the Group's financial statements to IFRS or to any other generally accepted accounting principles or

reporting standards. Such reconciliation may identify material quantitative differences between Japanese GAAP and IFRS or between Japanese GAAP and such other generally accepted accounting principles or reporting standards.

#### ***Unaudited Quarterly Financial Statements***

This Offering Circular contains unaudited quarterly consolidated financial statements as of and for the nine-month period ended 31 December 2023 (together with corresponding figures for the nine-month period ended 31 December 2022), which are not required to be, and have not been, audited by the Company's independent auditor. The unaudited quarterly consolidated financial statements of the Company as of and for the nine-month period ended 31 December 2023 (together with corresponding figures for the nine-month period ended 31 December 2022) included in this Offering Circular have been reviewed by the Company's independent auditor in accordance with the quarterly review standards generally accepted in Japan.

The unaudited quarterly consolidated financial statements contained in this Offering Circular are not wholly comparable with the annual audited consolidated financial statements contained in this Offering Circular and should not be so compared. In particular, such unaudited quarterly consolidated financial statements may reflect seasonal factors, which do not affect other periods or the annual results to the same degree, or at all, and/or may reflect temporary economic or market trends which are not sustainable. Accordingly, the information contained in or based on such unaudited quarterly consolidated financial statements may not be indicative of the Group's consolidated annual results as of and for the year ending 31 March 2024 or for future fiscal periods.

#### **Considerations Relating to the Bonds and the Shares**

##### ***Limitations on the Timing of Exercise of Stock Acquisition Rights***

Under the current rules and practices of JASDEC it will take at least three business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date. In order to avoid any JASDEC system processing errors around the record dates, the Stock Acquisition Rights have been designed under Condition 5.1.4 so that they may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this Offering Circular, 31 March and 30 September in each year).

##### ***No Cash Amounts in respect of Non-unit Shares***

Since the coming into effect of the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one full unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one full unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one full unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system, the Company's Articles of Incorporation and the Company's Share Handling Regulations if they would like the Company to do so. The rights of holders of Shares not constituting one full unit are limited under the Company's Articles of Incorporation and may not be tradeable on the stock exchanges on which they are listed. See "Description of the Shares and Certain Regulations—Unit Share System".

##### ***Limitations on Anti-dilution Protection for Bondholders***

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and therefore, adversely affect the value of the Bonds.



### ***Trading Market for the Bonds***

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid.

### ***Market Price of the Bonds***

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Any decline in the price of the Shares will have an adverse effect on the market price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results. In addition, the market price of the Bonds is expected to be affected by any downgrade or other events negatively affecting the Company's credit rating.

### ***The Bonds are Unsecured***

The Bonds do not benefit from any security and the Bondholders' claims will rank behind any secured creditors in the event of the Company's liquidation or bankruptcy.

### ***Daily Price Range Limitations under Japanese Stock Exchange Rules***

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell Shares received in exercise of the Stock Acquisition Rights at a price above or below the relevant daily limit may not be able to sell their Shares at such price on a particular trading day, or at all.

### ***Rights of Shareholders under Japanese law***

The corporate affairs of the Company are governed by and in accordance with the Articles of Incorporation, Regulations of the Board of Directors and Share Handling Regulations and other related regulations thereunder of the Company, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Holders who acquire the Shares upon exercise of the Stock Acquisition Rights may have more difficulty in asserting their rights as a shareholder than they would as a shareholder of a corporation organised in other jurisdictions. In addition, Japanese courts may not be willing to enforce judgments of non-Japanese courts against the Company which are based on non-Japanese securities laws.

### ***Future Changes in Japanese law***

Future changes to provisions relating to Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 provides for amendments to be made to the Conditions relating to the Stock Acquisition Rights where those amendments are required in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

### ***The Trustee's Right to Request Bondholders to Provide an Indemnity, Security or Prefunding***

In certain circumstances (including, but not limited to, giving notice to the Company pursuant to Condition 10 and taking enforcement steps as contemplated in Condition 16), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

### ***Prior Notification under the Foreign Exchange and Foreign Trade Act of Japan***

As the Company is engaged in certain businesses designated by the FEFTA and its related cabinet orders and ministerial ordinances (collectively, the "Foreign Exchange Regulations"), if a foreign investor intends to acquire Shares in circumstances that constitutes an "inward direct investment" under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance and any other competent Ministers (the "Ministers"). "Inward direct investment" includes an acquisition of Shares as a

result of which such foreign investor, in combination with any existing holdings, directly or indirectly holds 1 per cent or more of the total number of issued Shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. Where such prior notification is filed, the proposed acquisition may not be consummated until a prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order a modification or abandonment of such acquisition. In addition, if certain conditions including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of Shares acquired or take other measures. Consequently, any foreign investor seeking to acquire Shares in a transaction that constitutes an “inward direct investment” may not be able to consummate such acquisition within an expected time frame, in accordance with an intended plan, or at all.

Additionally, if a foreign investor directly or indirectly holds 1 per cent or more of the total voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on the Company’s management such as the (i) election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as Directors of the Company or (ii) transfer or discontinuation of its business, such consent, subject to certain exemptions, also constitutes an “inward direct investment” requiring prior notification. If such prior notification is filed, such consent cannot be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all.

The discussion above is not exhaustive of all possible foreign exchange controls considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of Shares or voting rights by consulting their own advisers. For a more detailed discussion on the requirements and procedures regarding the prior notifications under the Foreign Exchange Regulations, see “Japanese Foreign Exchange Regulations”.

#### ***Acquisition Option***

Under Condition 7.2, at any time during the Acquisition Notice Period (as defined in the Conditions), the Company may, but shall not be bound to, give an Acquisition Notice to acquire each Bond at a consideration of 100 per cent of the principal amount in cash plus any Acquisition Shares calculated in accordance with the provisions of Condition 7.2.1, provided that any Bondholder who wishes its Bonds to be so acquired must deliver a duly completed Acquisition Election Notice on or after the date of the Acquisition Notice and on or before the Acquisition Determination Date. In accordance with Condition 7.2.3, any Bonds in respect of which a duly completed Acquisition Election Notice has not been delivered prior to such deadline will be redeemed at 100 per cent of their outstanding principal amount on the Elected Redemption Date, which amount may be lower in economic value than the value the Bondholder would have been able to receive had it delivered a duly completed Acquisition Election Notice prior to the relevant deadline.

Investors should also note that pursuant to Condition 5.1.4(b), if an Acquisition Notice is given pursuant to Condition 7.2, the Stock Acquisition Rights may not be exercised during the period from and including the calendar day immediately following the Acquisition Notice Period End Date (as defined in the Conditions) to and including the Elected Redemption Date.

#### **Forward-looking Statements**

Statements in this Offering Circular with respect to the Group’s plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, changes in demand in the electronics industry, the level of competition, the Group’s ability to develop and sell reliable and innovative products, changes in relationships with major customers, global economic and other conditions, developments in the Chinese market, fluctuations in foreign currency exchange rates, interest rate changes, supply chain issues, regulatory and environmental issues, disputes over intellectual property or other similar rights, and the Group’s success in implementing its strategies and plans (including capital investment plans). The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company’s behalf are qualified in their entirety by these cautionary statements.

## TERMS AND CONDITIONS OF THE BONDS

*The following terms and conditions (the “Conditions”) of the Bonds will, subject to completion and amendment and save for the paragraphs in italics, be endorsed on the Certificates (as defined herein) evidencing the Bonds.*

The ¥70,000,000,000 Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the “Bonds”, which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by IBIDEN CO., LTD. (the “Company”) are constituted by a trust deed (the “Trust Deed”) dated 15 March 2024 made between the Company and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being as trustee and/or any other trustee appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the “Stock Acquisition Right”), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the “Shares”) as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the “Agency Agreement”) dated 15 March 2024 relating to the Bonds among, *inter alios*, the Company, the Trustee, Mizuho Trust & Banking (Luxembourg) S.A. as principal agent (the “Principal Agent”), as calculation agent (the “Calculation Agent”) and as registrar (the “Registrar”), and the other agents referred to therein, are available for inspection by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom, or electronically upon request to and subject to providing satisfactory proof of holding to the Trustee, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the “Agents” shall, unless the context otherwise requires, include any Agent appointed by the Company in the Agency Agreement (including, where the context permits, the Principal Agent) at their respective specified offices named as paying, transfer and conversion agents in connection with the Bonds for the purposes of, *inter alia*, making payments and transfers, the acceptance of Conversion Notices and the Certificates for the purposes of the exercise of the Stock Acquisition Rights, and the acceptance of Tax Redemption Election Notices (as defined in the Agency Agreement), or such other or further agents for the Bonds as may from time to time be appointed, or at such other or further specified offices as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 (but excluding the Registrar and Custodian).

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of and are bound by all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

### 1. **Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights**

#### 1.1 ***Form, Denomination and Issue Price***

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 105.0 per cent of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a “Certificate”) will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the “Register”) of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

#### 1.2 ***Title***

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a “Bondholder” and (in relation to a Bond) a “holder” mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.*

*The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.*

1.3 **Status**

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 **Transfers of Bonds**

1.4.1 *The Register:* The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers, acquisitions and redemptions of the Bonds and exercises of the Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers:* A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".*

1.4.3 *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge:* Registration of a transfer of Bonds and issuance of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, but upon (i) payment of any tax or other governmental charges that may be

imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered:

- (i) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 7.1, 7.2.3, 7.6, 7.7 or 7.8;
- (ii) with respect to any Bond for which Condition 7.2.2 applies, during the period from and including the Acquisition Determination Date (as defined in Condition 3.1) or, if earlier, the time at which an Acquisition Election Notice (as defined in Condition 3.1) in respect of such Bond has been given pursuant to Condition 7.2, up to but excluding the Acquisition Option Date (as defined in Condition 3.1);
- (iii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn); or
- (iv) after a notice of redemption has been given pursuant to Condition 7.3, 7.4 or 7.5 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.5).

#### 1.5 ***Relationship between Bonds and Stock Acquisition Rights***

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

## 2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time or prior thereto, according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

- (a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and
- (b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.



### 3. Definitions and Construction of References

#### 3.1 Definitions

In these Conditions (unless the context otherwise requires):

“3-Month Deposit Rate” means, as of any specified time on any date, the rate per annum as of such specified time on such date as shown on Bloomberg page JYDRC Curncy (setting “Bid”, and using the pricing source “CMPL”) (or any successor page, setting or pricing source), or, if no such rate is available as of the specified time on such day (for the purposes of this definition, the “Original Date”), the 3-Month Deposit Rate on the Original Date shall be the 3-Month Deposit Rate, determined as aforesaid, as of the specified time on the immediately preceding day on which the same can be so determined, provided however that if such immediately preceding day falls prior to the fifth day before the Original Date, or if the 3-Month Deposit Rate cannot be determined as aforesaid (including without limitation because such Bloomberg page (or any successor) has ceased to exist), the 3-Month Deposit Rate as of the specified time on the Original Date shall be determined in such other manner as determined in good faith to be appropriate by an Independent Financial Adviser. If the 3-Month Deposit Rate determined as aforesaid shall be less than zero, then the 3-Month Deposit Rate shall be deemed to be zero;

“Account Management Institution” means an account management institution (*koza-kanri-kan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

“Acquisition Determination Date” has the meaning provided in Condition 7.2.1;

“Acquisition Election Notice” has the meaning provided in Condition 7.2.2;

“Acquisition Notice” has the meaning provided in Condition 7.2.1;

“Acquisition Notice Period” has the meaning provided in Condition 7.2.1;

“Acquisition Notice Period Commencement Date” has the meaning provided in Condition 7.2.1;

“Acquisition Notice Period End Date” has the meaning provided in Condition 7.2.1;

“Acquisition Option Date” has the meaning provided in Condition 7.2.1;

“Acquisition Share Value” has the meaning provided in Condition 7.2.1;

“Acquisition Shares” has the meaning provided in Condition 7.2.1;

“Additional Amounts” has the meaning provided in Condition 9;

“Additional Shares” has the meaning provided in Condition 5.3;

“Annual Fiscal Period” means a period commencing on 1 April and ending on 31 March of the immediately following year; provided that, if the Company shall change its fiscal year so as to end on a date other than 31 March, “Annual Fiscal Period” shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Articles of Incorporation” means the articles of incorporation of the Company from time to time in effect;

“Asset Transfer Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the “Asset Transferee”), pursuant to the terms of which the Company’s obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

“Asset Transferee” has the meaning provided in the definition of Asset Transfer Event;

“Auditors” means the independent auditors for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditors or firm of auditors as may be appointed by the Company to act as such and promptly notified in writing to the Trustee by the Company;

“Authorised Officer” means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have notified to the Trustee in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

“Average VWAP per Share” has the meaning provided in Condition 7.2.1;

“Bankruptcy Act” means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

“Base Dividend” has the meaning provided in Condition 5.2.4;

“Bid Price” has the meaning provided in Condition 5.1.9;

“Board of Directors”, in respect of any company, means the board of directors of that company or, where applicable, the board of statutory executive officers of such company, within the meaning of the Companies Act; provided that, if any individual director is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company’s articles of incorporation and other internal regulations, any reference to the Board of Directors of such company shall be deemed to mean such director, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director;

“Bondholder” and “holder” have the meaning provided in Condition 1.2;

“Bonds without Acquisition Election Notice” has the meaning provided in Condition 7.2.3;

“Book-Entry Act” means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

“Business Day” in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

“BVAL Price” has the meaning provided in Condition 5.1.9;

“Certificate” has the meaning provided in Condition 1.1;

“Civil Rehabilitation Act” means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

“Clean-up Redemption Notice” has the meaning provided in Condition 7.4;

“Closed Period” has the meaning provided in Condition 7.11;

“Closing Date” means 15 March 2024;

“Closing Parity Value” has the meaning provided in Condition 5.1.9;

“Closing Price” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be);

“Companies Act” means the Companies Act of Japan (Act No. 86 of 2005, as amended);

“Company Notification Date” has the meaning provided in Condition 5.1.9;

“Company’s Territory” has the meaning provided in Condition 12.2;

“Consolidated Financial Statements” means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

“Consolidated Subsidiary” means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

“Controlling Shareholder” means a shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as provided in the Articles of Incorporation) or more of the Company’s voting rights as calculated in accordance with the Companies Act;



“Conversion Notice” means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the Agency Agreement;

“Conversion Price” has the meaning provided in Condition 5.1.3;

“Corporate Event” has the meaning provided in Condition 6.1;

“Corporate Event Effective Date” has the meaning provided in Condition 6.3;

“Corporate Event Redemption Date” has the meaning provided in Condition 7.6;

“Corporate Event Redemption Price” has the meaning provided in Condition 7.6;

“Corporate Reorganisation Act” means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

“Corporate Split Counterparty” has the meaning provided in the definition of Corporate Split Event;

“Corporate Split Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company’s obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the “Corporate Split Counterparty”);

“Current Market Price per Share” has the meaning provided in Condition 5.2.9;

“Custodian” means The Law Debenture Trust Corporation p.l.c. at its specified office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

“Custodian’s Agent” means Mizuho Bank, Ltd. at its specified office at 5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8176, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

“Delisting Redemption Date” has the meaning provided in Condition 7.7.1;

“Deposit Date” has the meaning provided in Condition 5.9.4;

“Deposit Time” has the meaning provided in Condition 5.9.4;

“Dividend Adjustment Amount” has the meaning provided in Condition 7.2.1;

“Due Date” has the meaning provided in Condition 9;

“Elected Redemption Date” has the meaning provided in Condition 7.2.3;

“Event of Default” means any of the events listed in Condition 10 which, if so required by that Condition, has been certified in writing by the Trustee to the Company in accordance with that Condition that, in the opinion of the Trustee, it is materially prejudicial to the interests of the Bondholders, upon the occurrence of which the Bonds may become due and repayable;

“Ex-Dividend Date” has the meaning provided in Condition 7.2.1;

“Exercise Period” has the meaning provided in Condition 5.1.4;

“Exercise Period End Date” has the meaning provided in Condition 5.1.4;

“Extraordinary Dividend” has the meaning provided in Condition 5.2.4;

“Extraordinary Resolution” means a resolution passed (i) at a meeting of the Bondholders duly convened (including satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

“FATCA withholding” has the meaning provided in Condition 9;

“FIEA” means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

“Fiscal Period” means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately following year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its fiscal year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

“Holding Company” has the meaning provided in the definition of Holding Company Event;

“Holding Company Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the “Holding Company”) by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

“Independent Financial Adviser” means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified to the Trustee in writing or, if the Company fails to make such appointment when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing or not doing) following notification to the Company, which appointment shall be deemed to be an appointment of the Company;

“Last Day Conversion Price” has the meaning provided in Condition 7.2.1;

“Leading Institution” has the meaning provided in Condition 5.1.9;

“Listing” has the meaning provided in Condition 6.4.2;

“Maturity Date” has the meaning provided in Condition 7.1;

“Merged Company” means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

“Merger Event” means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

“New Obligor” has the meaning provided in Condition 6.1;

“New Obligor Current Market Price per Share” has the meaning provided in Condition 6.5.3;

“New Stock Acquisition Rights” has the meaning provided in Condition 12.2;

“New Territory” has the meaning provided in Condition 12.2;

“Non-unit Shares” has the meaning provided in Condition 5.1.2;

“Notification Date” has the meaning provided in Condition 5.1.9;

“Number of Deliverable Shares” has the meaning provided in Condition 6.5.3;

“Number of Held Shares” has the meaning provided in Condition 6.5.3;

“Offeror” has the meaning provided in Condition 7.7.1;

“Optional Redemption Date” has the meaning set out in Condition 7.3;

“Optional Redemption Notice” has the meaning set out in Condition 7.3;

“Parity Event” has the meaning provided in Condition 5.1.9;

“Parity Notification Event” has the meaning provided in Condition 5.1.9;

“Payment Business Day” has the meaning provided in Condition 8.3;

“Potential Event of Default” means any condition, omission, act, event or circumstance which, upon the giving of notice and/or the lapse of time and/or the issue of a certificate, could constitute an Event of Default;

“Principal Subsidiary” means any Consolidated Subsidiary of the Company (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are five per cent or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are five per cent or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company’s opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Proceedings” has the meaning provided in Condition 21.2;

“Quote for the Bonds” has the meaning provided in Condition 5.1.9;

“R&I” has the meaning provided in Condition 5.1.6;

“Record Date” means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the “Record Date” shall be construed as a reference to the date of any event in question coming into effect;

“Reference Parity” has the meanings provided in Conditions 7.6, 7.7 and 7.8;

“Reference Period” has the meaning provided in Condition 5.1.9;

“Register” has the meaning provided in Condition 1.1;

“Registered Account” has the meaning provided in Condition 8.1;

“Relevant Debt” has the meaning provided in Condition 2;

“Relevant GAAP” means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the FIEA, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board (or any successor thereto) or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or any successor thereto));

“Relevant Number of Shares” has the meaning provided in Condition 5.2.4;

“Relevant Period” has the meaning provided in Condition 5.2.15;

“Relevant Securities” has the meaning provided in Condition 5.2.8;

“Relevant Stock Exchange” means the Tokyo Stock Exchange or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on the Tokyo Stock Exchange, the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

“Relevant VWAP Period” has the meaning provided in Condition 7.2.1;

“Representative Director” means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

“Retroactive Adjustment” has the meaning provided in Condition 5.3;

“Securities includes, without limitation, the Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

“Shareholder Determination Date” has the meaning provided in Condition 5.1.4;

“Shareholder Determination Date Restriction Period” has the meaning provided in Condition 5.1.4;

“Squeezeout Effective Date” has the meaning provided in Condition 7.8.1;

“Squeezeout Event” has the meaning provided in Condition 7.8.1;

“Squeezeout Redemption Date” has the meaning provided in Condition 7.8.1;

“Stock Acquisition Date” has the meaning provided in Condition 5.9.4;

“Stock Split” means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

“Subsidiary” means a company, more than 50 per cent of the outstanding shareholders’ voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, “voting rights” means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

“Tax Redemption Date” has the meaning provided in Condition 7.5;

“Tax Redemption Notice” has the meaning provided in Condition 7.5;

“Tokyo Business Day” means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo;

“Tokyo Stock Exchange” means Tokyo Stock Exchange, Inc. (or its successor);

“Trading Day” means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

“Transfer Business Day” has the meaning provided in Condition 1.4.3;

“VWAP” has the meaning provided in Condition 7.2.1; and

“yen” and “¥” mean Japanese yen, the lawful currency of Japan.

### 3.2 *Construction of Certain References*

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the “issue” of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on

behalf of the Company (and the words “issue”, “issued” and “issuable” shall be construed accordingly), references in these Conditions to the word “acquire” used in conjunction with the Shares shall be read as including both the words “issue” and “transfer”, and the words “acquired” and “acquisition” shall be construed accordingly (other than where such references to “acquired” and “acquisition” are to the acquisition of the Bonds pursuant to Condition 7.2), and references to “delivery” used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words “substitution” and “grant” used in relation to the exchange of the Company’s obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

#### 4. **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum as being equal to the 3-Month Deposit Rate as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

#### 5. **Exercise of Stock Acquisition Rights**

##### 5.1 ***Conversion Price, Exercise Period, Shares Issuable and Procedure***

5.1.1 *Stock Acquisition Rights and the Contribution of the Bond:* Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which has been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

5.1.2 *Number of Shares:* The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares not constituting a unit (*tangen*) of Shares (“Non-unit Shares”) or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

*As at the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares. Under the book-entry transfer system established pursuant to the Book-Entry Act, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may generally require the Company to purchase such Shares through the relevant Account*



*Management Institution. The Articles of Incorporation currently provide that a holder of Shares constituting less than one unit may also request the Company to sell to such holder Shares representing less than one unit which, when added to the Shares held by such holder, shall constitute one full unit.*

- 5.1.3 *Conversion Price:* The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the “Conversion Price”) shall initially be ¥8,983 per Share, subject to adjustment in the manner provided in Condition 5.2.
- 5.1.4 *Exercise Period:* Subject to Condition 5.1.5, each Stock Acquisition Right may be exercised at any time during the period from, and including, 29 March 2024 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 28 February 2031 (the “Exercise Period End Date”), or:
- (i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled;
  - (ii) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3, 7.4 or 7.5, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.5, the relevant Bondholder has elected that such Bond shall not be redeemed);
  - (iii) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.2.3, 7.6, 7.7 or 7.8, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof;
  - (iv) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.9 and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or
  - (v) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

- (a) in no event shall the Stock Acquisition Rights be exercised after the Exercise Period End Date;
- (b) in the case of an acquisition pursuant to Condition 7.2 (where an Acquisition Notice is duly given by the Company), the Stock Acquisition Rights may not be exercised during the period from and including the calendar day immediately following the Acquisition Notice Period End Date to and including the Elected Redemption Date;
- (c) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.6 and 7.7); and
- (d) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(d) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

“Shareholder Determination Date” means (i) any Record Date, and (ii) any other date set for the purpose of determination of the holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act; and

“Shareholder Determination Date Restriction Period” means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date).

The Company shall give the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination and period referred to in Condition 5.1.4(c) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least three Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

*As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September. By way of example, in respect of the Record Date falling on 30 September 2024, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 26 September 2024 to (and including) 30 September 2024.*

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions as the “Exercise Period” (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

#### 5.1.5 *Condition to Conversion:*

Prior to (and including) 15 March 2029, and subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights only if, as at the last Trading Day of any calendar quarter, the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter, as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2.

If the condition as set out above is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the immediately following calendar quarter (or, in the case of the calendar quarter commenced on 1 January 2024, on and after 29 March 2024) until the end of such calendar quarter (or, in the case of the calendar quarter commencing on 1 January 2029, until 15 March 2029), provided that the relevant Deposit Date falls during the Exercise Period.

The condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable (A) during any period that Condition 5.1.6, 5.1.7 and/or 5.1.8 apply, and/or (B) where a Parity Event has occurred pursuant to Condition 5.1.9, during the period of 15 consecutive Tokyo Business Days commencing on (and including) the first Tokyo Business Day immediately following the Company Notification Date in respect of such Parity Event.

For the avoidance of doubt, during the period from and including 16 March 2029 to and including the close of business (at the place where the Stock Acquisition Right is to be exercised) on the Exercise Period End Date, the condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable.

Further, for the avoidance of doubt, even where the condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 is not applicable by virtue of Condition 5.1.6, 5.1.7, 5.1.8 or 5.1.9, the Stock Acquisition Rights shall not be exercisable after the expiration of the Exercise Period.

- 5.1.6 *Condition to Conversion – Rating Requirements:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during any period in which (i) the issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successors (together, “R&I”) is BBB (or equivalent if the rating category is changed) or lower, (ii) an issuer rating is no longer assigned to the Company by R&I, and/or (iii) the issuer rating assigned to the Company by R&I has been suspended or withdrawn. Upon the occurrence of any of the events set out in (i), (ii) or (iii) above, the Company shall forthwith give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.
- 5.1.7 *Condition to Conversion – Redemption Events:* If a notice of redemption is given pursuant to Condition 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8, the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable on and after the date of notice of such redemption except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed pursuant to Condition 7.5.
- 5.1.8 *Condition to Conversion – Corporate Events:* Subject to the suspension by the Company as referred to in Condition 5.1.4(c), the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during the period from (and including) the date upon which the Company is first required to give notice to the Bondholders in accordance with Condition 6.2 to (and including) the relevant Corporate Event Effective Date.
- 5.1.9 *Condition to Conversion – Parity Event:* The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during the period of 15 consecutive Tokyo Business Days from and including the first Tokyo Business Day immediately following the Company Notification Date in respect of the occurrence of a Parity Event. Whether or not a Parity Event has occurred for the purposes of these Conditions shall be determined by the Calculation Agent in accordance with the provisions of this Condition 5.1.9.

Any Bondholder shall be entitled to give notice (each, a “Parity Notification Event Notice”) to the Company in writing, with a copy to the Calculation Agent, in each case in accordance with this Condition 5.1.9, if and to the extent that a Parity Notification Event has occurred, provided that such notice shall be accompanied by reasonable supporting evidence (such evidence to be accepted in the opinion of the Company in its absolute discretion) regarding the occurrence of such Parity Notification Event. If any Parity Notification Event Notice is received after 4.00 p.m. in the place of the specified office of the Calculation Agent, such Parity Notification Event Notice shall be deemed for all purposes of these Conditions to have been provided on the date which is the immediately following Business Day in the place of the specified office of the Calculation Agent.

A Parity Notification Event Notice shall include a certification by or on behalf of the relevant Bondholder that it holds at least one Bond and evidence of such holding to the satisfaction of the Company, on which certification the Company and the Calculation Agent shall be able to rely, in the absence of manifest error, without further investigation. If a Parity Notification Event Notice is delivered in accordance with the foregoing, neither the Company nor the Calculation Agent shall be entitled or required to demand any further information from such person.

Each Parity Notification Event Notice to be given by a Bondholder to the Company shall be delivered to the Company by electronic mail only to [finance\\_div@ibiden.com](mailto:finance_div@ibiden.com), and shall simultaneously be copied to the Calculation Agent by electronic mail only to [agencyparity@mizuho.lu](mailto:agencyparity@mizuho.lu), or in each case to such other electronic mail address as may be notified to Bondholders in accordance with Condition 19. Any Parity Notification Event Notice shall be deemed to be received by the Company or the Calculation Agent, as the case may be, only if received by the relevant party in legible form.

At any time when the relevant Bonds are evidenced by the Global Certificate, a Parity Notification Event Notice may be given by (or on behalf of) a person with an entitlement to such Bond, and which may be an accountholder in Euroclear or Clearstream, Luxembourg. Such Parity Notification Event Notice shall include a certification that such person holds (or is delivering such Parity Notification Event Notice on behalf of a person that holds) an entitlement to at least one Bond. Parity Notification Event Notices shall be submitted by electronic mail in accordance with this Condition 5.1.9 rather than through the Euroclear or Clearstream, Luxembourg systems.

The date on which any Parity Notification Event Notice is provided (or deemed to be so provided) to the Company and the Calculation Agent in accordance with the foregoing shall be the “Notification Date” in respect of such Parity Notification Event Notice. Once a Parity Notification Event Notice has been provided (or deemed to be so provided) on a Notification Date (such Parity Notification Event Notice being, for the purposes of this paragraph, the “earlier Parity Notification Event Notice”), any subsequent Parity Notification Event Notice that is provided (or deemed to be provided) on or prior to the Company Notification Date in respect of the earlier Parity Notification Event Notice shall be disregarded, and no Notification Date shall occur in respect of that subsequent Parity Notification Event Notice.

The following shall apply in respect of each Notification Date which is deemed to occur under this Condition 5.1.9:

- (a) the Company shall give notice of the receipt of the relevant Parity Notification Event Notice, the relevant Notification Date and the expected Reference Period to the Bondholders in accordance with Condition 19 and to the Trustee no later than the second Business Day in Luxembourg and Tokyo immediately following the Notification Date;
- (b) the Calculation Agent shall determine whether or not a Parity Event has occurred in respect of the relevant Reference Period and shall notify the Company of such determination by no later than the second Business Day in Luxembourg and Tokyo immediately following (1) the last Business Day in Tokyo of the Reference Period if the Parity Event shall be deemed to have occurred in such Reference Period, or (2) the first day in the relevant Reference Period on which none of the events set out in the definition of Parity Event has occurred (and therefore it is determined that no Parity Event has occurred in respect of the relevant Reference Period); and
- (c) the Company will give notice of such Calculation Agent’s determination to the Bondholders in accordance with Condition 19 and the Trustee no later than the second Business Day in Luxembourg and Tokyo immediately following the date on which the Calculation Agent notifies the Company of the determination set out in paragraph (b) above (the date on which notice is given by the Company in accordance with this paragraph (c) being referred herein to as the “Company Notification Date”).

None of the Company, the Calculation Agent, the Trustee, the Agents, the Registrar, the Custodian or the Custodian’s Agent will be required to monitor any BVAL Price or Quotes for the Bonds or to take any steps or to perform any related calculations to verify whether a Parity Notification Event or Parity Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so, save (in the case of the Company and the Calculation Agent only and only as expressly provided in this Condition 5.1.9) where a Notification Date has occurred pursuant to this Condition 5.1.9.

In these Conditions:

“Bid Price” means, in respect of any day, the bid price per ¥10,000,000 in principal amount of the Bonds quoted by a Leading Institution for the purchase by that Leading Institution of a minimum principal amount of the Bonds equal to ¥10,000,000 on such day;

“BVAL Price” means, in respect of any day, the price of the Bonds as derived from the Bloomberg page: XS2774311224 Corp HP (setting “BVAL” or any successor setting) provided by Bloomberg (or any successor service) as the bid price of the Bonds as at 4:00 p.m. (New York time) on such date, multiplied by 100,000, as determined by (i) the Calculation Agent, in the case of the determination of a Parity Event, or (ii) the relevant Bondholder, in the case of the determination of a Parity Notification Event;

“Closing Parity Value” means, in respect of any day, the amount determined in good faith by the Calculation Agent and calculated as follows:

$$CPV = N \times CP$$

where:

CPV = the Closing Parity Value.

N = ¥10,000,000 divided by the Conversion Price in effect on such day (for the avoidance of doubt, without taking into account Retroactive Adjustments, if any); and

CP = the Closing Price of the Shares on such day (or if such day is not a Trading Day, the most recent Trading Day prior thereto);

“Leading Institution” means any bank or financial institution which is a leading, internationally recognised market maker in trading exchangeable and/or convertible bonds;

A “Parity Event” shall be deemed to have occurred on the last day of any Reference Period, where the Calculation Agent determines that, in respect of each of the five Tokyo Business Days comprised in such Reference Period, either:

- (i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (ii) if no BVAL Price is available on such Tokyo Business Day (for any reason, including but not limited to by reason of the temporary unavailability of the relevant page or setting, or the permanent cessation of the provision of such price by the relevant provider), the Quote for the Bonds in respect of such Tokyo Business Day is less than 97 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (iii) neither the BVAL Price nor Quote for the Bonds is available in respect of such Tokyo Business Day;

A “Parity Notification Event” shall occur if, on each Tokyo Business Day during any period of five consecutive Tokyo Business Days ending no earlier than the fifth Business Day in Luxembourg and Tokyo immediately before the relevant Notification Date, either:

- (i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or
- (ii) if no BVAL Price is available on such Tokyo Business Day (provided that it is not necessary for the relevant Bondholder to provide any evidence that such BVAL Price was so unavailable), such other reasonable evidence to show that the price of the Bonds (indicated as a percentage and multiplied by 100,000) as at 4:00 p.m. New York time on such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day is available;

“Quote for the Bonds” means, in respect of any Tokyo Business Day and in respect of Bid Prices as at or around 4.00 p.m. (Tokyo time) on such Tokyo Business Day, the Bid Price so provided by a Leading Institution selected by the Company (in its absolute discretion) as informed by the Company to the Calculation Agent, provided that where no Bid Price is provided to the Company in respect of such Tokyo Business Day, it shall be deemed that no Quote for the Bonds is available in respect of such Tokyo Business Day; and

“Reference Period” means, in respect of any Notification Date, the period of five consecutive Tokyo Business Days commencing on the third Business Day in Luxembourg and Tokyo immediately following such Notification Date.

References in these Conditions to any Bloomberg page means the relevant page on the Bloomberg terminal (or, if not available from Bloomberg, any successor information service provider thereto determined by the Company in its absolute discretion).

- 5.1.10 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights*: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including



in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right relating to the Shares the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

## 5.2 *Adjustments of the Conversion Price*

Upon the occurrence of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

- (i) the Record Date for the allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3; or
- (ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8; or
- (iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8; or
- (iv) the date of grant, issue, transfer or offer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item “n” of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to All, or a Class of, Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

- (i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

- (ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \text{v}}{\text{N} + \text{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of “n” immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to All, or a Class of, Shareholders of Rights or Warrants to Acquire Convertible/ Exchangeable Securities:* if the Company shall grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

- (i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or
- (ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \text{v}}{\text{N} + \text{n}}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.
- N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.
- n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.
- v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

- 5.2.4 *Distribution to All, or a Class of, Shareholders of Assets (including Extraordinary Dividends)*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being “distribution of surplus” within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \frac{\text{CMP} - \text{fmv}}{\text{CMP}}$$

where:

- NCP = the Conversion Price after such adjustment.
- OCP = the Conversion Price before such adjustment.

- CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.
- fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation of such Extraordinary Dividend.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

“Extraordinary Dividend” means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

“Base Dividend” means: ¥44,520.

*The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥40.*

“Relevant Number of Shares” means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were such Bond, and only such Bond, to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

- 5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities:* if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds, or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities;

5.2.6 *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which (a) merges into the Company upon such merger, (b) becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), or (c) becomes a subsidiary of the Company by partial share exchange (*kabushiki-kofu*), in proportion to their shareholding in such corporation immediately prior to such merger or such share exchange (in the case of such merger or such share exchange) or in accordance with the plan of such partial share exchange (in the case of such partial share exchange) or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.



Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) of the period during which payment may be made in respect of the issue or transfer of such Shares;

- 5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling holders thereof to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \text{v}}{\text{N} + \text{n}}$$

where:

- NCP = the Conversion Price after such adjustment.  
OCP = the Conversion Price before such adjustment.  
N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant, issue or offer of such rights or warrants.  
n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.  
v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the grant, issue or offer of such rights or warrants;

- 5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the “relevant date”) is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as “Relevant Securities”), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \text{v1} + \text{v2} + \text{v3}}{\text{N} + \text{n1} + \text{n2} + \text{n3}}$$

where:

- NCP = the Conversion Price after such adjustment.  
OCP = the Conversion Price before such adjustment.  
N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of “n2” below to the extent that such Shares are then issued and outstanding.

- n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.
- n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.
- n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.
- v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).
- v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue, transfer or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of grant, issue, transfer or offer which is the relevant date.

- 5.2.9 *Current Market Price per Share*: for the purpose of these Conditions, “Current Market Price per Share” on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question, and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

- 5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

- (i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any

commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

- (ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;
- (iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);
- (iv) in the case of the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and
- (v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the “later adjustment”) of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue, transfer or offer of such Shares, or the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number

of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

- 5.2.12 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;
- 5.2.13 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;
- 5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and
- 5.2.15 *Adjustment during the Relevant Period or the Reference Period*: for the purposes of Conditions 5.1.5 and 5.1.9, if the Conversion Price in effect on the last Trading Day of the period of 20 consecutive Trading Days referred to in Condition 5.1.5 (the "Relevant Period") or the Reference Period reflects any adjustment which has become effective pursuant to this Condition 5.2 during the Relevant Period or the Reference Period, then the Closing Price of the Shares for each Trading Day which occurs during the Relevant Period or the Reference Period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment. For the avoidance of doubt, if the Closing Price of the Shares for any Trading Day within the Relevant Period or the Reference Period reflects (by reason of having become ex-rights or otherwise) an event which gives rise to an adjustment to the Conversion Price pursuant to this Condition 5.2 becoming effective immediately after the end of the Relevant Period or the Reference Period, then such Closing Price shall be appropriately adjusted to be such price prior to such event having been so reflected, for the purposes of Conditions 5.1.5 and 5.1.9.

### 5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis*, to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the "Stock Acquisition Date" shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

### 5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

### 5.5 *Employee Share Schemes*

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, directors or officers (including directors or officers holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

### 5.6 *Minimum Adjustments*

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least ¥1 provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

### 5.7 *Calculations*

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified herein, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth of a yen. None of the Trustee, the Principal Agent, the Registrar, the Custodian, the Custodian's Agent, the Calculation Agent or any other Agents shall be under any duty or responsibility to any Bondholder or any other person to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made, and none of them will be responsible or liable in any respect to Bondholders or any other person for any loss arising from any failure by it to do so or any erroneous calculation.

### 5.8 *Notification of Adjustments*

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Registrar, the Custodian, the Custodian's Agent and the Calculation Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

### 5.9 *Procedure for Conversion*

5.9.1 *Conversion Notice:* To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent:* The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with 30 days' prior written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent fail to do so. The



Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

- 5.9.3 *Conditions Precedent:* As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The relevant Agent will not be bound to make any payments until such Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the relevant Agent have been made.

The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The relevant Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the relevant Agent disclosing otherwise confidential information for the purposes of such Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

- 5.9.4 *Deposit Date and Stock Acquisition Date:*

- (i) The time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;
- (ii) The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the relevant Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);
- (iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and

- (iv) If deposit of the Conversion Notice is made on a day which is not a Business Day or after 16:00 hours in the place of the specified office of the Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

*At any time when the relevant Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its Deposit Time. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bonds the Stock Acquisition Rights incorporated in which have been exercised and the Register shall be amended accordingly.*

- 5.9.5 *Delivery of Shares:* The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including any administrative orders or guidelines issued by any relevant authority), the Articles of Incorporation or the share handling regulations of the Company:

- (i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution), and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and
- (ii) as soon as practicable, the Company shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares) required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:
  - (a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares) required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or
  - (b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense

and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares) required to be delivered upon exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

*Any Conversion Notice transmitted electronically is not required to be endorsed and shall be processed in accordance with the operating procedures of the relevant clearing systems.*

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital:* With effect as of the Stock Acquisition Date, one-half of the “maximum capital and other increase amount”, as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

## 6. **Certain Corporate Events**

### 6.1 ***Corporate Events***

In the case of a proposal for:

- (i) any Merger Event; or
- (ii) any Asset Transfer Event; or
- (iii) any Corporate Split Event; or
- (iv) any Holding Company Event; or
- (v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a “Corporate Event”) pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a “New Obligor”),

the following provisions of this Condition 6 shall apply.

### 6.2 ***Notice of Proposal***

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

### 6.3 ***Notice of Passing of Resolution***

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company’s proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its “Corporate Event Effective Date”.

#### 6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer*: If a Corporate Event occurs, and:

- (i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;
- (ii) a practical structure for such substitution and grant has been or can be established; and
- (iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as “Listing”) on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.6(iv).

#### 6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of the New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by the New Obligor by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

- (i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the “Number of Deliverable Shares”) receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the “Number of Held Shares”) which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the

Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

- (ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest to be determined by the Company as that which would have been received by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the “New Obligor Current Market Price per Share” means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

- 6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof:* Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;
- 6.5.5 *Exercise Period of the New Stock Acquisition Rights:* The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;
- 6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights:* No New Stock Acquisition Right may be exercised in part, and the exercise of the New Stock Acquisition Rights shall be subject to conditions substantially the same as those described in Conditions 5.1.5 to 5.1.9;
- 6.5.7 *Acquisition at the Option of the New Obligor:* The New Stock Acquisition Rights together with the Bonds may be acquired by the New Obligor substantially in the same manner as described in Condition 7.2;
- 6.5.8 *Amount of Stated Capital and Additional Paid-in Capital:* As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the “maximum capital and other increase amount” as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and
- 6.5.9 *Others:* Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of



the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. **Redemption, Acquisition, Purchase and Cancellation**

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent of their principal amount on 14 March 2031 (the “Maturity Date”). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Acquisition at the Option of the Company***

7.2.1 *Acquisition Notice:* At any time during the Acquisition Notice Period, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may, but shall not be bound to, give notice (the “Acquisition Notice”) to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), to acquire from those Bondholders which deliver a duly completed Acquisition Election Notice on or after the date of the Acquisition Notice and on or before the Acquisition Determination Date pursuant to Condition 7.2.2, the Bonds which are the subject of such Acquisition Election Notice outstanding on the Acquisition Option Date. Upon giving such notice, all such Bonds which are the subject of a duly completed Acquisition Election Notice shall be deemed to be so acquired by the Company on the Acquisition Option Date. Each Bondholder which delivers a duly completed Acquisition Election Notice, by accepting or acquiring any Bond, agrees that the relevant Bond shall be so acquired by the Company on the Acquisition Option Date.

Subject to Conditions 7.2.2, 7.2.3 and 7.2.4, the Company shall, as consideration for each Bond (including the Stock Acquisition Rights) acquired by the Company:

- (i) pay in the same manner as provided in Condition 8, an amount equal to 100 per cent of the principal amount of the Bonds on the Acquisition Option Date in cash; and
- (ii) issue and/or deliver the Acquisition Shares in accordance with Condition 7.2.2, if any, registered in the name of the Custodian or its nominee, with effect as of the Acquisition Option Date,

in each case, to the Bondholders which have delivered a duly completed Acquisition Election Notice.

Any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the Acquisition Shares pursuant to this Condition 7.2 shall be borne by the Company.

Bonds that have been so acquired by the Company shall be cancelled upon acquisition in accordance with these Conditions, and all Certificates in respect of Bonds so cancelled shall be promptly forwarded to the Principal Agent for cancellation.

In these Conditions:

“Acquisition Determination Date” means 5 February 2031.

“Acquisition Notice Period” means the period from, and including, the Acquisition Notice Period Commencement Date to, and including, the Acquisition Notice Period End Date.

“Acquisition Notice Period Commencement Date” means 15 March 2030.

“Acquisition Notice Period End Date” means 13 December 2030.

“Acquisition Option Date” means 19 February 2031.

“Acquisition Shares” means such number of Shares per Bond, if positive, calculated in accordance with the formula below:

$$\text{Acquisition Shares} = \frac{\text{The amount by which the Acquisition Share Value exceeds the principal amount of each Bond}}{\text{Average VWAP per Share}}$$

provided that:

- (i) fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof; and
- (ii) if during the period from but excluding the last day of the Relevant VWAP Period to but excluding the Acquisition Option Date any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the Acquisition Option Date) to the Conversion Price under the provisions of Condition 5.2, the Acquisition Shares, as determined above, shall be adjusted in such manner and to such extent as the Company ((a) in its reasonable opinion, or (b) at its option, after consultation with an Independent Financial Adviser) shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser, if obtained).

“Acquisition Share Value” means the yen amount per Bond calculated in accordance with the formula below:

$$\frac{\text{Principal Amount of the Bond}}{\text{Last Day Conversion Price}} \times \text{Average VWAP per Share}$$

“Average VWAP per Share” means the average of the Volume Weighted Average Prices (“VWAP”) of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during the Relevant VWAP Period, provided that:

- (a) if an Ex-Dividend Date falls, or will fall, within the period from but excluding the first day of the Relevant VWAP Period to and including the Acquisition Option Date, the Average VWAP per Share used as the denominator in the formula for calculating the Acquisition Shares (as set out in the definition of “Acquisition Shares”) shall be adjusted by subtracting the Dividend Adjustment Amount from the VWAP of the Shares on each Trading Day during the period from and including the first day of the Relevant VWAP Period to and including the earlier of (x) the Trading Day immediately prior to the Ex-Dividend Date and (y) the last day of the Relevant VWAP Period;
- (b) if an Ex-Dividend Date falls within the period from and including the third Tokyo Business Day after the date of the Acquisition Notice to and including the last day of the Relevant VWAP Period, the Average VWAP per Share for the purpose of calculating Acquisition Share Value (as contained in the definition of “Acquisition Share Value”) shall be adjusted by adding the Dividend Adjustment Amount to the VWAP of the Shares reported by the Relevant Stock Exchange in yen on each Trading Day during the period from and including the later of (x) the Ex-Dividend Date and (y) the first day of the Relevant VWAP Period, to and including the last day of the Relevant VWAP Period;
- (c) if on any Trading Day within the Relevant VWAP Period, VWAP of the Shares is not reported by, nor otherwise available from, the Relevant Stock Exchange, or VWAP reported by the Relevant Stock Exchange is manifestly incorrect, the average trading prices of the Shares using a volume weighted method on the Relevant Stock Exchange on such Trading Day as furnished by any trading participant of the Relevant Stock Exchange

selected from time to time by the Company in its sole discretion (acting in a commercially reasonable manner) shall be deemed to be the VWAP on such Trading Day (but subject to adjustment pursuant to (a) and/or (b) above, if required); and

- (d) if during the Relevant VWAP Period any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the last day of the Relevant VWAP Period) to the Conversion Price under the provisions of Condition 5.2, the Average VWAP per Share as determined above shall be adjusted in such manner and to such extent as the Company ((a) in its reasonable opinion, or (b) at its option, after consultation with an Independent Financial Adviser) shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser, if obtained) in order to compensate for the effect of such event.

The Company shall give notice to the Bondholders in accordance with Condition 19 of the Average VWAP per Share as soon as reasonably practicable upon determination thereof.

*As a consequence of the adjustments identified in (a) and (b) above, the Average VWAP per Share for the purposes of calculating the Acquisition Shares may differ from the Average VWAP per Share used for the purposes of calculating the Acquisition Share Value.*

“Dividend Adjustment Amount” for the purposes of the calculation of an adjustment to the Average VWAP per Share means the amount determined by the Company as of the last day of the Relevant VWAP Period, which shall be:

- (i) the expected cash dividend per Share most recently publicly announced by the Company with respect to the Record Date relating to the relevant Ex-Dividend Date; or
- (ii) if no public announcement has been made as to an expected cash dividend per Share as set out in (i) above, the actual cash dividend per Share in respect of the corresponding Record Date one year prior to the relevant Record Date; or
- (iii) if, in the opinion of the Company, neither the expected nor the actual cash dividend as set out in (i) or (ii) above (as the case may be) provides a reasonable basis for adjustment of the Average VWAP per Share, the amount determined by the Company in its sole discretion as being appropriate and fair to give effect to the impact of the Ex-Dividend Date on the relevant VWAP.

For the purposes of this Condition 7.2.1, a “dividend” means a “distribution of surplus”, within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act.

In these Conditions:

“Ex-Dividend Date” means the Tokyo Business Day immediately prior to any Record Date for a dividend declared or to be declared by the Company (provided that if such Record Date falls on a date that is not a Tokyo Business Day, then the Ex-Dividend Date means the second Tokyo Business Day immediately prior to such Record Date); provided further that if, in the opinion of the Company, there has been a change to the mandatory provisions of Japanese law, regulation or practice which affects the timing or application of ex-dividend dates, the definition of Ex-Dividend Date may be amended by the Company, and/or the Company may make such other changes to this Condition 7.2.1 as it shall consider appropriate and fair, in each case, to the extent permitted by applicable law and to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders, and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

“Last Day Conversion Price” means the Conversion Price in effect on the last day of the Relevant VWAP Period.

“Relevant VWAP Period” means the 20 consecutive Trading Days beginning on, and including, the 30th Trading Day prior to the Acquisition Option Date.

All calculations with respect to the Acquisition Share Value and the Average VWAP per Share shall be made to the nearest one-tenth of a yen, with five one-hundredths or more of a yen to be considered a full tenth.

7.2.2 *Acquisition Election Notice*: In order to elect to have its Bonds acquired by the Company and to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.2, the electing Bondholder must deliver to the specified office of an Agent, on or after the date of the Acquisition Notice and no later than the Acquisition Determination Date, a duly completed election notice substantially in the form set out in the Agency Agreement (an “Acquisition Election Notice”, a copy of which may be obtained from the specified office of any Agent) with respect to all, but not part, of the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Acquisition Election Notice relates. An Acquisition Election Notice shall be irrevocable once delivered.

*At any time when the relevant Bonds are evidenced by the Global Certificate, the Bondholder shall, in lieu of depositing the Acquisition Election Notice in the manner aforesaid, transmit the Acquisition Election Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder’s account pro tanto.*

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including but not limited to any administrative orders or guidelines issued by any relevant authority), the Articles of Incorporation or the share handling regulations of the Company, delivery of the Acquisition Shares by or on behalf of the Company pursuant to this Condition 7.2 will be made on or as soon as practicable after the Acquisition Option Date in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, to the Custodian or its nominee at the account maintained with the Custodian’s Agent (as an Account Management Institution), and the Custodian’s Agent will transfer the relevant Acquisition Shares to or to the order of the relevant Bondholders at such account maintained with an Account Management Institution in Japan as specified in the relevant Acquisition Election Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian’s Agent as aforesaid or such instruction given by the relevant Bondholder in the relevant Acquisition Election Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.10 shall apply with any necessary changes to the Acquisition Shares with references to the Stock Acquisition Date therein being construed as references to the Acquisition Option Date.

Any determination as to whether an Acquisition Election Notice has been properly completed and delivered as provided in these Conditions shall be made by the Principal Agent in its sole discretion and shall be conclusive and binding on the relevant Bondholders, the Company and the Trustee.

An Acquisition Election Notice may be delivered by a holder with respect to one or more Bonds. To the extent that an Acquisition Election Notice is delivered with respect to more than one Bond, the number of Acquisition Shares to be delivered pursuant to this Condition 7.2 shall be calculated on the basis of the aggregate number of Bonds referred to in such Acquisition Election Notice.

7.2.3 *Bonds in Respect of Which an Acquisition Election Notice was Not Delivered*: If, on the day immediately following the Acquisition Determination Date, there are any Bonds in respect of which a duly completed Acquisition Election Notice has not been received by an Agent on or prior to the Acquisition Determination Date (“Bonds without Acquisition Election Notice”), such Bonds without Acquisition Election Notice shall be redeemed at 100 per cent of their outstanding principal amount on the date falling two Tokyo Business Days after the Acquisition Option Date (the “Elected Redemption Date”), and payment in respect thereof shall be made in accordance with Condition 8.

7.2.4 *Acquisition Notice Void*: Notwithstanding the provisions of Condition 7.2.1, if the Shares are not listed on the Relevant Stock Exchange on the Acquisition Option Date, the Acquisition Notice shall be treated as null and void and the relevant Bonds will be redeemed, subject as provided herein, for cash in accordance with the provisions of Condition 7 other than this Condition 7.2 and payment in respect thereof shall be made in accordance with Condition 8.

If the Company becomes aware, after the Acquisition Notice having been given, that the Shares will not be listed on the Relevant Stock Exchange on the Acquisition Option Date (other than in the circumstances set out in Condition 7.7 in which case the provisions of Condition 7.7 shall

apply), the Company shall give notice of the nullification of the Acquisition Notice to the Bondholders in accordance with Condition 19 forthwith upon becoming so aware, provided that failure to give such notice shall not invalidate such nullification.

7.2.5 *Exercise of Stock Acquisition Rights:* The Company's right to acquire the Bonds in the manner set forth in this Condition 7.2 does not affect a Bondholder's right to exercise its Stock Acquisition Rights hereunder during the Exercise Period. For the avoidance of doubt, in the case of an acquisition of the Bonds pursuant to this Condition 7.2 (where an Acquisition Notice is duly given by the Company) the Stock Acquisition Rights may not be exercised during the period from and including the calendar day immediately following the Acquisition Notice Period End Date to and including the Elected Redemption Date, subject to Condition 7.2.4.

7.3 ***Redemption at the Option of the Company upon Increased Share Prices***

At any time on or after 15 May 2029, the Company may (subject to Condition 7.12), but shall not be bound to, redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the Optional Redemption Date (as defined below), provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice (as defined below) is first given, is at least 130 per cent of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price). To exercise such option to redeem, the Company shall give not less than 30 nor more than 60 days' prior notice of such redemption (the "Optional Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable); and upon giving such notice, all such Bonds shall be redeemed by the Company on the date fixed for such redemption in the Optional Redemption Notice (the "Optional Redemption Date").

7.4 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.12), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.5 ***Redemption for Taxation Reasons***

The Company may (subject to Condition 7.12), but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 February 2024 and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or



liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

#### **7.6 Corporate Event Redemption**

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.12) give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.6 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event), if any of the following conditions is satisfied:

- (i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.6 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.6 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.6(iii) or 7.6(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to the Exercise Period End Date, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)																											
	50.00	60.00	70.00	80.00	90.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00	230.00	240.00	250.00	260.00	270.00	280.00				
15 March 2024	96.56	100.32	104.87	110.09	115.93	122.28	129.08	136.30	143.87	151.71	159.84	168.20	176.75	185.51	194.44	203.50	212.71	222.05	231.48	241.02	250.65	260.38	270.18	280.05				
15 March 2025	96.36	99.80	104.08	109.09	114.76	121.00	127.74	134.93	142.51	150.38	158.56	166.99	175.62	184.46	193.48	202.65	211.96	221.40	230.93	240.57	250.31	260.13	270.02	280.00				
15 March 2026	96.30	99.36	103.29	108.02	113.48	119.57	126.22	133.38	140.97	148.88	157.13	165.64	174.38	183.34	192.48	201.78	211.21	220.78	230.44	240.21	250.06	260.00	270.00	280.00				
15 March 2027	96.38	98.95	102.44	106.79	111.96	117.85	124.38	131.50	139.11	147.08	155.44	164.09	172.98	182.11	191.43	200.90	210.51	220.25	230.08	240.00	250.00	260.00	270.00	280.00				
15 March 2028	96.64	98.63	101.53	105.34	110.07	115.64	121.96	129.02	136.68	144.78	153.34	162.23	171.40	180.81	190.41	200.16	210.03	220.00	230.00	240.00	250.00	260.00	270.00	280.00				
15 March 2029	97.16	98.47	100.69	103.86	107.96	112.84	118.47	125.05	132.66	141.11	150.37	160.06	170.00	180.00	190.00	200.00	210.00	220.00	230.00	240.00	250.00	260.00	270.00	280.00				
15 March 2030	98.18	98.57	99.65	101.83	105.34	110.19	116.15	123.00	130.38	140.00	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00	230.00	240.00	250.00	260.00	270.00	280.00				
28 February 2031	100.00	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00	210.00	220.00	230.00	240.00	250.00	260.00	270.00	280.00				

In the above table:

“Reference Parity” means:

- (i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and
- (ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:
  - (a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act; or
  - (b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

divided by the Conversion Price in effect on the last day of such five consecutive Trading Day period (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

If the Reference Parity or Corporate Event Redemption Date does not appear in the above table, and:

- (x) if the Reference Parity falls between two numbers in the first row of the above table and/or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365-day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;
- (y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and
- (z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.6, is less than 100.00 per cent, the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.6, is more than 280.00 per cent, the Corporate Event Redemption Price shall be 280.00 per cent.

If the Corporate Event Redemption Date falls during the period from (but excluding) the Exercise Period End Date to (but excluding) the Maturity Date, the Corporate Event Redemption Price shall be 100.00 per cent.

## 7.7 **Redemption on Delisting of the Shares**

### 7.7.1 *Offers and Redemption: If:*

- (i) any offer is made by a party or parties (the “Offeror”) other than the Company in accordance with the FIEA to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;
- (ii) the Company expresses its opinion to support such offer in accordance with the FIEA;
- (iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and
- (iv) the Offeror acquires any Shares pursuant to the offer,

then the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the “Delisting Redemption Date”) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Trustee shall be entitled to assume, without being required to take any action and without liability, until it has received written notice to the contrary that the Offeror has not so acquired any Shares.

7.7.2 *Redemption Price:* The redemption price applicable to the redemption under this Condition 7.7 shall be calculated in the same manner as provided in Condition 7.6, except that references to the Corporate Event Redemption Date shall be replaced by the Delisting Redemption Date and the Reference Parity shall mean, if the offer price consists of cash only, the offer price in effect on the last day of the offer divided by the Conversion Price in effect on the same day (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the last day of the offer divided by the Conversion Price in effect on the last day of the offer (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.6 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

7.7.3 *Offer Followed by Corporate Event or Squeezeout Event:* Notwithstanding the above provisions of this Condition 7.7, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company’s obligation to redeem the Bonds under this Condition 7.7 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and 7.6, or Condition 7.8,

as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding at the redemption price set out in Condition 7.7.2 (for the avoidance of doubt, the Reference Parity applicable to such redemption being equal to the Reference Parity that would have been applicable had the Bonds been redeemed under Condition 7.7.1 without being subject to the provisions of this Condition 7.7.3), together with all Additional Amounts due on the Bonds (if any), on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.7.4 *Irrevocable Notice:* Any notice of redemption given under this Condition 7.7 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.7.5 *Notice to Bondholders:* Upon the occurrence of:

- (a) any of the events set out in (i) through (iv) of Condition 7.7.1; or
- (b) any of the events set out in Condition 7.7.3 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.7.6 *Condition:* If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.7 and either Condition 7.6 or 7.8, the procedure pursuant to Condition 7.6 or 7.8, as the case may be, shall apply.

## 7.8 ***Squeezeout Redemption***

7.8.1 *Redemption:* Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.12) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with Condition 7.8.2, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be, provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) under the Companies Act by way of an amendment to the Articles of Incorporation, such as (but not limited to) for the purpose of making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki*

*no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing.

- 7.8.2 **Redemption Price:** The redemption price applicable to the redemption under this Condition 7.8 shall be calculated in the same manner as provided in Condition 7.6, except that references to the Corporate Event Redemption Date shall be replaced by the Squeezeout Redemption Date and the Reference Parity shall mean, if the assets to be delivered to the holders of Shares consist of cash only (or if the holders of Shares which are being squeezed out are to effectively receive cash only in respect of such Shares), the cash amount which the holder of a Share would receive in exchange for Shares to be transferred as a result of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the date of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment becoming effective during such period, where the event requiring such Retroactive Adjustment takes place after such period) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.6 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

7.9 **Purchase of Bonds by the Company or any Subsidiary**

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.10 **Cancellation**

All Bonds which are redeemed or acquired or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.9 shall be forwarded to the Principal Agent for cancellation.

7.11 **Notice of Redemption or Acquisition**

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption, the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.3, 7.4 or 7.5 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(c) or within 15 days following the last day of a Closed Period.

7.12 **Priorities among Redemption and Acquisition Provisions**

If any notice of redemption or acquisition is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8, no other notice may be, or as the case may be, is required to be, given



pursuant to any other of such Conditions, subject as provided in Condition 7.2.4 and 7.7.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.5.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.6 or 7.8, or (b) the events set out in (i) to (iv) of Condition 7.7.1 occur, then a notice pursuant to Condition 7.2, 7.3, 7.4 or 7.5 may not subsequently be given.

#### 7.13 *Calculations*

The Trustee, the Custodian, the Custodian's Agent, the Registrar, the Principal Agent and the other Agents are not liable to determine or calculate the Reference Parity, any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions other than in such cases as specifically stated herein (if any).

### 8. **Payments**

#### 8.1 *Method of Payment*

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, such payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date of payment.

#### 8.2 *Agents*

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to (in respect of the Principal Agent, the Registrar and any other Agent only) the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar, the Calculation Agent or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) a Calculation Agent. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar, the Calculation Agent or any other Agent will be given to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

#### 8.3 *Payments on Payment Business Days*

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Payment Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried out both in Tokyo and in such place.

### 9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.5, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or

governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

- (i) to a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond; or
- (ii) in respect of which the relevant Certificate is presented for payment, more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.5.

In these Conditions, the “Due Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

No Additional Amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the US Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the US Internal Revenue Service (“FATCA withholding”). Further, the Company will have no obligation to otherwise indemnify an investor for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

## 10. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable on the occurrence of any of the following events:

- 10.1 *Non-Payment*: the Company defaults in the payment of the principal of any of the Bonds under Condition 7.5 as and when the same shall become due and payable, and such default is not remedied within seven days; or
- 10.2 *Breach of Obligations*: the Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or
- 10.3 *Cross Default on Indebtedness*: the obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this

Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or otherwise) (or at the expiration of any grace period as originally provided (if applicable)); or

- 10.4 *Cross Default on Guarantee/Indemnity*: the Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or
- 10.5 *Initiation of Insolvency Proceedings*: proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or
- 10.6 *Decree of Insolvency/Dissolution*: a final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or
- 10.7 *Resolution for Dissolution*: a resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:
- 10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:
- (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or
- (b) the Bonds are to be redeemed pursuant to Condition 7.6, 7.7 or 7.8 prior to the date or proposed date of such winding-up, dissolution or liquidation; or
- 10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or
- 10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or
- 10.8 *Institution of Insolvency Proceedings*: the Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

- 10.9 *Stoppage of Payment*: the Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or
- 10.10 *Cessation of Business*: the Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on all of its business, except:
- 10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:
- (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or
- (b) the Bonds are to be redeemed pursuant to Condition 7.6, 7.7 or 7.8 prior to the date or proposed date of such cessation of business; or
- 10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or
- 10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or
- 10.11 *Encumbrancer*: any encumbrancer takes possession of the whole or (in the opinion of the Trustee) any material part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or (in the opinion of the Trustee) any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4, 10.5 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee in forming such an opinion, or making any determination under or required or contemplated by this Condition 10, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Trustee at its absolute discretion on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent of their principal amount (together with Additional Amounts, if any, premium, if any, and default interest, if any) as provided in the Trust Deed.

## 11. **Undertakings**

### 11.1 *Undertakings with Respect to the Stock Acquisition Rights*

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- 11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be delivered upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully- paid and non-assessable;

- 11.1.2 *Transfers*: not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, if any, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;
- 11.1.3 *Fiscal Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its fiscal year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;
- 11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours or the maintenance of such listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the Bondholders would not be thereby materially prejudiced, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that:
- (i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;
  - (ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.6 or 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.6(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.7.1); and
  - (iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.8 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be);
- 11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or



bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

- 11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;
- 11.1.7 *Limitation on Reduction of the Conversion Price*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;
- 11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds are to be redeemed pursuant to Condition 7.6 or 7.7); and
- 11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

*The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.*

## 11.2 **Charges**

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Registrar, the Principal Agent, the other Agents, the Custodian, the Custodian's Agent and the Calculation Agent (including the cost of providing notices) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities pursuant to Condition 5.9.5 following such deposit.

## 12. **Substitution**

### 12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) the satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/ or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

When determining, pursuant to this Condition 12.1, whether an event or circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility or liability to the Bondholders or any other person for delay occasioned for so doing.

*Further conditions to such substitution are set out in the Trust Deed.*

### 12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date, the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be

deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the “New Stock Acquisition Rights”) to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

- (i) under such supplemental trust deed, the New Obligor agrees, in form, manner and substance satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;
- (ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director or an Authorised Officer of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor’s long-term, unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company’s long-term, unsecured and unsubordinated debt (and which certificate the Trustee shall be entitled to rely upon without further investigation and without incurring any liability to any person for doing so). In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;
- (iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “New Territory”) other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the “Company’s Territory”), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company’s Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.5 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);
- (iv) a Representative Director or an Authorised Officer of the New Obligor certifies that the New Obligor will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need not have regard to the New Obligor’s financial condition, profits or prospects or compare them with those of the Company);
- (v) the Company shall have certified (by a certificate of a Representative Director or an Authorised Officer) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;
- (vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and
- (vii) such substitution and grant of the New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

### 12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

#### 12.4 *Deemed Amendment*

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

- (i) the terms “Stock Acquisition Rights” and “Shares” shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and
- (ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

#### 13. **Prescription**

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

#### 14. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Principal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

#### 15. **Meetings of Bondholders; Modification and Waiver**

##### 15.1 *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia*, modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right or the acquisition option of the Company), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned such meeting not less than 50 per cent, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders. A meeting of Bondholders may be held electronically in accordance with the procedures set out in the Trust Deed.

##### 15.2 *Modification and Waiver*

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default or Potential Event of

Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, determination or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.2, 7.6 and/or 7.8 or (ii) the FIEA which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.7, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative Director or an Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

### 15.3 *Entitlement of the Trustee*

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

### 15.4 *Authority to the Trustee*

To the fullest extent permitted by applicable law, by acquiring a Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

## 16. **Enforcement**

At any time after the Bonds shall have become due and repayable or, in relation to Condition 7.2, were due to be acquired on the Acquisition Option Date or repaid on the Elected Redemption Date, the Trustee may, at its

absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails or is unable to do so within 30 days of such direction or request and provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure or inability shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds and to be paid its costs and expenses in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders or any other person on any certificate or report prepared by the Auditors or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors, the Independent Financial Adviser or such other expert (as the case may be) in respect thereof is limited by a monetary (or any other) cap or otherwise, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these Conditions and/or the Trust Deed and, in the absence of manifest error, any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing or not doing, following notification to the Company, in which case such Independent Financial Adviser shall be deemed to have been appointed by the Company.

19. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. **Contracts (Rights of Third Parties) Act 1999**

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.



## 21. **Governing Law and Submission to Jurisdiction**

### 21.1 ***Governing Law***

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### 21.2 ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) (“Proceedings”) may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### 21.3 ***Agent for Service of Process***

The Company has irrevocably appointed Cogency Global (UK) Limited, whose office is at present at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

## SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

### **Meetings**

The registered holder (as defined in the Conditions) of the Bonds in respect of which the Global Certificate is issued shall (unless such Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of holders of the Bonds and, at any such meeting, as having one vote in respect of each Bond in respect of which such Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to the Bonds in respect of which such Global Certificate is issued to attend and speak (but not vote) at a meeting of the holders of the Bonds on appropriate proof of its identity.

### **Exercise of Stock Acquisition Rights**

Subject to the requirements of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved in writing by the Trustee (an “Alternative Clearing System”), the Stock Acquisition Right incorporated in a Bond in respect of which the Global Certificate is issued may be exercised by the transmission in electronic form to any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bond and otherwise in accordance with the procedures of the relevant clearing systems. Deposit of the Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the Global Certificate.

### **Payments**

Payments in respect of Bonds evidenced by the Global Certificate shall be made against presentation of or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, such Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the holders of the Bonds for this purpose.

All payments in respect of the Bonds evidenced by the Global Certificate will be made to, or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment. For the purposes of this paragraph, “Clearing System Business Day” means Monday to Friday inclusive, excluding 25 December and 1 January in each year.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, a “Payment Business Day” for the purposes of Condition 8.3 shall be any day on which dealings in foreign currency may be carried out in Tokyo.

### **Notices**

So long as the Bonds are evidenced by a Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to the Bondholders shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

So long as the Bonds are evidenced by a Global Certificate, the Company will be required to give notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) in accordance with Condition 5.1.4 at least three business days prior to the commencement of such Shareholder Determination Date Restriction Period (provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect); “business day” in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.

### **Transfers**

Transfers of interests in the Bonds in respect of which a Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

## **Prescription**

Claims against the Company for payment in respect of principal, premium (if any) and accrued interest (if any) in respect of the Bonds evidenced by a Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions).

## **Trustee's Powers**

In considering the interests of holders of the Bonds while a Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements to the Bonds evidenced by such Global Certificate, and may consider such interests as if such accountholders were the holder of the Bonds in respect of which such Global Certificate is issued.

## **Cancellation**

Cancellation of any Bond evidenced by a Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the Register and the endorsement (for information only) of the Global Certificate by the Registrar.

## **Parity Event**

A Parity Notification Event Notice may be given to the Company by (or on behalf of) a person with an entitlement to the Bond, and which may be an accountholder in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. Such Parity Notification Event Notice shall include a certification that such person holds (or is delivering such Parity Notification Event Notice on behalf of a person that holds) an entitlement to at least one Bond and evidence of such holding to the satisfaction of the Company. Parity Notification Event Notices should be submitted in accordance with Condition 5.1.9 rather than through the systems of Euroclear, Clearstream, Luxembourg or Alternative Clearing System.

## **Early Redemption or Acquisition by the Company**

The options and obligations of the Company to redeem or acquire the Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 and 7.8 shall be exercised or performed by the Company giving notice (as applicable) to the Trustee, the Principal Agent and the Bondholders within the time limits relating thereto set out in and containing the information required of the Company in accordance with the relevant Condition in accordance with the paragraph entitled "Notices" above.

## **Acquisition of Bonds at the Option of the Company**

If the Company exercises its option to acquire the Bonds under Condition 7.2, subject to the requirements of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, an Acquisition Election Notice may be duly completed by, or on behalf of, an accountholder in such system with an entitlement to the Bonds as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems. Deposit of the relevant Global Certificate with an Agent shall not be required.

## **Election of Bondholders**

The election option of the holders of Bonds provided for in Condition 7.5 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be) in the form acceptable thereto from time to time.

## **Enforcement**

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which a Global Certificate is issued, each person who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg or Alternative Clearing System as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or Alternative Clearing System as to the principal amount of Bonds in respect of which such Global Certificate is issued standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of the Bonds.

## **Electronic Consent**

While the Bonds evidenced by a Global Certificate is registered in the name of any nominee for, or for any common depository (or its nominee) for, a clearing system, then (a) approval of a resolution proposed by the Company

or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of any Bonds of not less than 75 per cent in nominal amount of such Bonds then outstanding (an "Electronic Consent" as defined in the Trust Deed shall, for all purposes, take effect as an extraordinary resolution passed at a meeting of the holders of the Bonds duly convened and held, and shall be binding on all holders of Bonds, whether or not they participated in such Electronic Consent, and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, subject to certain requirements set out in the Trust Deed, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, by accountholders in the relevant clearing system with entitlements to such Bonds evidenced by the Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries.

## USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥73 billion, and are expected to be used by the Company by the end of March 2026 for capital investment at the Ono Plant in respect of its electronics business, in order to respond to the diversification of customers for and applications of the Group's products, and the medium- to long-term growth in demand for high-performance IC package substrates centred on generative AI.



## INFORMATION CONCERNING THE SHARES

### Dividends

The following table shows the cash dividends on the Shares paid by the Company to shareholders or pledgees appearing on the register of shareholders as at the dates indicated below:

Date	Dividends per Share
	(Yen)
31 March 2019 .....	¥20.00
30 September 2019 .....	15.00
31 March 2020 .....	20.00
30 September 2020 .....	15.00
31 March 2021 .....	20.00
30 September 2021 .....	20.00
31 March 2022 .....	20.00
30 September 2022 .....	30.00
31 March 2023 .....	20.00
30 September 2023 .....	20.00

The Company may, by resolution of the Board of Directors, declare year-end dividends, as well as declare interim dividends after the close of its semi-annual fiscal period if it deems appropriate. The Company may also make dividends other than those described above by resolution of the Board of Directors and subject to certain restrictions. See “Description of the Shares and Certain Regulations—Distributions of Surplus”. It is the present intention of the Company’s Board of Directors to pay cash dividends on a semi-annual basis, subject to discretion of the Company’s Board of Directors.

The Company’s basic approach to shareholder returns is to maintain a stable dividend by establishing a stable business foundation over a long-term and improving business performance, while taking into account management indicators such as non-consolidated performance, dividend pay-out ratio, and return on equity (ROE), as well as the Company’s consolidated business performance as a corporate group.

### Changes in Issued Share Capital

The Company has an authorised share capital of 230,000,000 Shares, of which 140,860,557 Shares were in issue as at 31 December 2023. The following table shows the changes in the issued share capital of the Company as of the dates indicated below:

Date	Type of issue	Number of Shares Cancelled	Total number of Shares in Issue
13 November 2015 .....	Cancellation of treasury stock	(10,000,000)	140,860,557

As at 31 December 2023, there has been no change in issued share capital of the Company since 13 November 2015.

## Japanese Stock Market and Price Range of the Shares

The Shares are listed on the Prime Market of the Tokyo Stock Exchange and Premier Market of Nagoya Stock Exchange.

The following table sets forth, for the periods indicated, (i) the highs and lows of the reported trading sales prices of the Shares on the Tokyo Stock Exchange, (ii) the highs and lows of the daily closing Nikkei Stock Average, an index of 225 selected stocks listed on the Prime Market of the Tokyo Stock Exchange, (iii) the highs and lows of the daily closing TSE Prime Market Index, an index of the market value of all Japanese stocks listed on the Prime Market of the Tokyo Stock Exchange and (iv) the highs and lows of the daily closing Tokyo Stock Price Index (“TOPIX”), a free-float adjusted market capitalisation-weighted index of Japanese stocks listed on the Tokyo Stock Exchange:

Calendar Year	Price per Share		Nikkei Stock Average		TSE Prime Market Index		TOPIX	
	High	Low	High	Low	High	Low	High	Low
	<i>(Yen)</i>		<i>(Yen)</i>		<i>(Points)</i>		<i>(Points)</i>	
2019 .....	¥2,686	¥1,346	¥24,066.12	¥19,561.96	—	—	1,747.20	1,471.16
2020 .....	5,150	1,745	27,568.15	16,552.83	—	—	1,819.18	1,236.34
2021 .....	7,380	4,240	30,670.10	27,013.25	—	—	2,118.87	1,791.22
2022:								
First quarter .....	7,070	4,990	29,332.16	24,717.53	—	—	2,039.27	1,758.89
Second quarter .....	6,140	3,670	28,246.53	25,748.72	1,013.53	935.78	1,969.98	1,818.94
Third quarter .....	4,775	3,690	29,222.77	25,935.62	1,032.75	944.64	2,006.99	1,835.94
Fourth quarter .....	5,870	3,935	28,383.09	26,093.67	1,038.78	950.61	2,018.80	1,847.58
2023:								
First quarter .....	5,320	4,350	28,623.15	25,716.86	1,065.73	961.23	2,071.09	1,868.15
Second quarter .....	8,243	4,880	33,706.08	27,472.63	1,183.76	1,009.17	2,300.36	1,961.28
Third quarter .....	9,285	7,357	33,753.33	31,450.76	1,250.79	1,143.20	2,430.30	2,221.48
Fourth quarter .....	8,566	6,131	33,681.24	30,526.88	1,230.61	1,141.87	2,391.05	2,218.89
2024:								
First quarter (up to 28 February) .....	8,359	6,990	39,239.52	33,288.29	1,378.51	1,223.93	2,678.46	2,378.79

On 28 February 2024, the last reported closing price of the Shares on the Tokyo Stock Exchange was ¥7,074 per Share. The closing Nikkei Stock Average, TSE Prime Market Index and TOPIX on the same date were ¥39,208.03, 1,376.69 and 2,674.95, respectively.

## Principal Shareholders and Distribution of Shares

As of 30 September 2023, the 10 largest shareholders of record and the number and percentage of Shares held by them were as follows:

Shareholder	Number of Shares Held	Percentage of Total Shares in Issue <sup>(1)</sup>
	<i>(Thousands of Shares)</i>	<i>(Per cent)</i>
The Master Trust Bank of Japan, Ltd. (trust account) <sup>(2)</sup> .....	21,823	15.6%
Custody Bank of Japan, Ltd. (trust account) <sup>(3)(4)</sup> .....	12,186	8.7
Toyota Industries Corporation .....	6,221	4.4
The Ogaki Kyoritsu Bank, Ltd. ....	4,150	3.0
The Juroku Bank, Ltd. ....	4,130	3.0
IBIDEN Partner Shareholding Association. ....	3,922	2.8
SSBTC CLIENT OMNIBUS ACCOUNT (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department) .....	2,598	1.9
TAIJU LIFE INSURANCE COMPANY LIMITED .....	2,539	1.8
STATE STREET BANK WEST CLIENT—TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) .....	2,419	1.7
Sumitomo Mitsui Banking Corporation .....	2,308	1.7
<b>Total</b> .....	<b>62,300</b>	<b>44.5%</b>

Notes:

- (1) Percentage of total Shares in issue is calculated based on the total Shares in issue excluding treasury stock held by the Company.
- (2) 21,823 thousand shares owned by The Master Trust Bank of Japan, Ltd. (trust account) relate to the custody business.
- (3) 12,186 thousand shares owned by Custody Bank of Japan, Ltd. (trust account) relate to the custody business.
- (4) 201 thousand shares out of shares owned by Custody Bank of Japan, Ltd. (trust account) are stock held by the Company (related to Board Benefit Trust and Employee Stock Ownership Plan)
- (5) As of 30 September 2023, the Company held treasury stock amounting to 964 thousand shares excluding 201 thousand shares owned by Custody Bank of Japan, Ltd. (trust account).
- (6) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent of the total issued voting Shares to file a report concerning such shareholdings with the director general of a competent Local Finance Bureau, and also requires such person to file a similar report concerning one per cent or more changes in such substantial shareholdings or any changes in material matters set out in the reports previously filed (see “Description of the Shares and Certain Regulations—Reporting of Substantial Shareholders”).

As at the date of this Offering Circular, the Company is aware of the following reports in relation to which the Company was unable to confirm beneficial ownership as of 30 September 2023:

- according to a report of substantial shareholding filed on 6 June 2023 under the FIEA, as at 31 May 2023, the following shareholders held Shares as shown below, which is not reflected in the table above;

Shareholder	Number of Shares Held on record	Percentage of Outstanding Shares
	<i>(Thousands of Shares)</i>	<i>(Per cent)</i>
BlackRock Japan Co., Ltd. ....	2,251	1.60%
BlackRock Advisers, LLC ....	230	0.16
BlackRock (Netherlands) BV ....	266	0.19
BlackRock Fund Managers Limited ....	621	0.44
BlackRock (Luxembourg) S.A. ....	288	0.20
BlackRock Asset Management Canada Limited ....	155	0.11
BlackRock Asset Management Ireland Limited ....	1,076	0.76
BlackRock Fund Advisors ....	2,086	1.48
BlackRock Institutional Trust Company, N.A. ....	1,499	1.06
BlackRock Investment Management (UK) Limited ....	234	0.17
Total .....	8,709	6.18%

As at 28 February 2024, the Company has received the following reports since 30 September 2023. Where multiple reports have been filed by the same entity, only the most recent report is mentioned below. Further, reports relating to technical amendments only are not mentioned below:

- A report relating to a change in substantial shareholding filed on 16 October 2023 by Mitsubishi UFJ Financial Group, Inc. in respect of the holding by MUFG Bank, Ltd. and three other holders, informing of the ownership of 6,420,804 Shares as at 9 October 2023.
- A report relating to a change in substantial shareholding filed on 6 February 2024 by Nomura Securities Co., Ltd. in respect of the holding by Nomura Securities Co., Ltd. and three other holders, informing of the ownership of 6,929,411 Shares as at 31 January 2024.

(7) Except as stated above, the Company is not aware of any change in the information provided above.

The ownership distribution of the Shares by category of shareholders of record of the Company as of 31 March 2023 was as follows:

Category	Number of Shareholders	Number of Shares held	Percentage of total Shares in issue
		<i>(Units of 100 Shares)</i>	<i>(Per cent)</i>
Japanese financial institutions <sup>(1)</sup> .....	65	566,394	40.24%
Japanese financial instruments and exchange operators .....	47	17,131	1.22
Other Japanese corporations .....	378	165,712	11.80
Foreign corporations and others (including foreign individuals) .....	761	448,167	31.84
Japanese individuals and others <sup>(2)</sup> .....	26,848	210,166	14.90
Total .....	28,099	1,407,570	100.00%

Notes:

- (1) In relation to implementation of Board Benefit Trust and Employee Stock Ownership Plan, 2,472 units of Shares owned by Custody Bank of Japan, Ltd. (trust account) are included in “Japanese financial institutions”.
- (2) Includes 9,638 units of Shares of treasury stock held by the Company.

As at 31 May 2023, the current Directors of the Company together held 229,600 Shares, or 0.16 per cent of the total issued and outstanding Shares.

As at the date of this Offering Circular, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.



## CAPITALISATION AND INDEBTEDNESS

The following table sets out the Company's capitalisation and indebtedness as at 31 December 2023, which has been extracted without material adjustment from the Company's unaudited quarterly consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	<b>As at 31 December 2023</b>	
	<b>Actual</b>	<b>As adjusted</b>
	<i>(Millions of yen)</i>	
<b>Short-term debt<sup>(2)</sup>:</b>		
Short-term loans payable	¥55,030	¥55,030
Current portion of bonds payable	35,000	35,000
Total short-term debt	90,030	90,030
<b>Long-term debt<sup>(2)</sup>:</b>		
Bonds payable	65,000	65,000
Long-term loans payable	115,000	115,000
The Bonds now being issued	—	70,000
Total long-term debt	180,000	250,000
<b>Net assets:</b>		
<b>Shareholders' equity:</b>		
Common stock, no par value:		
Authorised: 230,000,000 Shares		
Issued: 140,860,557 Shares <sup>(4)</sup>	64,152	64,152
Capital surplus	64,494	64,494
Retained earnings	251,604	251,604
Less: Treasury stock, at cost (1,166,268 Shares)	(2,981)	(2,981)
Total shareholders' equity	377,269	377,269
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	40,213	40,213
Revaluation reserve for land	160	160
Foreign currency translation adjustment	43,871	43,871
Total accumulated other comprehensive income	84,244	84,244
Non-controlling interests	6,660	6,660
Total net assets	468,173	468,173
<b>Total capitalisation and indebtedness<sup>(5)</sup></b>	<b>¥738,203</b>	<b>¥808,203</b>

Notes:

- (1) The above table should be read in conjunction with the unaudited quarterly consolidated financial statements of the Company as of and for the nine-month period ended 31 December 2023 contained elsewhere in this Offering Circular.
- (2) As at 31 December 2023, none of the Company's consolidated short-term debt or the Company's consolidated long-term debt were secured and/or guaranteed.
- (3) As at 31 December 2023, the Group had no contingent liabilities.
- (4) All of the issued Shares are fully-paid and non-assessable.
- (5) Total capitalisation and indebtedness is the total of total short-term debt, total long-term debt and total net assets.
- (6) There has been no material change in the Company's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 December 2023.

## IBIDEN CO., LTD.

The following summary of the Company's activities and results of operations is qualified in its entirety by, and subject to, the more detailed information and consolidated financial statements included in this Offering Circular. The description of the Company's operations in this Offering Circular is on a consolidated basis unless otherwise indicated.

### Overview

The Group is a manufacturer of IC package substrates used in AI servers and general servers, PCs and data centres, DPFs and substrate holding mats that purify exhaust gas, and graphite specialty products (single crystal pulling apparatuses for silicon and silicon carbide, auto and aviation electric discharge machining electrodes and industrial materials for continuous casting and industrial furnaces). The Company also owns Japanese subsidiaries engaged in a variety of businesses such as the development and construction of slope facing technology and creating antiviral coating material for use in living spaces. In addition, the Group owns three hydroelectric power plants.

As at 31 December 2023, the Company had 31 consolidated subsidiaries and two affiliates accounted for by the equity method. The Company's consolidated net sales, operating profit, profit before income taxes and profit attributable to owners of parent for the fiscal year ended 31 March 2023 amounted to ¥417.5 billion, ¥72.3 billion, ¥71.7 billion and ¥52.1 billion, respectively and for the nine-month period ended 31 December 2023 amounted to ¥280.2 billion, ¥36.9 billion, ¥40.8 billion and ¥27.4 billion, respectively.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The registered head office of the Company is at 2-1, Kanda-cho, Ogaki-shi, Gifu 503-8604, Japan. The Shares are listed on the Prime Market of the Tokyo Stock Exchange and the Premier Market of the Nagoya Stock Exchange.

### Selected Financial Data

The following selected consolidated financial information should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited quarterly consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statements of operations data and cash flow data for the fiscal years ended 31 March 2021, 2022 and 2023 and the consolidated balance sheet data as of 31 March 2021, 2022 and 2023 have been extracted without material adjustment from the Group's audited annual consolidated financial statements as of and for the fiscal years ended 31 March 2021, 2022 and 2023 included elsewhere in this Offering Circular. The consolidated statements of operations data for the nine-month periods ended 31 December 2022 and 2023 and the consolidated balance sheet data as of 31 December 2023 have been extracted without material adjustment from the Group's unaudited quarterly consolidated financial statements as of and for the nine-month period ended 31 December 2023 (together with corresponding figures for the nine-month period ended 31 December 2022) included elsewhere in this Offering Circular. Balance sheet data as at 31 December 2022 has been omitted.

	Year ended/As at 31 March			Nine-month Period ended/ As at 31 December	
	2021	2022	2023	2022	2023
	<i>(Millions of yen, except per Share data and ratios)</i>				
<b>Statements of Operations Data:</b>					
Net sales	¥ 323,461	¥ 401,139	¥ 417,549	¥316,682	¥ 280,168
Operating profit	38,635	70,821	72,362	61,175	36,948
Profit before income taxes	32,166	59,252	71,702	61,987	40,761
Profit attributable to owners of parent	25,699	41,233	52,187	44,055	27,396
<b>Balance Sheet Data:</b>					
Total assets	578,519	664,333	857,509	—	906,465
Total current liabilities	131,900	156,161	223,321	—	249,580
Total non-current liabilities	124,756	137,444	208,582	—	188,712
Total net assets	321,863	370,728	425,606	—	468,173

	Year ended/As at 31 March			Nine-month Period ended/ As at 31 December	
	2021	2022	2023	2022	2023
<i>(Millions of yen, except per Share data and ratios)</i>					
<b>Cash Flow Data:</b>					
Cash flows from operating activities . . . . .	38,955	108,373	125,748	95,835	37,416
Cash flows from investing activities . . . . .	(82,345)	(67,723)	(104,019)	(63,289)	(59,972)
Cash flows from financing activities . . . . .	(6,237)	13,935	92,586	22,698	(5,692)
Cash and cash equivalents at the end of the period . . . . .	126,885	185,592	302,420	242,460	277,412
<b>Other Data for the Period:</b>					
R&D expenses . . . . .	16,841	15,734	19,683	14,999	15,033
Capital expenditure <sup>(1)</sup> . . . . .	79,392	61,662	131,275	107,158	89,362
Depreciation . . . . .	35,413	52,715	54,915	40,824	33,573
<b>Per Share Data (Yen):</b>					
Net assets per Share . . . . .	¥2,262.99	¥2,611.43	¥3,002.08	—	—
Basic earnings per Share . . . . .	183.94	295.35	373.73	¥ 315.51	¥ 196.13
Cash dividends per Share . . . . .	35.00	40.00	50.00	30.00	20.00
<b>Financial Ratios (Per cent):</b>					
Equity ratio <sup>(2)</sup> . . . . .	54.61%	54.88%	48.89%	—	—
Return on equity (ROE) <sup>(3)</sup> . . . . .	8.80	12.12	13.32	—	—
Return on assets (ROA) <sup>(4)</sup> . . . . .	4.68	6.64	6.86	—	—

Notes:

- (1) Increase in property, plant and equipment and intangible assets.
- (2) Equity ratio = own capital ÷ total assets × 100. Own capital = total net assets—non-controlling interests.
- (3) Return on equity = Profit attributable to owners of parent ÷ own capital (average of the beginning and the end of the period) × 100.
- (4) Return on assets = Profit attributable to owners of parent ÷ total assets (average of the beginning and the end of the period) × 100.

## RECENT BUSINESS

*The following discussion and analysis of the Group's financial condition and results of operations should be read with "Presentation of Financial and Other Information", "IBIDEN CO., LTD.—Selected Financial Data", the audited consolidated financial statements as at and for the fiscal years ended 31 March 2021, 2022 and 2023 and the notes thereto included in the F-pages and the unaudited quarterly consolidated financial statements as at and for the nine-month period ended 31 December 2023 (together with corresponding figures for the nine-month period ended 31 December 2022) and the notes thereto included in the Q-pages, appearing elsewhere in this Offering Circular. The audited consolidated financial statements and the unaudited quarterly consolidated financial statements referred to above have been prepared and presented in accordance with Japanese GAAP.*

### **Consolidated Results for the Fiscal Year Ended 31 March 2023 Compared to the Fiscal Year Ended 31 March 2022**

#### **Overview**

During the fiscal year ended 31 March 2023, the global economy continued to be uncertain and unstable despite some recovery from the impact of COVID-19. This instability was driven by several factors, including global monetary tightening and rising energy prices due to ongoing geopolitical conflicts and tensions. Further, instability among financial institutions also occurred towards the end of the period. The Japanese economy showed signs of moderate recovery with economic activities gradually returning to pre-COVID-19 levels. However, certain negative factors were observed, such as rising prices and downside risks in the global economy.

The semiconductor and electronic component market as a whole remained on a trend of growth. Such growth was attributable to the server market, particularly for data centres, which remained generally solid, even though the PC market continued to experience an adjustment phase after the summer, driven by a sharp slowdown in demand. The market for exhaust system components in the automotive industry remained unstable due to the prolonged impact of the supply chain disruption triggered by COVID-19, although the impact of the global semiconductor shortage appeared to begin to show a recovery.

Under these circumstances, the Group completed the final year of its medium-term management plan for the five years ended 31 March 2023, "To The Next Stage 110 Plan", which commenced in the fiscal year ended 31 March 2019. In order to achieve its goals, the Company has been taking steps towards reaching the next stage of growth, building on its foundation in human resources development, by proactively allocating management resources into growing markets to strengthen the competitiveness of its existing businesses while expanding its new businesses.

#### **Results**

##### *Net Sales*

In the fiscal year ended 31 March 2023, net sales amounted to ¥417,549 million, an increase of ¥16,410 million, or 4.1 per cent, compared to the previous fiscal year. The increase principally reflected an increase in net sales in the Electronics segment.

##### *Cost of Sales*

Cost of sales for the fiscal year ended 31 March 2023 amounted to ¥290,034 million, an increase of ¥8,975 million, or 3.2 per cent, compared to the previous fiscal year. The increase was primarily the result of the increase in net sales.

##### *Gross Profit*

As a result, gross profit for the fiscal year ended 31 March 2023 amounted to ¥127,515 million, an increase of ¥7,435 million, or 6.2 per cent, compared to the previous fiscal year.

##### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the fiscal year ended 31 March 2023 amounted to ¥55,153 million, an increase of ¥5,894 million, or 12.0 per cent, compared to the previous fiscal year. The increase primarily reflected an increase in research and development costs.

##### *Operating Profit*

As a result of the above, operating profit for the fiscal year ended 31 March 2023 amounted ¥72,362 million, an increase of ¥1,541 million, or 2.2 per cent, compared to the previous fiscal year.

##### *Other Income (Expenses)*

In the fiscal year ended 31 March 2023, the Group recorded other expenses (net of other income) of ¥660 million, compared to ¥11,569 million of other expenses (net of other income) recorded in the previous fiscal year.

The decrease in other expenses (net of other income) primarily reflected the recording of a loss on sales of shares of subsidiaries and associates amounting to ¥7,098 million in the fiscal year ended 31 March 2022, in relation to the transfer of all of the shares of Ibiden Ceram GmbH and Ibiden Ceram Liegenschaftsverwaltung GmbH (see Note 16 of the audited consolidated financial statements of the Company for the fiscal year ended 31 March 2023).

#### *Profit before Income Taxes*

As a result of the above, profit before income taxes for the fiscal year ended 31 March 2023 amounted to ¥71,702 million, an increase of ¥12,450 million, or 21.0 per cent, compared to the previous fiscal year.

#### *Income Taxes*

For the fiscal year ended 31 March 2023, income taxes amounted to ¥19,289 million, an increase of ¥1,600 million, or 9.0 per cent, compared to the previous fiscal year. This principally resulted from the increase in taxable income.

#### *Profit Attributable to Non-controlling Interests*

Profit attributable to non-controlling interests for the fiscal year ended 31 March 2023 amounted to ¥226 million, a decrease of ¥104 million compared to the previous fiscal year.

#### *Profit Attributable to Owners of Parent*

As a result of the above, profit attributable to owners of parent for the fiscal year ended 31 March 2023 amounted to ¥52,187 million, an increase of ¥10,954 million, or 26.6 per cent, compared to the previous fiscal year.

### **Results by Business Segment**

In the below analysis of results by business segment, where figures for net sales are presented on a per segment basis, such figures represent sales to third parties, and where segment profit (operating profit by segment) is presented on a per segment basis, such figures represent the total operating profit for such segment, without taking into account any inter-segment eliminations.

#### *Electronics*

In the IC package business, despite demand for PC-related products having decelerated from the summer, demand for server-related products generally remained steady, resulting in increases in both net sales and operating profit compared to the previous fiscal year.

In the mother board/printed circuit board business, while products for the smartphone market progressed steadily, sales for module boards decreased, resulting in net sales remaining flat while operating profit declined. The Group has withdrawn from the mother board/printed circuit board business, having transferred in June 2023 all of the Company's holding of the shares of its former consolidated subsidiary engaged in the mother board/printed circuit board business, IBIDEN Electronics (Beijing) Co., Ltd. IBIDEN Electronics (Beijing) Co., Ltd. is included as a consolidated subsidiary in the audited consolidated financial statements for the Company as at and for the fiscal year ended 31 March 2023, but for no subsequent periods.

As a result of the above, net sales of the Electronics segment for the fiscal year ended 31 March 2023 amounted to ¥250,708 million, an increase of ¥13,723 million, or 5.8 per cent, compared to the previous fiscal year. Segment profit for the fiscal year ended 31 March 2023 amounted to ¥60,648 million, an increase of ¥5,534 million, or 10.0 per cent, compared to the previous fiscal year.

#### *Ceramics*

In respect of DPF, although orders shifted towards products for large commercial vehicles due to the acceleration of the shift to electric vehicles in the passenger car market, particularly in the European markets, sales still declined compared to the previous fiscal year. Operating profit also decreased compared to the previous fiscal year, affected by the increases in raw material and energy costs.

In respect of Advanced Fibre Products (AFP), although sales increased due to the expansion of sales in the Chinese market based on steady mass production at IBIDEN Fine Ceramics (Suzhou) Co., Ltd., operating profit remained unchanged compared to the previous fiscal year due to factors such as increases in raw material costs.

Net sales and operating profit with respect to Fine Graphite Materials (FGM) increased compared to the previous fiscal year, due to increase in demand centred on products for semiconductor manufacturing machinery.

As a result of the above, net sales of the Ceramics segment for the fiscal year ended 31 March 2023 amounted to ¥90,016 million, a decrease of ¥803 million, or 0.9 per cent, compared to the previous fiscal year, while segment profit for the fiscal year ended 31 March 2023 amounted to ¥6,129 million, a decrease of ¥2,589 million, or 29.7 per cent, compared to the previous fiscal year.

### *Other Businesses*

Net sales in the construction business for the fiscal year ended 31 March 2023 increased compared to the previous fiscal year, as orders for construction of power generating facilities progressed steadily as did certain large-scale projects in the power generation facilities business. In the construction materials business, although impacted by rising raw material prices, the positive effect of pricing adjustments and the increased sales of anti-viral melamine veneer materials led to an increase in net sales compared to the previous fiscal year. In other areas, while net sales increased due to factors such as strong sales of health care systems and rehabilitation systems in the healthcare business and the completion of a large-scale project in relation to sales of electronic medical records, operating profit decreased compared to the previous fiscal year due mainly to increased raw material prices in the synthetic resin processing business.

As a result of the above, net sales of the Other businesses for the fiscal year ended 31 March 2023 increased by ¥5,621 million, or 6.2 per cent, compared to the previous fiscal year, to ¥95,717 million. Segment profit decreased by ¥954 million, or 13.5 per cent, compared to the previous fiscal year to ¥6,136 million.

## **Consolidated Results for the Nine-Month Period Ended 31 December 2023 Compared to the Nine-Month Period Ended 31 December 2022**

### ***Overview***

During the nine-month period ended 31 December 2023, the global economy generally continued to recover, although the situation remained uncertain and unstable due to factors such as the impact of global monetary policy tightening and slowing economic growth in China. Although the Japanese economy continued to recover at a moderate pace, conditions such as rising prices and the risk of a downturn in the global economy continued to reduce optimism about the Japanese economy.

In the semiconductor and electronic components industry, whilst there has been an end to the inventory adjustments in the PC market that resulted from the sudden slowdown in demand in the second half of the fiscal year ended 31 March 2023, recovery in demand is progressing more slowly than expected, and the situation continues to be uncertain.

In the server market, although areas of new growth centred on generative AI performed well, the existing server market for data centres remained sluggish due to large users continuing to suppress investment, as well as continued inventory adjustments.

The automotive industry's exhaust system parts market continued to be affected by the global semiconductor shortage and the supply chain issues caused by COVID-19, although automobile production increased compared to the same period in the previous fiscal year as recovery from the impact of the economic downturn continued.

### ***Results***

#### *Net Sales*

In the nine-month period ended 31 December 2023, net sales amounted to ¥280,168 million, a decrease of ¥36,514 million, or 11.5 per cent, compared to the same period in the previous fiscal year. The decrease principally reflected a decrease in net sales in the Electronics segment.

#### *Cost of Sales*

Cost of sales for the nine-month period ended 31 December 2023 amounted to ¥202,318 million, a decrease of ¥11,759 million, or 5.5 per cent, compared to the same period in the previous fiscal year.

#### *Gross Profit*

As a result, gross profit for the nine-month period ended 31 December 2023 amounted to ¥77,850 million, a decrease of ¥24,755 million, or 24.1 per cent, compared to the same period in the previous fiscal year.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the nine-month period ended 31 December 2023 amounted to ¥40,902 million, a decrease of ¥528 million, or 1.3 per cent, compared to the same period in the previous fiscal year. The decrease primarily reflected the transfer of all of the Company's shares in IBIDEN Electronics (Beijing) Co., Ltd.

#### *Operating Profit*

As a result of the above, operating profit for the nine-month period ended 31 December 2023 amounted to ¥36,948 million, a decrease of ¥24,227 million, or 39.6 per cent, compared to the same period in the previous fiscal year.



### *Other Income (Expenses)*

Other income (net of other expenses) for the nine-month period ended 31 December 2023 amounted to ¥3,813 million, an increase of ¥3,001 million, or 369.6 per cent, compared to the same period in the previous fiscal year. The increase primarily reflected the gain on sales of shares of subsidiaries and associates of ¥3,067 million being recorded in the nine-month period ended 31 December 2023 (while none was recorded in the same period in the previous fiscal year), in relation to the transfer of all of the Company's shares in IBIDEN Electronics (Beijing) Co., Ltd.

### *Profit before Income Taxes*

As a result of the above, profit before income taxes for the nine-month period ended 31 December 2023 amounted to ¥40,761 million, a decrease of ¥21,226 million, or 34.2 per cent, compared to the same period in the previous fiscal year.

### *Income Taxes*

For the nine-month period ended 31 December 2023, income taxes amounted to ¥13,133 million, a decrease of ¥4,611 million, or 26.0 per cent, compared to the same period in the previous fiscal year. This principally resulted from the decrease in taxable income.

### *Profit Attributable to Non-controlling Interests*

Profit attributable to non-controlling interests for the nine-month period ended 31 December 2023 amounted to ¥232 million, an increase of ¥44 million compared to the same period in the previous fiscal year.

### *Profit Attributable to Owners of Parent*

As a result of the above, profit attributable to owners of parent for the nine-month period ended 31 December 2023 amounted to ¥27,396 million, a decrease of ¥16,659 million, or 37.8 per cent, compared to the same period in the previous fiscal year.

### **Results by Business Segment**

In the below analysis of results by business segment, where figures for net sales are presented on a per segment basis, such figures represent sales to third parties, and where segment profit (operating profit by segment) is presented on a per segment basis, such figures represent the total operating profit for such segment, without taking into account any inter-segment eliminations.

#### *Electronics*

In the IC package business, although orders for servers for generative AI remained steady, demand for PCs and general-purpose servers continued to be weak, resulting in both sales and operating profit being lower than the same period in the previous fiscal year. As a result, net sales of the Electronics segment for the nine-month period ended 31 December 2023 were ¥148,190 million, a decrease of ¥47,824 million, or 24.4 per cent, compared to the same period in the previous fiscal year. Segment profit of the Electronics segment for the nine-month period ended 31 December 2023 was ¥23,666 million, a decrease of ¥29,644 million, or 55.6 per cent, compared to the same period in the previous fiscal year.

#### *Ceramics*

DPFs experienced a shift in orders for products used in large commercial vehicles and also orders for production in optimal locations, as well as cost increases centred on energy costs. Both sales and operating profit increased compared to the same period in the previous fiscal year, mainly due to the passing on of materials and energy costs to customers through increased sales prices by agreement with customers. Net sales and operating profit derived from AFP increased compared with the same period in the previous fiscal year as a result of the worldwide recovery in the automobile market. However, there remains uncertainty in the fiscal year ending 31 March 2024 due to the slowdown of the Chinese economy. Net sales and operating profit derived from FGM products increased due to increased demand for silicon carbide semiconductors (power semiconductors). As a result of the above, net sales of the Ceramics segment for the nine-month period ended 31 December 2023 amounted to ¥72,911 million, an increase of ¥6,797 million, or 10.3 per cent, compared to the same period in the previous fiscal year. Segment profit of the Ceramics segment for the nine-month period ended 31 December 2023 was ¥9,174 million, an increase of ¥4,470 million, or 95.0 per cent, compared to the same period in the previous fiscal year.

#### *Other Businesses*

In the building materials division, net sales decreased due to a decline in the number of buildings sold, as a result of the decline in housing starts in the period. Operating profit also decreased compared to the same period in the previous fiscal year. In the construction sector, orders for construction work for power receiving and substation equipment and power generation equipment remained strong and both net sales and operating profit increased compared to the same period in the previous fiscal year. In other divisions, both net sales and operating profit increased

compared to the same period in the previous fiscal year due to the completion of a large-scale project in the healthcare business and a recovery in orders in the automotive field for products in the plastic processing business. As a result of the above, net sales of the Other Businesses segment for the nine-month period ended 31 December 2023 amounted to ¥69,441 million, an increase of ¥3,769 million, or 5.7 per cent, compared to the same period in the previous fiscal year. Segment profit of the Other Businesses segment was ¥4,216 million, an increase of ¥783 million, or 22.8 per cent, compared to the same period in the previous fiscal year.

## **Financial Condition**

### ***Consolidated Balance Sheet as at 31 March 2023 Compared to Consolidated Balance Sheet as at 31 March 2022***

Total current assets as at 31 March 2023 amounted to ¥476,826 million, an increase of ¥113,556 million, or 31.3 per cent, compared to 31 March 2022. This principally reflected the increase in cash and deposits. Property, plant and equipment, net as at 31 March 2023 amounted to ¥306,967 million, an increase of ¥81,046 million, or 35.9 per cent, compared to 31 March 2022. This principally reflected increases in machinery and equipment and construction in progress. Total investments and other assets as at 31 March 2023 amounted to ¥73,716 million, a decrease of ¥1,426 million, or 1.9 per cent, compared to 31 March 2022. This principally reflected a decrease in investment securities. As a result, total assets as at 31 March 2023 amounted to ¥857,509 million, an increase of ¥193,176 million, or 29.1 per cent, from 31 March 2022.

Total current liabilities as at 31 March 2023 amounted to ¥223,321 million, an increase of ¥67,160 million, or 43.0 per cent, from 31 March 2022. This principally reflected an increase in short-term loans payable and current portion of bonds payable. Total non-current liabilities as at 31 March 2023 amounted to ¥208,582 million, an increase of ¥71,138 million, or 51.8 per cent, from 31 March 2022. This principally reflected an increase in long-term debt as the Group's long-term loans payable and bonds payable both increased. As a result, total liabilities as at 31 March 2023 amounted to ¥431,903 million, an increase of ¥138,298 million, or 47.1 per cent, from 31 March 2022.

Total net assets as at 31 March 2023 increased by ¥54,878 million, or 14.8 per cent, from 31 March 2022, to ¥425,606 million, principally reflecting the increase in retained earnings.

As a result, the equity ratio as at 31 March 2023 was 48.89 per cent, a decrease of 5.99 percentage points from 54.88 per cent as at 31 March 2022.

### ***Consolidated Balance Sheet as at 31 December 2023 Compared to Consolidated Balance Sheet as at 31 March 2023***

Total current assets as at 31 December 2023 amounted to ¥453,164 million, a decrease of ¥23,662 million, or 5.0 per cent, compared to 31 March 2023. This principally reflected decreases in cash and deposits and merchandise and finished goods. Property, plant and equipment, as at 31 December 2023 amounted to ¥359,315 million, an increase of ¥52,348 million, or 17.1 per cent, compared to 31 March 2023. This principally reflected an increase in construction in progress, set off to a certain extent by a decrease in buildings and structures. Total investments and other assets as at 31 December 2023 amounted to ¥93,986 million, an increase of ¥20,270 million, or 27.5 per cent, compared to 31 March 2023. The increase principally reflected an increase in investment securities as the value of securities held increased. As a result, total assets as at 31 December 2023 amounted to ¥906,465 million, an increase of ¥48,956 million, or 5.7 per cent, from 31 March 2023.

Total current liabilities as at 31 December 2023 amounted to ¥249,580 million, an increase of ¥26,259 million, or 11.8 per cent, from 31 March 2023. This principally reflected increases in current portion of bonds payable and electronically recorded obligations – facilities. Total non-current liabilities as at 31 December 2023 amounted to ¥188,712 million, a decrease of ¥19,870 million, or 9.5 per cent, from 31 March 2023. This principally reflected a decrease in bonds payable (as the current portion increased), set off to a certain extent by an increase in long-term loans payable. As a result, total liabilities as at 31 December 2023 amounted to ¥438,292 million, an increase of ¥6,389 million, or 1.5 per cent, from 31 March 2023.

Total net assets as at 31 December 2023 increased by ¥42,567 million, or 10.0 per cent, from 31 March 2023, to ¥468,173 million, principally reflecting increases in retained earnings and valuation difference on available-for-sale securities.

As a result, the equity ratio as at 31 December 2023 was 50.91 per cent, an increase of 2.02 percentage points from 48.89 per cent as at 31 March 2023.

## Liquidity and Capital Resources

### *Cash Flows for the Fiscal Year Ended 31 March 2023 Compared to the Fiscal Year Ended 31 March 2022*

In the fiscal year ended 31 March 2023, net cash provided by operating activities amounted to ¥125,748 million, compared to ¥108,373 million in the previous fiscal year. This reflected factors such as increased levels of profit before income taxes and depreciation and amortisation and a decrease in notes and accounts receivable, offset slightly by a decrease in notes and accounts payable compared to the previous fiscal year.

Net cash used in investing activities for the fiscal year ended 31 March 2023 amounted to ¥104,019 million, compared to ¥67,723 million in the previous fiscal year, mainly due to an increase in expenditures for purchases of property, plant and equipment.

Net cash provided by financing activities for the fiscal year ended 31 March 2023 amounted to ¥92,586 million, compared to ¥13,935 million in the previous fiscal year, principally reflecting the increase of long-term debt and the issuance of bonds, partially offset by increased redemptions in bonds and cash dividends paid.

Cash and cash equivalents as at 31 March 2023 amounted to ¥302,420 million, an increase of ¥116,828 million compared to ¥185,592 million as at 31 March 2022.

### *Cash Flows for the Nine-Month Period Ended 31 December 2023 Compared to the Nine-Month Period Ended 31 December 2022*

In the nine-month period ended 31 December 2023, net cash provided by operating activities amounted to ¥37,416 million, compared to ¥95,835 million in the same period in the previous fiscal year. This reflected factors such as decreased levels of profit before income taxes and depreciation and amortisation and an increase in notes and accounts receivable—trade, offset slightly by a decrease in inventories compared to the same period in the previous fiscal year.

Net cash used in investing activities for the nine-month period ended 31 December 2023 amounted to ¥59,972 million, compared to ¥63,289 million in the same period in the previous fiscal year, mainly reflecting the sale of shares of subsidiaries resulting in change in scope of consolidation, set off to a certain extent by an increase in expenditures for purchases of property, plant and equipment compared to the same period in the previous fiscal year.

Net cash used in financing activities for the nine-month period ended 31 December 2023 amounted to ¥5,692 million, compared to net cash provided by financing activities of ¥22,698 million in the same period in the previous fiscal year, principally reflecting the fact that while proceeds from issuance of bonds were received in the nine-month period ended 31 December 2022, no such proceeds were received in the nine-month period ended 31 December 2023.

Cash and cash equivalents as at 31 December 2023 amounted to ¥277,412 million, a decrease of ¥25,008 million compared to ¥302,420 million as at 31 March 2023.

### **Funding**

The Group's policy in respect to capital resources and liquidity is to use cash on hand to fund capital expenditures and other capital requirements, and manage such funds efficiently through the use of intra-group financing. In order to maintain flexibility in management of funds, the Group also procures funds through borrowings and other means, as necessary. In addition, the Group is aiming to expand its operations, specifically to increase production capacity for IC package substrates, for which the Group expects to see further growth in demand. As a result of such capital investments, the Group expects depreciation costs to increase, although the Group aims to offset such costs through increased profits from such operations.

As at 31 March 2023, the Group had interest-bearing debt (comprising of short- and long-term loans payable and bonds payable) amounting to ¥270,030 million in total, comprising of ¥65,030 million of short-term loans payable, ¥105,000 million of long-term loans payable, and ¥100,000 million of bonds payable. As at 31 December 2023, the Group had interest-bearing debt amounting to ¥270,030 million in total, comprising of ¥55,030 million of short-term loans payable, ¥35,000 million of current portion of bonds payable, ¥115,000 million of long-term loans payable, and ¥65,000 million of bonds payable.

All of the Group's borrowings are currently denominated in Japanese yen. The following table sets out the expected maturities of the Group's bonds and borrowings as at 31 March 2023:

	<b>Due within 1 year</b>	<b>Due over 1 year but within 2 years</b>	<b>Due over 2 years but within 3 years</b>	<b>Due over 3 years but within 4 years</b>	<b>Due over 4 years but within 5 years</b>
	<i>(Millions of yen)</i>				
Short-term loans payable .....	¥20,030	¥ —	¥ —	¥ —	¥ —
Current portion of bonds payable .....	45,000	—	—	—	—
Long-term loans payable (excluding current portion) .....	—	35,000	30,000	40,000	—
Bonds payable .....	—	35,000	40,000	15,000	10,000

As is customary in Japan, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations. In addition, the Group's interest-bearing debt contains customary negative pledge and cross default provisions.

## BUSINESS

### Overview

The Group is a manufacturer of IC package substrates used in AI servers and general servers, PCs and data centres, diesel particulate filters and substrate holding mats that purify exhaust gas, and graphite specialty products (single crystal pulling apparatuses for silicon and silicon carbide, auto and aviation electric discharge machining electrodes and industrial materials for continuous casting and industrial furnaces). The Company also owns Japanese subsidiaries engaged in a variety of businesses such as the development and construction of slope facing technology and creating antiviral coating material for use in living spaces. In addition, the Group owns three hydroelectric power plants. As at 31 December 2023, the Group consisted of the Company, its 31 consolidated subsidiaries and two affiliates accounted for by the equity method. The Company's consolidated net sales, operating profit, profit before income taxes and profit attributable to owners of parent for the fiscal year ended 31 March 2023 amounted to ¥417,549 million, ¥72,362 million, ¥71,702 million and ¥52,187 million, respectively, and for the nine-month period ended 31 December 2023 amounted to ¥280,168 million, ¥36,948 million, ¥40,761 million and ¥27,396 million, respectively.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The registered head office of the Company is at 2-1, Kanda-cho, Ogaki-shi, Gifu 503-8604, Japan. The Shares are listed on the Prime Market of the Tokyo Stock Exchange and the Premier Market of the Nagoya Stock Exchange.

### History

The Company was established in 1912 under the name Ibigawa Electric Power Co., Ltd. as a power generation company with the aim of developing power sources from the Ibi River in Gifu Prefecture, Japan. The Company used its surplus electricity to begin manufacturing carbide and ferroalloy and became a manufacturer of electric and industrial chemical-related products.

In the following years, the Company expanded its business to include electric furnace products such as carbon rods for cinema projection and medical use. The Company then used the technology gained through such activities to enter into the field of synthetic organic chemistry products such as chemical fertilizers and melamine.

Technological advances in the petrochemical industry in Japan around 1955 led to a decline in the use of carbide-related products and competition from organic synthetics, which drove the Group to restructure its business again. Utilising its manufacturing technologies for melamine and lime nitrogen derived from carbide, the Group developed melamine decorative laminates and construction materials for housing and kitchen systems.

As a result of the oil crisis from 1973 through 1982 and the steep increase in the price of electricity, the Group withdrew from businesses which involved a large consumption of electricity. Based on the assumption that demand for printed circuit boards would increase in the future, the Group began to develop electronics products through advances in its plating technologies derived from carbon production. The Group further developed isotropic graphite products from its existing carbon technology. At the same time, the Group also researched and developed fireproof insulation technology to develop practical uses for ceramic fibre in electric furnace technology.

The Company changed its name to the current name in 1982, and commenced the manufacture and sale of fine ceramics products in 1987. The Group established IBIDEN USA Corporation (Santa Clara) in 1987, as the beginning of its overseas expansion.

After 2000, the Group was engaged in a major expansion of its production and sales operations for electronics and ceramics products into key overseas markets in North America, Asia and Europe. The Group now has a global support structure in 16 countries and regions (excluding Japan) as at 31 March 2023.

Since 2000, the Group has focused on nurturing its core businesses, and in the fiscal year commenced on 1 April 2023, launched a new five-year medium-term management plan, known as "Moving on to our New Stage 115 Plan".

The Shares were first listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange and the Osaka Securities Exchange in 1949. The Shares were delisted from the Osaka Securities Exchange in 2004. Since the change in market segmentation by the Tokyo Stock Exchange and the Nagoya Stock Exchange in 2022, the Shares have been listed on the Prime Market of the Tokyo Stock Exchange and the Premier Market of the Nagoya Stock Exchange.

### Strategy

At the end of the fiscal year ended 31 March 2023, the Group completed its prior medium-term management plan, known as "To The Next Stage 110 Plan". Under the prior medium-term management plan, the Group navigated

the COVID-19 pandemic, concentrated its resources into certain growth fields and withdrew from the printed circuit board and chip scale packages businesses, reformed its human resources system and established sustainability targets. Beginning in the fiscal year commenced on 1 April 2023, the Group is undertaking its new medium-term management plan, known as “Moving on to our New Stage 115 Plan”, covering the five fiscal years ending 31 March 2028, which addresses significant changes in the business environment, such as digital transformation, international geopolitical tensions, decreases in the domestic working population, climate change, decarbonisation and cyber risks.

### ***Medium-Term Management Plan***

Under the medium-term management plan, the Group aims to achieve further growth through the expansion of its existing businesses and by launching new products under the five main “reinforcement activities” set out under the new medium-term management plan. In respect of the human resources necessary to support the desired growth, the Group is aiming to enhance its human capital by developing independent human resources with a sense of purpose. The Group will also aim to promote sustainability policies, such as addressing climate change, in its business activities.

The five main reinforcement activities and priority action items are as follows:

#### ***Make the Group’s Business Operations Even More Competitive—“Power to Earn”***

The Group will take on the challenge of innovation, refusing to accept existing values and business models as the norm, whilst also implementing a solid business model secured by high product quality that enables the Group to maintain its competitiveness. The Group also intends to improve its management system by introducing a company-wide integrated system for management processes.

In particular, the Group will seek to grow its electronics business, where it is making large investments, as this business is an essential element of the Group’s competitiveness. In the electronics business, the new medium-term management plan targets significant sales growth based on the assumption that the Ono Plant and the Gama Plant will become fully operational. Although the growth in demand for semiconductors had slowed due to the slowdown in demand for PCs and restrained investment by large users of high-performance servers, the Group is sharing a future-oriented roadmap with its customers and planning its business accordingly. To address rapid changes in the market, the Group will aim to establish a production system that can flexibly respond to any delays or changes of such roadmap due to changes in the business environment, at existing and newly established plants.

In its ceramics business, the Group expects the supply shortage of semiconductors and the rapid trend towards electrification and the move away from diesel in the passenger car market, especially in developed countries, to ease to a certain extent, which is expected to support the sale of the Group’s products which reduce the emissions of diesel and other traditional vehicles. The Group will aim to build a business foundation that is able to generate profits despite market changes by strengthening its sales capabilities in potential growth markets such as China and India, and also by continuing production in optimal locations from a logistics and cost perspective through using the Group’s four bases in Japan, China, Hungary, and Mexico.

#### ***Commercialise New Products—“Power to Grow”***

The Group will seek to develop and commercialise new products based on market changes and customer needs through creative business models. The Company will also target growth through the development of new products and businesses with the participation of its subsidiaries and affiliates.

Currently, the Group is allocating resources to the electronics field, the new energy vehicles (“NEV”) field and the “new field” (in which the Group is focusing on new product and new business development). In the NEV field, the Group will seek to accelerate the commencement of mass production and overseas expansion by integrating manufacturing, sales and technology through the creation of a new NEV business unit. The Group will also seek to reform the way in which it collates and uses customer information as well as industry and market information.

#### ***Promote Manufacturing Reform—“Power to Maintain”***

The Group will seek to improve and grow its on-site capabilities by developing the knowledge of its employees through continuous improvement and maintenance. The Group will seek to cultivate efficient and high-level manufacturing capabilities by advancing integrated management of Japanese and overseas bases under its new “One Factory” concept, a system that consolidates and shares information among production bases in Japan and overseas, and aims to build and deploy highly competitive and stable quality around the world in a flexible manner.

The Group will also endeavour to use digital technologies that enables it to take a data-driven approach and mechanism analysis to institutional knowledge, such that the value of this information and the skills gained can be applied to improve productivity, retained and passed on to younger employees.

#### ***Reform the Corporate Culture—“Power to Change”***

The Group will seek to further develop its human resources management and implement a flexible organisational structure. As the foundation for such development, the Group is developing its human resource



education and development through specialised education, relearning or recurrent education as needed, and reskilling to acquire new skills.

*Proceed with ESG Management—“Power to Sustainability”*

The Group has set certain CO<sub>2</sub> emissions reduction targets which it will seek to achieve by promoting green transformation through energy and environmental management. The Group will also aim to link its commitment to sustainability to its business operations, and thereby achieve both sustainability and business goals. The Group will also endeavour to establish an industry-leading governance structure.

**Operations**

**General**

The Group operates in two reportable business segments, electronics and ceramics, and one “other” segment which includes businesses not included in the two reportable business segments.

The following table sets forth the Group’s sales to third parties and the percentage of consolidated net sales for the periods and segments indicated:

	Year ended 31 March					
	2021		2022		2023	
	Sales to Third Parties	Percentage of Consolidated Net Sales	Sales to Third Parties	Percentage of Consolidated Net Sales	Sales to Third Parties	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)
Electronics .....	¥166,070	51.3%	¥236,982	59.1%	¥250,708	60.1%
Ceramics .....	87,355	27.0	90,678	22.6	89,931	21.5
Others .....	70,036	21.7	73,479	18.3	76,910	18.4
Total consolidated net sales .....	¥323,461	100.0%	¥401,139	100.0%	¥417,549	100.0%

  

	Nine-month period ended 31 December			
	2022		2023	
	Sales to Third Parties	Percentage of Consolidated Net Sales	Sales to Third Parties	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent)	(Millions of yen)	(Per cent)
Electronics .....	¥196,011	61.9%	¥148,186	52.9%
Ceramics .....	66,040	20.9	72,879	26.0
Others .....	54,631	17.2	59,103	21.1
Total consolidated net sales .....	¥316,682	100.0%	¥280,168	100.0%

**Electronics**

The Group’s Electronics segment primarily engages in the manufacture and sale of IC package substrates. An IC package substrate is an electronic component that works in conjunction with IC chips by protecting them from the surrounding environment and ensuring electrical connection for the IC chip mount on printed wiring boards. The Group manufactures and sells IC package substrates for cutting-edge fields such as CPUs (central processing units) for PCs and data centres and GPUs (graphics processing units) for artificial intelligence and automated driving. In this context, IC package substrates are becoming increasingly important as semiconductors become more sophisticated, and there has been a new emphasis on processors running at higher speeds and with lower power consumption, especially for artificial intelligence systems and data centre servers. To meet such demands, the required number of connections to IC chips (known as the “I/O count”) on an IC package substrate has increased remarkably, and the specifications are becoming more challenging, involving larger substrates, multiple laminations, and finer electronic circuits on each substrate.

While specifications are becoming more challenging to meet, the Group is dedicated to achieving high-quality and stable products that meet these requirements, and believes its competitive strength lies in providing such complex products. The Group works closely with the world's leading semiconductor manufacturers on the development of new packaging technologies such as 2.5D and 3D, along with the necessary elemental technologies and equipment.

In respect of the market environment for the Electronics segment, the growth in demand for semiconductors has been slowing in recent years due to the rapid deceleration in demand for PCs and the curbing of investments by large-volume users of high-performance servers used mainly in data centres. Demand for high-performance IC package substrates is expected to increase due to the end of inventory adjustments in the PC market, recovery of investment sentiment leading to the expansion of the server market for data centres, the advancement of artificial intelligence, and the emergence of new fields such as autonomous driving.

### **Ceramics**

In its Ceramics segment, the Group manufactures a variety of ceramic products including the following:

- *Automotive Exhaust System Components:*
  - *DPFs.* The Group manufactures high-performance automotive exhaust system components known as Diesel Particulate Filters (DPFs), mainly for heavy-duty commercial vehicles, that capture particulate matter from diesel engine exhaust efficiently, leveraging on the high-collection and high-mileage characteristics of silicon carbide, which also has features of high strength and high heat resistance. The Group's DPFs can employ a segmented assembling method, which can help reduce fracture stress generated by temperature differences inside DPFs by using segmented structures, which can not only offer high shock resistance but also makes it easier to handle in various sizes and shapes.
  - *Substrate Holding Mats.* The Group manufactures Substrate Holding Mats, made with high temperature resistance ceramic fibres, which hold catalyst substrates and particulate filters of exhausted gas, even in severe environments just below the engine. The Group's Substrate Holding Mats employ alumina fibres with thermal resistance and durability; even under severe environments such as high temperature, high vibration and high pressure drop, its high holding properties help to prevent positional displacement of catalytic substrates and particulate filters at a high level. Applications include passenger cars mounted with gasoline/diesel engines, large-sized commercial vehicles, construction machinery and agricultural equipment.
- *High Temperature Insulation Material:* The Group manufactures high temperature insulating wool substrates, made of ceramic fibre, which offers light weight and flexibility as a heat insulator and heat-resistant material. These products are available as both material and as formed products, and are widely used in industrial products such as heat processing devices in industrial facilities for energy, molten metal casting apparatuses, and high-heat part insulating materials for combustion devices, as well as fuel cells.
- *Graphite Specialty Products:* As electric vehicles become more widespread, demand for silicon carbide semiconductors (power semiconductors) as well as silicon semiconductors is expanding. The Group manufactures a variety of high-quality graphite products, leveraging on its expertise in high-purity graphite materials and processing and surface treatment technologies. These products are used in a variety of applications, including in single crystal pulling apparatuses for silicon and silicon carbide, auto and aviation electric discharge machining electrodes, and industrial materials used for continuous casting and industrial furnaces.

The Group intends to continue to focus on the production of its ceramics products in optimal locations from a logistics and cost perspective, in particular by using relevant sites in Japan, Hungary, Mexico, and China. The Group also intends to focus on capturing the growing demand for its products in China and emerging markets and further promote sales of components for electric vehicles. In respect of graphite specialty products, the Group intends to expand its business through active capital investment in response to the medium-to long-term growth in demand for power and other semiconductors.

### **Others**

The Group's Others segment includes businesses of the Group (in particular, the Company's subsidiaries in Japan) that do not form part of the other reportable segments of the Group. These businesses include the following:

- *Construction:* The Group has developed a fusion of slope facing technology and landscaping, which can be used in place of traditional slope facing solutions to give a more natural effect and reduced environmental impact as well as having effectiveness as a disaster prevention measure.

- *Housing Materials*: The Group manufactures and sells decorative interior laminates, including antiviral coating material to be used in melamine decorative laminates, used in residential housing equipment, and also in commercial facilities, offices and hospitals.
- *Electric Power Business*: The Company, which began as a hydroelectric power generation business, retains three hydroelectric power plants, including the Higashi Yokoyama Power Plant, which sell electricity generated through the feed-in-tariff system. Technologies developed by the Group in its hydroelectric power generation business are deployed in various power generation operations, such as solar power, and contribute to the development of renewable energy.
- *Others*: Other businesses of the Group include development of environmental engineering technology, medical software package development, and the sale of welfare vehicles, styrol automotive components, electrodes for high-precision electric discharge machining and liquified petroleum gas.

The Group intends for its other operations to grow as a third pillar of its revenue, by expanding businesses with products featuring the competitive advantages of all domestic companies in the Group, as well as maintaining stable earnings from the electric power business.

### **Sources of Supply**

The Group's operations depend on obtaining raw materials and parts, such as multi-layer copper-clad laminate, copper foil, Ajinomoto build-up film (ABF), chemical solutions, gold and other precious metals for its electronics business, and silicon carbide, alumina fibre and coke for its ceramics business,

The Group purchases various raw materials and parts, principally from suppliers based in Japan (which may itself have supply chains outside of Japan). The raw materials and parts purchased in the Group's electronics business include multi-layer copper-clad laminate, copper foil, Ajinomoto build-up film (ABF), chemical solutions, gold and other precious metals. Raw materials purchased in the Group's ceramics business include silicon carbide, alumina fibre and coke. Many of the raw materials used by the Group in its manufacturing activities are specified by the Group's customers.

For certain of the major raw materials required for the manufacture of the Group's products, the Group depends on a limited number of suppliers. However, the Company believes that the Group is not generally dependent on any single supplier for major raw materials or components for its products.

### **Manufacturing**

As at 31 December 2023, the Group had 11 production plants in Japan and nine production plants overseas, where it manufactures its products. See “—Property and Equipment” and “—Capital Investments” for further information relating to the Group's major production facilities as at 31 March 2023, and plans regarding further expansion.

The Group is focused on reforming its manufacturing processes under its “One Factory” concept pursuant to its medium-term management plan (see “—Strategy—Medium-Term Management Plan—Promote Manufacturing Reform—“Power to Maintain””).

In addition, conventionally in the manufacturing processes instructions on processing were determined according to the experience and know-how of individual expert employees. However, in the current market, employees are required to consider a diverse and complex mix of products and conditions. The Company has worked on collating that knowledge, into an organised programme which can be used to provide instructions, drawing on that collated knowledge. The Group is also working on the deployment of an automation platform that would provide improved production instructions and respond rapidly to various specifications and changes in the production environment.

The Group manufactures most of its products on a customer-order basis, and formulates its production plans in discussion with its customers, adjusting for historical and statistical factors where necessary.

## Capital Investments

The following table gives information with respect to the Group's capital expenditure (increase in property, plant and equipment and intangible assets) for the periods and in the segments indicated:

	Year ended 31 March		
	2021	2022	2023
	<i>(Millions of yen)</i>		
<b>Capital Expenditure by Segment:</b>			
Electronics .....	¥70,482	¥54,786	¥121,545
Ceramics .....	3,359	3,110	3,083
Others .....	892	996	3,609
Adjustment <sup>(1)</sup> .....	4,659	2,770	3,038
Total consolidated capital expenditure .....	<u>¥79,392</u>	<u>¥61,662</u>	<u>¥131,275</u>
Total consolidated capital expenditure as percentage of total consolidated net sales .....	24.5%	15.4%	31.4%

Note:

(1) Adjustment mainly relates to amounts in respect of corporate assets that could not be allocated to the business segments.

The Group has grown by adapting technologies derived from core technologies to meet the needs of customers and society and by making aggressive capital investments in growing markets. Under the previous medium-term management plan, the Group made capital investments with a focus on the Electronics segment, including approximately ¥130 billion in investments to seek to capture medium-to long-term demand in the PC and server markets, primarily at the Ogaki Central Plant. Going forward, to increase production capacity for IC package substrates, for which the Group expects to see further growth in demand (particularly for data centre applications), the Group entered into a purchase agreement for a new industrial site in Ono and is constructing new plants in Ono and Gama in Gifu prefecture in Japan, and intends to continue to establish production bases in Japan and overseas for both the electronics and ceramics businesses concentrating on the IC package business. However, the Group announced in October 2023 that it will delay the commencement of operations of the new Gama Plant from the initially planned fiscal year ending 31 March 2024, to the fiscal year ending 31 March 2027, due to factors such as restrained investments by major IT company customers and the delay in recovery in demand for general-purpose products for servers (as demand for products for generative AI use is steady, the new Ono Plant is currently expected to commence operations in the fiscal year ending 31 March 2026, as planned). The Group expects that its significant capital investment will result in increased depreciation in future periods, but also intends for this to be offset by increased profits from the sale of high-value-added products mainly for state-of-the-art, high-performance servers.

## Sales and Marketing

In most cases, the Group directly markets to, negotiates with, and sells products to its customers through sales companies located all over the world. The Group's principal customers include semiconductor manufacturers (including contract manufacturers), automobile parts manufacturers and automobile manufacturers.

The following table sets out a geographic breakdown of sales based on the location of the customers and the percentage in the Group's consolidated net sales for the periods indicated:

	Year ended 31 March					
	2021		2022		2023	
	Sales to Third Parties	Percentage of Consolidated Net Sales	Sales to Third Parties	Percentage of Consolidated Net Sales	Sales to Third Parties	Percentage of Consolidated Net Sales
	<i>(Millions of yen)</i>	<i>(Per cent)</i>	<i>(Millions of yen)</i>	<i>(Per cent)</i>	<i>(Millions of yen)</i>	<i>(Per cent)</i>
Japan .....	¥ 86,109	26.6%	¥ 91,994	22.9%	¥ 99,828	23.9%
Asia (excluding Japan) .....	176,894	54.7	233,905	58.3	214,867	51.5
North America .....	26,005	8.0	36,169	9.0	62,143	14.9
Europe .....	33,591	10.4	32,785	8.2	26,339	6.3
Others .....	862	0.3	6,286	1.6	14,372	3.4
Total consolidated net sales .....	<u>¥323,461</u>	<u>100.0%</u>	<u>¥401,139</u>	<u>100.0%</u>	<u>¥417,549</u>	<u>100.0%</u>

The following table sets out the percentage in the Group's net sales for the periods indicated to specific customers to whom net sales comprise more than 10 per cent of the Group's total net sales:

	Year ended 31 March		
	2021	2022	2023
	Percentage of Consolidated Net Sales		
	<i>(Per cent)</i>		
Intel Corporation .....	35.7%	43.3%	36.1%
Advanced Micro Devices Inc. ....	— <sup>(1)</sup>	— <sup>(1)</sup>	12.1

Note:

(1) Less than 10 per cent.

## Competition

The markets in which the Group sells its products are highly competitive worldwide. Advanced technology and continuous research and development is necessary to maintain competitiveness, particularly for sophisticated products. Both in the domestic and overseas markets, substantially all of the Group's products are subject to highly competitive conditions. The Group's competitors for its electronics products are primarily other electronic component manufacturers in Japan, South Korea, Taiwan, China and the United States. The Group's competitors for its ceramics products are primarily automobile exhaust system parts manufacturing companies and graphite product manufacturing companies in Japan, South Korea, Taiwan, China and the United States.

The Company believes that the Group's expertise in sophisticated IC package substrates and other complex products give it a competitive advantage in the markets in which it operates, which are markets with high barriers to entry.

## Research and Development

The Group's corporate philosophy includes a belief in "creating what will be needed by the society in the future based on our cultivated core technologies", which drives the Group's research and development ("R&D") activities. The Group engages in development activities by identifying the need of global markets and society and works closely in partnership with its customers. The Group believes the strength of its R&D practice lies in the fact that the Group sets the commercialisation of products as its goal and that its knowledge, research, and data obtained over its history are readily available to fulfil this purpose. The Group intends to use such assets to accelerate development through the use of digital technology and collaboration with industry, academia, and government, as well as utilising its in-house evaluation system to achieve commercialisation leading to mass production. In addition to conducting research in respect of existing core technologies and production and construction methods, the Group is also conducting R&D

activities in new business areas. The R&D activities of the Group are carried out in a wide range of areas, including the core technology development and production technology divisions of the Company, as well as in the technology divisions of specific subsidiaries and affiliates.

To respond to the rising demand for technologies that contribute to global emissions reduction and decarbonisation, the passenger vehicle market is shifting significantly towards electrification. In response, the Group has developed battery safety materials for electric vehicles by leveraging on the technologies which it has cultivated in its ceramics business. The Group's engineers work with the Group's battery manufacturer customers to understand the issues and needs they face and propose solution-orientated technologies.

The following table shows the Group's R&D expenses for the periods indicated by segment, and total R&D expenses as a percentage of consolidated net sales:

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(Millions of yen / Per cent)</i>		
Electronics .....	¥13,243	¥12,836	¥16,990
Ceramics .....	3,360	2,725	2,521
Other .....	238	173	172
Total R&D expenses .....	<u>¥16,841</u>	<u>¥15,734</u>	<u>¥19,683</u>
Total R&D expenses as a percentage of consolidated net sales .....	5.2%	3.9%	4.7%

In the nine-month period ended 31 December 2023, the Group's total R&D expenses amounted to ¥15,033 million, comprising 5.4 per cent of consolidated net sales.

In its Electronics segment, the Group is developing product design, elemental technology and process technology to expand its business into evolving markets (such as Internet-of-Things, 5G, AI, data centres and automotives), focusing on developing high-density, high-function package substrates and printed circuit boards that meet the demand for high-speed transmission and low-loss functionality.

In its Ceramics segment, the Group is developing materials that contribute to the improvement of safety in the NEV field, materials that are required for semiconductor-related applications, and materials that are compatible with the demand for high-performance exhaust systems.

In the Other business segment, the Group has been researching and developing products such as a plant activator for improvement of agricultural yield, drying tools for foodstuffs, and treatment support systems for medical institutions.

### **Intellectual Property Rights**

With a long history as a company focused on technological development, the Group considers its intellectual property strategy to be crucial to preserve and maximise its technological competitive advantage. The foundation of the Group's strategy focuses on protection of its business through the acquisition of intellectual property rights in respect of the Group's core technologies to maintain its products' competitiveness and avoid infringement of the patents of the Group's competitors. Specifically, the Group aims to build a higher barrier to entry for competitors and maximise the Group's competitive advantage through use of intellectual property. At the same time, the Group analyses and utilises available patent information to provide information useful for formulating its business and R&D policies and making relevant decisions and analyses the value of its patents and products.



## Property and Equipment

The following table sets out certain information relating to the Company's principal property and equipment by property as at 31 March 2023. Figures in the below table have been rounded down to the nearest millions of yen or square metre, as the case may be:

Name of Property	Location	Segment <sup>(2)</sup>	Description of the Property	Book Value <sup>(1)</sup>					Total
				Buildings and Structures	Machinery and Equipment	Land <sup>(3)</sup>	Leased Assets	Others <sup>(4)</sup>	
<i>(Millions of yen, except land areas owned/leased)</i>									
Ogaki Plant . . . . .	Gifu, Japan	Electronics	Manufacturing facilities	¥ 8,532	¥11,719	¥ 421 (69,078) <2,043> [3,084]	¥—	¥1,266	¥21,940
Ogaki Chuo Plant . . . . .	Gifu, Japan	Electronics	Manufacturing facilities	19,188	22,030	4,186 (112,789) [3,258]	0	1,646	47,052
Aoyanagi Plant . . . . .	Gifu, Japan	Electronics, Ceramics	Manufacturing facilities	2,067	122	146 (96,422)	0	102	2,438
Gama Plant <sup>(5)</sup> . . . . .	Gifu, Japan	Electronics	Manufacturing facilities	221	3	798 (66,345) <2,973> [7,121]	—	16	1,040
Ogaki Kita Plant . . . . .	Gifu, Japan	Ceramics	Manufacturing facilities	1,440	169	854 (90,563) [8,527]	—	20	2,484
Kinuura Plant . . . . .	Aichi, Japan	Ceramics	Manufacturing facilities	388	10	1,907 (120,359) [66,660]	—	13	2,319
Godo Plant . . . . .	Gifu, Japan	Ceramics	Manufacturing facilities	648	126	955 (64,978) [4,067]	—	19	1,749
Power generation facilities . . . . .	Gifu, Japan	Corporate	Power generation facilities	7,870	5,142	263 (514,323) <3,547> [3,473]	—	3	13,280
Head Office . . . . .	Gifu, Japan	Electronics, Ceramics, Corporate	Head office	669	5	1,719 (249,233) <1,905> [41,306]	14	328	2,738
Tokyo Branch and Sales Office . . . . .	Tokyo, Japan	Electronics, Ceramics, Corporate	Branch and sales office	0	—	—	—	0	0
R&D facilities . . . . .	Gifu, Japan	Electronics, Ceramics	R&D facilities	832	895	178 (17,533)	—	58	1,965
Welfare facilities . . . . .	Gifu, Japan	Electronics, Ceramics	Welfare facilities	250	13	44 (2,971) <7,905>	—	3	312

### Notes:

- (1) Book values comprise the aggregate book value of tangible fixed assets other than construction in progress.
- (2) "Corporate" in the Segment column denotes properties used for corporate functions or within the entire Group.
- (3) Figures in round parentheses show land areas owned in square metres, figures in angled parentheses show land areas leased from companies other than consolidated subsidiaries of the Company in square metres (not included in land areas owned), and figures in square parentheses show land areas leased to companies other than consolidated subsidiaries of the Company in square metres (included in land areas owned).
- (4) "Others" principally comprise of tools and equipment.
- (5) The Gama plant is currently under construction, and business operations have not yet begun.

The following table sets out certain information relating to the principal property and equipment of the Company's domestic subsidiaries by subsidiary as at 31 March 2023. Figures in the below table have been rounded down to the nearest millions of yen or square metre, as the case may be:

Name of Subsidiary	Location	Segment	Description of the Property	Book Value <sup>(1)</sup>					
				Buildings and Structures	Machinery and Equipment	Land <sup>(2)</sup>	Leased Assets	Others <sup>(3)</sup>	Total
<i>(Millions of yen, except land areas owned/leased)</i>									
IBIDEN GREENTEC CO., LTD. ....	Gifu, Japan	Other	Office and other	¥253	¥ 33	¥ 947 (15,380) <4,020>	¥—	¥16	¥1,251
IBIDEN ENGINEERING CO., LTD. ....	Gifu, Japan	Other	Other	198	1,262	654 (51,043)	12	57	2,185
IBIDEN Industries Co., Ltd. ....	Gifu, Japan	Other	Other	282	183	683 (47,123) <19,751>	19	26	1,196

Notes:

- (1) Book values comprise the aggregate book value of tangible fixed assets other than construction in progress.
- (2) Figures in round parentheses show land areas owned in square metres, and figures in angled parentheses show land areas leased from companies other than the Company or consolidated subsidiaries of the Company in square metres (not included in land areas owned).
- (3) "Others" principally comprise of tools and equipment.

The following table sets out certain information relating to the principal property and equipment of the Company's overseas subsidiaries by subsidiary as at 31 March 2023. Figures in the below table have been rounded down to the nearest millions of yen or square metre, as the case may be:

Name of Subsidiary	Location	Segment	Description of the Property	Book Value <sup>(1)</sup>					
				Buildings and Structures	Machinery and Equipment	Land <sup>(2)</sup>	Leased Assets	Others <sup>(3)</sup>	Total
<i>(Millions of yen, except land areas owned/leased)</i>									
IBIDEN Philippines, Inc. ....	Philippines	Electronics	Manufacturing facilities	¥ 4,121	¥24,063	¥ —	¥—	¥1,170	¥29,355
IBIDEN Electronics (Beijing) Co., Ltd. <sup>(4)</sup> ....	China	Electronics	Manufacturing facilities	2,114	7,345	<116,608>	—	384	9,844
IBIDEN Electronics Malaysia SDN. BHD. ....	Malaysia	Electronics	Manufacturing facilities	8,120	1,404	<222,238>	—	101	9,626
IBIDEN Hungary Kft. ..	Hungary	Ceramics	Manufacturing facilities	15,114	3,928	1,506 (362,432)	—	544	21,093
IBIDEN Graphite Korea Co., Ltd. ....	South Korea	Ceramics	Manufacturing facilities	3,762	2,625	<100,475>	—	376	6,765
IBIDEN Mexico S.A. de C.V. ....	Mexico	Ceramics	Manufacturing facilities	1,635	43	391 (133,416)	—	1,037	3,108

Notes:

- (1) Book values comprise the aggregate book value of tangible fixed assets other than construction in progress.
- (2) Figures in round parentheses show land areas owned in square metres, and figures in angled parentheses show land areas leased from companies other than the Company or consolidated subsidiaries of the Company in square metres (not included in land areas owned).
- (3) "Others" principally comprise of tools and equipment.
- (4) The Company transferred all of its holding of the shares of its former consolidated subsidiary IBIDEN Electronics (Beijing) Co., Ltd., in June 2023, and exited the mother board/printed circuit board business.

## **Sustainability**

In order to reduce the environmental burden on the next generation, the Group has established its “Environmental Vision 2050” and is working towards coexistence with the global environment. The Group considers climate change to be one of its most important management issues, and is working to develop technologies that enable low-carbon operations and contribute to a decarbonised society in order to achieve business growth and reduce environmental impact.

Risk management relating to sustainability issues is analysed within the group-wide risk management process, including the Group-wide Risk Management Promotion Committee, the Group-wide Compliance Promotion Committee and the Environment and OHS (Occupational Health and Safety) Committee. The president of each segment is responsible for the implementation of sustainability in each segment. In addition, sustainability committees are established at each manufacturing operation discusses and decides on its own sustainability activities.

As a way to achieve virtually zero greenhouse gas emissions, the Group is working through three stages: reducing emissions, changing emissions, and recovering emissions. Currently, as an effort to reduce emissions, the Group is introducing more energy-efficient facilities and low-emission technologies, in conjunction with the timing of capital release, such as the installation of new facilities and construction of plant buildings; as an active effort to change emissions, the Group is actively investigating the utilisation and introduction of renewable energy, including the Group’s own power generation, and the introduction of new energy, which is advancing into practical use.

The Group’s specific efforts to address climate change include the following:

### ***Renewable Energy***

The Company has owned and operated hydraulic power generation plants since its foundation, and currently operates three facilities located at the upstream section of Ibi River in Gifu Prefecture (27.90MW in total). The Group also installs solar power generation panels at each of its plants to further its renewable energy use and generation. IBIDEN ENGINEERING CO., LTD., one of the Company’s subsidiaries, is also engaged in the energy business. It has worked on many power generation projects, providing equipment for hydroelectric power plants and power substations and providing systems for solar power generation plants and small hydroelectric power plants. The Group also employs an energy efficient in-house power generation gas engine cogeneration system that generates electricity and steam. The Group aims to establish a system whereby each manufacturing facility is connected to its own power grid so that privately generated electricity and waste heat recovery can be utilised in accordance with the demands of each facility.

### ***Chemical Control***

A variety of chemical substances are used in the manufacturing processes undertaken by the Group. These substances could cause environmental pollution or pose health hazards to humans, and accordingly the Group places significant focus on how to properly manage chemical substances to ensure product safety, reduce environmental impact, and promote occupational safety. To reduce risks caused by chemical substances, the Group examines its entire supply chain to identify substances whose use should be eliminated or reduced, in accordance with the Group’s Green Procurement Guidelines.

### ***Environmental Contribution through Business and Products***

The Group aims to contribute to the growth of a wealthy society through the products and services that the Group offers. The Group’s automobile exhaust system components contribute to cleaning the air by reducing particulate matters in exhaust gas. The Group intends to continue to develop high-efficiency and high-function exhaust gas purification systems based on its ceramic moulding and sintering technology with the aim of creating cleaner emissions. Group companies also provide products and services that reduce environmental impacts through the use of technology: IBIDEN GREENTEC CO., LTD. continues to provide new construction methods that seek to deliver disaster prevention and environmental protection, while IBIDEN ENGINEERING CO., LTD. engages in the construction and maintenance of renewable energy facilities.

## **Regulation**

The Group’s business activities are subject to various governmental regulations in the countries in which it operates. These regulations are related to business and investment approvals, product liabilities and safety measures, export regulations, tariffs, antitrust, anti-dumping, corrupt business practices, labour relations, health and safety, intellectual property, transportation, taxation, exchange controls and environmental recycling requirements as well as other matters.

### ***Environmental Regulations***

The Group is subject to the requirements of environmental and safety and health laws and regulations in Japan and the other countries where the Group has manufacturing operations. These include laws and regulations relating to

wastewater discharge, air emissions, the handling of hazardous materials, the disposal of solid waste and hazardous waste, greenhouse gas emissions and remediation of soil and ground water contamination. In particular, the Group's manufacturing operations in Japan are subject to the Air Pollution Control Act of Japan (Act No. 97 of 1968, as amended), the Water Pollution Prevention Act of Japan (Act No. 138 of 1970, as amended), the Soil Contamination Countermeasures Act of Japan (Act No. 53 of 2002, as amended) and the Noise Regulation Act of Japan (Act No. 98 of 1968, as amended). Environmental requirements are complex, change frequently and have tended to become more stringent over time. Accordingly, environmental requirements may change or become more stringent in the future and the Group's eventual environmental costs and liabilities may be material.

Under certain environmental laws, previous owners or operators of real property may be liable for the cost of removal or remediation of hazardous substances. In addition to clean-up actions brought by regulatory agencies, private plaintiffs could raise personal injury or other private claims due to the presence of hazardous substances on or from a property. In addition, there may be soil or groundwater contamination at several of the Group's properties resulting from historical, ongoing or nearby activities.

### ***Other***

In addition to the laws and regulations described above, the Group is subject to various laws and regulations in the countries and regions in which it operates its business, including tax regulations, various requirements related to fuel efficiency, vehicle safety standards, electricity regulations, radio regulations, labour, health and safety regulations as well as economic regulations such as the anti-monopoly laws, anti-dumping laws and anti-bribery laws, trade and foreign exchange laws as well as the listing rules on the Tokyo Stock Exchange.

### **Insurance**

The Group maintains a range of insurance policies which cover certain risks including personal injury, death and property damage, product liability, defective completed product liability, cyberattacks, and damages caused by business suspension. As is typical in Japan, the Group's insurance policies do not cover earthquake in principle. The Company believes that its insurance coverage is comparable to other companies with similar operations in Japan.

### **Legal Proceedings**

The Group is not involved in any litigation or other legal proceedings which, if determined against the Group, would have a material adverse effect on the Group's business, results of operations or financial condition.

## MANAGEMENT AND EMPLOYEES

### Management

Under the Companies Act, joint stock corporations in Japan may adopt a corporate governance structure comprised of a Board of Directors and an Audit and Supervisory Committee, commonly referred to as the audit and supervisory committee system, in lieu of the traditional structure comprised of a Board of Directors and a board of corporate auditors or the alternative structure comprised of a Board of Directors and three statutory committees. The members of the Audit and Supervisory Committee consist of three or more Directors. The Company adopted the audit and supervisory committee system in June 2017.

Pursuant to the audit and supervisory committee system, the Board of Directors is comprised of Directors who are Audit and Supervisory Committee Members and Directors who are not. The Company's Articles of Incorporation provide for not more than sixteen Directors who are not Audit and Supervisory Committee Members and not more than seven Directors who are Audit and Supervisory Committee Members. All Directors are elected by the Company's shareholders at a general meeting of shareholders, with Directors who are Audit and Supervisory Committee Members elected separately from other Directors. The term of office of Directors who are not Audit and Supervisory Committee Members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their election, and the term of office of Directors who are Audit and Supervisory Committee Members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after their election, but all Directors may serve any number of consecutive terms.

The Board of Directors has the ultimate responsibility for the administration of the Company's affairs. The Board of Directors, however, may delegate by its resolution some or all of its decision-making authority in respect of the execution of operational matters (excluding certain matters specified in the Companies Act) to individual Directors. The Board of Directors elects one or more Representative Directors from among its members who are not Audit and Supervisory Committee Members. Each of the Representative Directors has the authority to represent the Company in the conduct of the Company's affairs. The Board of Directors may also elect by its resolution one Chairperson of the Board of Directors, one President, and one or more Executive Vice Presidents, Executive Managing Directors and Senior Managing Executive Directors from among its members who are not Audit and Supervisory Committee Members.

The Directors who are Audit and Supervisory Committee Members are not required to be certified public accountants. They may not serve concurrently as executive directors, managers or any other type of employee for the Company or for any of the Company's subsidiaries, or as accounting advisors or corporate executive officers for any of the Company's subsidiaries. In addition, more than half of the Directors who are Audit and Supervisory Committee Members at any one time must be Outside Directors as defined under the Companies Act, who have not served as executive directors, corporate executive officers, managers or any other type of employee for the Company or any of the Company's subsidiaries for 10 years prior to their election and fulfil certain other requirements specified in the Companies Act.

The Audit and Supervisory Committee has a statutory duty to audit the administration of the Company's affairs by its Directors, to examine the financial statements and business reports to be submitted to the shareholders by a Representative Director, to prepare an audit report each year, and to determine details of proposals concerning the appointment and dismissal of independent auditors and the refusal to reappoint independent auditors for submission to general meetings of shareholders. The Audit and Supervisory Committee also has the authority to determine opinions on appointment, dismissal or resignation of Directors who are not Audit and Supervisory Committee Members, in which case the Audit and Supervisory Committee may express its opinion at the general meeting of shareholders, and to determine opinions on compensation of Directors who are not Audit and Supervisory Committee Members, in which case the Audit and Supervisory Committee may express its opinion at the general meeting of shareholders. An Audit and Supervisory Committee Member may note his or her opinion in the audit report issued by the Audit and Supervisory Committee if such opinion differs from that expressed in the audit report.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, companies, shares of which are listed on the Tokyo Stock Exchange, including the Company, are required to have at least one independent officer. Such independent officer is required to be an Outside Director or outside corporate auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company.

In addition to Audit and Supervisory Committee Members, the Company must appoint by a resolution of a general meeting of shareholders a certified public accountant or an auditing corporation as an independent auditor, which has the statutory duties of auditing the financial statements to be submitted by a Representative Director to the general meetings of shareholders and preparing its audit report thereon. Currently, the Company's independent auditor is KPMG AZSA LLC.

The Company's Directors and Audit and Supervisory Committee Members as at the date of this Offering Circular are set out in the table below:

<b>Name</b>	<b>Title</b>
Takeshi Aoki . . . . .	Representative Director, President and CEO, Chairperson of the Board of Directors
Masahiko Ikuta . . . . .	Representative Director, Executive Vice President
Koji Kawashima . . . . .	Director, Senior Executive Officer
Ayumi Suzuki . . . . .	Director, Senior Executive Officer
Chiaki Yamaguchi . . . . .	Outside Director, Chairman of the Nomination/Remuneration Committee
Toshio Mita . . . . .	Outside Director
Noriko Asai . . . . .	Outside Director
Yoichi Kuwayama . . . . .	Director, Full-time Audit and Supervisory Committee Member
Koji Matsubayashi . . . . .	Director, Full-time Audit and Supervisory Committee Member
Fumio Kato . . . . .	Outside Director, Outside Audit and Supervisory Committee Member, Chairperson of the Audit and Supervisory Committee
Masaki Horie . . . . .	Outside Director, Outside Audit and Supervisory Committee Member
Yukiko Yabu . . . . .	Outside Director, Outside Audit and Supervisory Committee Member

All the Directors of the Company, other than the Outside Directors, are engaged in the business of the Company on a full-time basis.

The principal business address for the Company's Directors is 2-1, Kanda-cho, Ogaki-shi, Gifu 503-8604, Japan.

On 1 February 2024, the Company announced that its Board of Directors had resolved to make the following changes in the position of President and CEO and Representative Director, with a view to further strengthening the Group's competitiveness of its mainstay electronics business in preparation for an anticipated market recovery, and the launch of new plants in Ono and Gama under the new structure. The change is expected to take effect upon obtaining formal approval from the ordinary general meeting of the Company's shareholders to be held in June 2024, and the Board of Directors' meeting following such ordinary general meeting of shareholders:

<b>Name</b>	<b>New Title</b>	<b>Current Title</b>
Takeshi Aoki . . . . .	Representative Director, Chairperson of the Board of Directors	Representative Director, President and CEO, Chairperson of the Board of Directors
Koji Kawashima . . . . .	Representative Director, President and CEO	Director, Senior Executive Officer

Further, on 28 February 2024, the Company announced that Mr Masahiko Ikuta will step down from his position as Representative Director, Executive Vice President, with effect from 31 March 2024. The Company may make other changes to its Board of Directors towards the fiscal year commencing on 1 April 2024. The Company does not undertake to review or revise this section "Management and Employees—Management" or other sections of this Offering Circular, or publish a supplement to this Offering Circular, to reflect any of the above changes, or other expected changes, to its Board of Directors.

The Company's Articles of Incorporation provide that the Company may enter into liability limitation contracts with any of its Outside Directors to limit the maximum amount of damages arising in connection with their failure to execute their duties in good faith and without gross negligence within the limits stipulated by applicable laws and regulations. The Company also maintains directors' and officers' insurance for the benefit of certain Directors and officers of the Company, in the case of claims against them for alleged wrongful acts.

As at 31 December 2023, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As at 31 December 2023, there were no outstanding loans granted by any company of the Group to the Company's Directors nor any guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

**Remuneration**

For the fiscal year ended 31 March 2023, the aggregate remuneration paid to the Directors was ¥570 million (of which ¥53 million was paid to the Audit & Supervisory Committee Members (excluding Outside Directors) and ¥74 million was paid to the Outside Directors). The aggregate remuneration paid to Directors (other than Audit &



Supervisory Committee Members and Outside Directors) include, in addition to basic remuneration, certain financial results-related remuneration.

The Company has in place a Board Benefit Trust system which grants Shares to Directors, excluding Outside Directors and Audit and Supervisory Committee Members, to certain officers of the Company, and to certain directors of the Company's domestic subsidiaries. Under the Board Benefit Trust system, eligible participants are granted points on their position and such person's monthly remuneration and bonus received in the previous fiscal year, and eligible participants receive Shares from the trust account upon retirement from their position.

## Employees

The following table sets out the number of full-time and part-time employees of the Company on a consolidated basis as at 31 March 2021, 2022 and 2023, according to business segments:

	As at 31 March					
	2021		2022		2023	
	Full time	Part-time <sup>(1)</sup>	Full time	Part-time <sup>(1)</sup>	Full time	Part-time <sup>(1)</sup>
Electronics .....	6,592	839	6,864	883	6,947	1,254
Ceramics .....	3,611	884	3,097	877	2,739	384
Other .....	2,348	705	2,473	715	2,521	782
Corporate <sup>(2)</sup> .....	610	28	524	25	537	48
Total .....	13,161	2,456	12,958	2,500	12,744	2,468

Notes:

- (1) The number of part-time employees represent the average number of part-time employees for the period.
- (2) The number of employees shown in "Corporate" is the number of employees belonging to corporate administration departments.

As at 31 March 2023, 3,202 employees of the Company belonged to the IBIDEN WORKERS UNION. The Company believes that its relationship with its employees is good. The Company's labour union belongs to the Japanese Federation of Energy and Chemistry Workers' Unions.

## Employee Share Purchase Plan

The Company has in place an Employee Share Purchase Plan which grants Shares to the Company's employees in executive positions. Under the Employee Share Purchase Plan, eligible participants are granted points on, among others, position and eligible participants receive Shares from the trust account, in accordance with internal regulations.

The Company does not have any stock option plans.

## SUBSIDIARIES AND AFFILIATES

As at 31 December 2023, the Company had 31 consolidated subsidiaries and two affiliates accounted for by the equity method.

The following table sets out certain information as at 31 December 2023 with respect to the Company's principal subsidiaries:

Subsidiary/Affiliate	Location	Principal business	Percentage of voting rights held by the Company <sup>(1)</sup>	Paid-in capital <sup>(2)</sup>
			<i>(Per cent)</i>	<i>(Millions of yen, except where otherwise indicated)</i>
<b>Consolidated Subsidiaries</b>				
<i>Japan</i>				
IBIDEN GREENTEC CO., LTD.	Ogaki-shi, Gifu	Slope and garden construction, greenery planting	100.0%	300
IBIDEN CHEMICAL CO., LTD.	Ogaki-shi, Gifu	Manufacture and sale of industrial gases, the related products and chemical goods, as well as environmental business	69.7	137
IBIKEN CO., LTD.	Ogaki-shi, Gifu	Manufacture and sale of interior decorative plywood, residential equipment, housing materials	100.0	96
IBIDEN GRAPHITE CO., LTD. <sup>(3)</sup>	Ogaki-shi, Gifu	Manufacture and sale of Graphite product (Special carbon product)	100.0	80
IBIDEN INDUSTRIES CO., LTD.	Ogaki-shi, Gifu	Logistic services, Sales and services of gas stations, automobiles, insurance and travel agencies	78.5	77
TAK CO., LTD.	Ogaki-shi, Gifu	Software development, network design and construction	100.0	60
IBIDEN JUSHI CO., LTD.	Ikeda-cho, Ibi-gun, Gifu	Manufacture and sale of foamed-resin products	60.0	60
IBIDEN HUMAN NETWORK Co., Ltd.	Ogaki-shi, Gifu	HR and labour-shared services for all Group companies	100.0	50
IBIDEN BUSSAN CO., LTD.	Motosu-shi, Gifu	Processing and sale of agricultural and marine products	100.0	30
IBIDEN ENGINEERING CO., LTD.	Ogaki-shi, Gifu	Environmental measurement and analysis, design and installation of mechanical facilities	100.0	30

Subsidiary/Affiliate	Location	Principal business	Percentage of voting rights held by the Company <sup>(1)</sup>	Paid-in capital <sup>(2)</sup>
			(Per cent)	(Millions of yen, except where otherwise indicated)
IBIDEN CAREER TECHNO Corp.	Ogaki-shi, Gifu	Personal dispatch and consigned manufacturing	90.0 (60.0)	30
IBIDEN OASIS Co., Ltd	Ogaki-shi, Gifu	Environmental maintenance of buildings and facilities	100.0 (45.0)	20
IE VISION Co., Ltd.	Gifu-shi, Gifu	Sales of building materials, construction services	100.0 (100.0)	18
SAN KOKI CO., LTD. <sup>(4)</sup>	Ogaki-shi, Gifu	—	100.0 (42.5)	12
IB TECHNO CO., LTD.	Ikeda-cho, Ibi-gun, Gifu	Maintenance and management of landscapes and plants, and providing staffing services	100.0 (100.0)	3
<b>Overseas</b>				
IBIDEN USA Corporation (Santa Clara)	United States	Overall controlling of financial services for the Group in the United States and sales of products	100.0	US\$118,355 thousand
IBIDEN Mexico S.A. de C.V.	Mexico	Manufacture of DPFs	100.0 (100.0)	Mex\$211,631 thousand
Micro-Mech, Inc.	United States	Manufacture of ceramic products	100.0 (100.0)	US\$2,700 thousand
IBIDEN Europe B.V.	Netherlands	Overall controlling of financial services and investment for the Group in Europe and sales of the products	100.0	EUR95,800 thousand
IBIDEN Hungary Kft.	Hungary	Manufacture of DPFs and substrate holding mats	100.0 (99.0)	Ft9,250 million
L.G. Graphite S.r.l.	Italy	Manufacture of graphite	80.0 (80.0)	EUR400 thousand
IBIDEN Asia Holdings Pte. Ltd.	Singapore	Overall controlling of financial services and investment for the Group in Asia	100.0	S\$1,000 thousand
IBIDEN Electronics Malaysia SDN. BHD.	Malaysia	Manufacture of electronics substrates	100.0 (100.0)	MYR525,286 thousand
IBIDEN Graphite Korea Co., Ltd.	Korea	Manufacture of graphite specialty products	100.0 (100.0)	KRW119,800 million
IBIDEN Philippines, Inc.	Philippines	Manufacture of IC package	100.0	P.P.2,520 million
IBIDEN Fine Ceramics (Suzhou) Co., Ltd.	China	Manufacture of substrate holding mat for automobiles	100.0	US\$45 million

Subsidiary/Affiliate	Location	Principal business	Percentage of voting rights held by the Company <sup>(1)</sup>	Paid-in capital <sup>(2)</sup>
			(Per cent)	(Millions of yen, except where otherwise indicated)
IBIDEN Electronics (Shanghai) Co., Ltd.	China	Sales of ceramic products	100.0	US\$1,720 thousand
IBIDEN Korea Co., Ltd.	Korea	Sales of electronics substrates, import and sales supports of ceramic products	100.0 (100.0)	KRW420 million
IBIDEN TAIWAN CO., LTD.	Taiwan	Sale of electronics related products	100.0 (100.0)	NT\$7,500 thousand
IBIDEN Singapore Pte Ltd.	Singapore	Sales of electronics substrates, manufacture of printed wiring boards	100.0 (100.0)	S\$300 thousand
NANNING DANAN FOOD CO., LTD.	China	Processing and sale of agricultural and marine products	100.0 (100.0)	CNY18,848 thousand
IBIDEN Philippines Landholding, Inc. <sup>(5)</sup>	Philippines	Ownership of land and intra-Group leasing of such land for plant and office use	39.8	P.P.324,790 thousand
<b>Affiliates Accounted for by the Equity Method</b>				
Ibuki Hydropower Generation K.K. <sup>(6)</sup>	Maibara-shi, Shiga, Japan	Hydropower generation	19.5 (19.5)	64
Ibuki Biomass Power Generation G.K.	Maibara-shi, Shiga, Japan	Biomass power generation	23.3 (23.3)	30

Notes:

- (1) Figures in parentheses denote indirect holding.
- (2) In the above table, US\$ stands for the US dollar, Mex\$ stands for Mexico peso, EUR stands for euro, Ft stands for Hungarian forint, S\$ stands for Singapore dollar, MYR stands for Malaysian ringgit, KRW stands for South Korean won, P.P. stands for Philippine peso, NT\$ stands for Taiwanese dollar, and CNY stands for Chinese yuan.
- (3) IBIDEN GRAPHITE CO., LTD. was dissolved on 1 October 2023, in a merger with IBIDEN Co., Ltd., the surviving entity of which being IBIDEN Co., Ltd.
- (4) SAN KOKI CO., LTD. was dissolved in October 2022.
- (5) The Company's ownership interest is 50/100 or less. However, this company is classified as a subsidiary since the Company substantially controls the company.
- (6) The Company's ownership interest is less than 20/10. However, this company is classified as an affiliate because the Company has substantial influence.

## JAPANESE FOREIGN EXCHANGE REGULATIONS

### General

The Foreign Exchange Regulations govern certain aspects, in particular, relating to the acquisition and holding of the Shares by “exchange non-residents” and by “foreign investors” (as these terms are defined below). However, in general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents for the purchase or sale of Shares outside Japan using currencies other than yen.

“Exchange residents” are defined in the Foreign Exchange Regulations as:

- (i) individuals who reside within Japan; or
- (ii) corporations whose principal offices are located within Japan.

“Exchange non-residents” are defined in the Foreign Exchange Regulations as:

- (i) individuals who do not reside in Japan; or
- (ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

“Foreign investors” are defined in the Foreign Exchange Regulations as:

- (i) individuals who are exchange non-residents;
- (ii) corporations or other entities that are organised under the laws of foreign countries or whose principal offices are located outside Japan (for this purpose, branches of such corporations or other entities located within Japan are included in this (ii)) (excluding partnerships falling within (iv));
- (iii) corporations of which 50 per cent or more of the total voting rights are held, directly or indirectly, by individuals and/or entities falling within (i) and/or (ii) above;
- (iv) partnerships engaging in investment activities formed under the Civil Code of Japan (Act No. 89 of 1896, as amended), investment limited partnerships formed under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended), or any similar partnerships under the laws of foreign countries, where either (a) 50 per cent or more of the total contributions to such entities are made by exchange non-residents or certain other foreign investors prescribed under the Foreign Exchange Regulations or (b) a majority of the managing partner or general partners of such partnerships are exchange non-residents or certain other foreign investors prescribed under the Foreign Exchange Regulations; or
- (v) corporations or other entities of which a majority of either (i) Directors or other officers (including those who have the same degree or more control over such corporations or such other entities as Directors or other officers) or (ii) Directors or other officers (including those who have the same degree or more control over such corporations or such other entities as Directors or other officers) having the power of representation are individuals who are exchange non-residents.

### Acquisition of Shares

In general, the acquisition by an exchange non-resident of shares of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance through the Bank of Japan. No such reporting requirement is imposed, however, if:

- (i) the aggregate purchase price of the relevant shares is ¥100 million or less;
- (ii) the acquisition is effected through any bank, financial instruments business operator or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or
- (iii) the acquisition constitutes an Inward Direct Investment described below.

## **Prior Notification Requirements on Inward Direct Investment in Shares of Listed Corporations**

If a foreign investor acquires shares or voting rights of a Japanese corporation that is listed on a Japanese stock exchange, such as the Shares, or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any of its existing holdings of the shares or voting rights, and any shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain related entities of such foreign investor), directly or indirectly holds 1 per cent or more of (i) the total issued shares or (ii) the total voting rights of the relevant corporation, then such acquisition constitutes an “inward direct investment” (the “Inward Direct Investment”). In general, any foreign investor intending to make an Inward Direct Investment by acquisition of shares or voting rights of a corporation engaging in certain business sectors designated by the Foreign Exchange Regulations (*Shitei-Gyoshu*) (including those in which the Company is engaging) (the “Designated Business Sectors”), must, except where any of certain exemptions applies, file a prior notification of the acquisition with the Ministers. The proposed acquisition may not be consummated until 30 days have passed from the date of filing, although this period will be shortened unless such Ministers deem it necessary to review the proposed acquisition, and may be shortened to five business days, if the proposed acquisition is determined not to raise concerns from the perspective of national security or certain other factors. On the other hand, if the Ministers deem it necessary to continue to review the proposed acquisition, they may extend such period up to five months. The Ministers may also recommend any modification or abandonment of the proposed acquisition and, if such recommendation is not accepted, they may order the modification or abandonment of such acquisition.

## **Exemption for Prior Notification Requirements**

Under the Foreign Exchange Regulations, in the case of an acquisition of shares or voting rights, any foreign investors which fall under the definition of foreign financial institutions (the “Foreign Financial Institutions”), will be exempted from the prior notification requirements mentioned above without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they comply with the following exemption conditions (the “Common Exemption Conditions”).

In general, “Common Exemption Conditions” are set out in the relevant public notices as follows:

- (i) foreign investors or their related persons (as defined in the Foreign Exchange Regulations) are not to become Directors or Audit and Supervisory Board Members of the investee corporation or its certain related corporations;
- (ii) foreign investors will not propose by themselves or through other shareholders to the general meeting of shareholders the transfer or other disposition or discontinuation of the investee corporation’s business activities in the Designated Business Sectors; and
- (iii) foreign investors will not access non-public information about the investee corporation’s or its certain related corporations’ technology in relation to business activities in the Designated Business Sectors.

Under the Foreign Exchange Regulations, any foreign investors (other than the Foreign Financial Institutions), excluding disqualified investors such as those with a record of sanctions for violation of the FEFTA and state-owned enterprises (except those who are accredited by the authorities) (“Eligible Foreign Investors”), will also be exempted from the prior notification requirements mentioned above without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they comply with the Common Exemption Conditions, unless the investment proposed to be conducted by them constitutes the Inward Direct Investment in a corporation engaging in certain types of Designated Business Sector designated as being a substantial threat to national security. On the other hand, Eligible Foreign Investors which intend to invest in a corporation engaging in certain types of Designated Business Sectors further set out in the relevant public notice as being a substantial threat to national security (in which the Company’s business sectors are currently included) (the “Core Sectors”), will be exempted from the prior notification requirements, on condition that they comply with the following additional exemption conditions (the “Exemption Conditions on Core Sectors”), as well as the Common Exemption Conditions, unless and until such investment results in holdings, in combination with any of its existing holdings of the shares or voting rights, and any shares or voting rights managed by such Eligible Foreign Investor under discretionary investment management agreements (including those held or managed by certain related entities of such Eligible Foreign Investor), directly or indirectly, of 10 per cent or more of (i) the total issued shares or (ii) the total voting rights of the relevant corporation.

In general, “Exemption Conditions on Core Sectors” are set out in the relevant public notices as follows:

- (i) regarding business activities in the Core Sectors, foreign investors will not, or will not cause its representative to, attend the investee corporation’s or its certain related corporations’ Board of Directors, executive board or other committees that make important decisions on these activities; and



- (ii) regarding business activities in the Core Sectors, foreign investors will not make proposals, by themselves or through persons designated by them, in writing or electronic form, to (a) the investee corporation's or its certain related corporations' Board of Directors, executive board or other committees that make important decisions on these activities or (b) the members of such board or committees, requiring responses and/or actions by certain deadlines.

### **Consent at the General Meeting of Shareholders**

In addition to the acquisition of shares or voting rights mentioned above, if a foreign investor who directly or indirectly holds 1 per cent or more of the total voting rights of a Japanese corporation that is listed on a Japanese stock exchange and engages in the Designated Business Sectors, such as the Company, intends to consent, at the general meeting of shareholders, to certain proposals having material influence on the management of such corporation such as (i) election of such foreign investor or its related persons (as defined in the Foreign Exchange Regulations) as Directors or Audit and Supervisory Board Members of the relevant corporation or (ii) transfer or discontinuation of its business, such consent also constitutes an Inward Direct Investment, and in certain circumstances, such foreign investor must file a prior notification with the Ministers. In such cases, the exemptions from the prior notification requirements described above are not available.

### **Post Investment Reports**

Further to the prior notifications, under the Foreign Exchange Regulations, foreign investors conducting Inward Direct Investments may be required to submit post investment reports to the Ministers within 45 days from the transaction settlement date, even if such Inward Direct Investments are not subject to the prior notification requirements or are exempted from such requirements. For instance, post investment reports with respect to the acquisition of shares or voting rights of corporations engaging in Designated Business Sectors which are not in the Core Sectors, where the prior notification requirement for such acquisition has been exempted, will generally be required when the ratio of the total number of shares or voting rights held directly or indirectly by foreign investors in combination with any of its existing holdings of the shares or voting rights and shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain related entities of such foreign investor) after the acquisition to the number of (i) the total issued shares or (ii) the total voting rights of the relevant corporation reaches:

- (i) 1 per cent or more to less than 3 per cent for the first time;
- (ii) 3 per cent or more to less than 10 per cent for the first time; or
- (iii) 10 per cent or more for each transaction.

The Foreign Financial Institutions are only required to file post investment reports for (iii) above.

### **Dividends and Proceeds from Sales of Shares**

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of Shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad. However, under the Foreign Exchange Regulations, certain procedures may be required for the transfer of funds out of Japan or may be prohibited, depending on the location of the recipient, the purpose of such fund transfer and other factors.

## DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

Set out below is certain information concerning the Shares, including brief summaries of certain provisions of the Company's Articles of Incorporation and Share Handling Regulations and of the Companies Act relating to joint stock corporations (*kabushiki kaisha*), and certain related legislation, all as currently in effect.

### General

All issued Shares are fully-paid and non-assessable, and are in registered form.

The Shares are subject to the Japanese book-entry transfer system for listed shares of Japanese companies under the Book-Entry Act. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialised, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholders have an account at JASDEC, the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Act. "Account management institutions" are financial instruments business operators (i.e., securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet further stringent requirements under the rules of JASDEC (the "JASDEC rules") can open accounts directly at JASDEC. For the purpose of the description under "Description of the Shares and Certain Regulations", the Company assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of the shares is recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act and the Book-Entry Act, in order to assert against the Company shareholders' rights to which shareholders as at a given record date are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends), a shareholder must have its name and address registered in the Company's register of shareholders, except in limited circumstances. Under the Japanese book-entry transfer system, such registration is generally made upon the Company's receipt of necessary information from JASDEC through an "all shareholders notice" (*sou-kabunushi tsuchi*). Shareholders are required to file their names and addresses with the Company, generally through the account management institution and JASDEC. On the other hand, in order to assert shareholders' rights to which shareholders are entitled regardless of record dates, such as minority shareholders' rights, including the right to propose a matter to be considered at a general meeting of shareholders but excluding shareholders' rights to request the Company to purchase or sell Shares constituting less than one unit upon a shareholder's request, JASDEC shall issue to the Company a notice of certain information (*kobetsukabunushi tsuchi*), which information includes the name and address of such shareholder. Under the Book-Entry Act, a shareholder must exercise its shareholder's right within four weeks after issue of the notice above.

Non-resident shareholders are also required to appoint a standing proxy in Japan or provide a mailing address in Japan and to file their standing proxy or a mailing address with the Company, generally through the account management institution and JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

The Company's transfer agent is Sumitomo Mitsui Trust Bank, Limited, located at 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan.

### Distributions of Surplus

#### General

Under the Companies Act, distributions of cash or other assets by a joint stock corporation to its shareholders, including dividends take the form of distributions of Surplus (as defined in "—Restriction on Distributions of Surplus"). The Company may make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distributions of Surplus".

Distributions of Surplus are required in principle to be authorised by a resolution of a general meeting of shareholders, but may also be made pursuant to a resolution of the Board of Directors but only if all the requirements described in (a) through (d) below are met:

- (a) the Company's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of Surplus;

- (b) the Company has (i) an independent auditor and (ii) an Audit and Supervisory Board, or an Audit and Supervisory Committee, or nominating committee, etc., under the Companies Act, as the case may be;
- (c) the normal term of office of each Director of the Company who is not an Audit and Supervisory Committee Member terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of such Director; and
- (d) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

As of the date of this Offering Circular, the Company satisfies the requirements described in (a) through (d) above.

Distributions of Surplus may be made in cash or in kind in proportion to the number of Shares held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors authorising a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders or the Board of Directors, grant a right to its shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders. See “—Voting Rights” with respect to a “special resolution”.

Under the Company's Articles of Incorporation, the record dates for year-end and interim dividends are 31 March and 30 September in each year, respectively. In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the Shares generally goes ex-dividend on the business day immediately prior to the record date. The Company is not obliged to pay any dividends unclaimed for a period of three years after the date on which they first became payable.

#### ***Restriction on Distributions of Surplus***

When the Company makes a distribution of Surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed in accordance with an ordinance of the Ministry of Justice.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- “A” = the total amount of other capital surplus and other retained earnings, as each such amount appears on the Company's non-consolidated balance sheet as at the end of the last fiscal year,
- “B” = (if the Company has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof,
- “C” = (if the Company has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any),
- “D” = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any),
- “E” = (if the Company has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock,
- “F” = (if the Company has distributed Surplus to its shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed, and
- “G” = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount (the “Distributable Amount”), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the followings:

- (a) the book value of the Company’s treasury stock;
- (b) the amount of consideration for the Company’s treasury stock disposed of by it after the end of the last fiscal year; and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the Company’s non-consolidated balance sheet as at the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with ordinances of the Ministry of Justice.

If the Company has become at its option a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), it will be required to further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders’ equity appearing on its non-consolidated balance sheet as at the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders’ equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on its consolidated balance sheet as at the end of the last fiscal year.

If the Company has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company’s treasury stock disposed of by it, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as at any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements prepared by the Company must be audited by the Audit and Supervisory Committee and the independent auditor, as required by the Companies Act and ordinances of the Ministry of Justice.

### **Capital and Reserves**

When the Company issues new Shares, the entire amount of money or other assets paid or contributed by subscribers for such Shares is required to be accounted for as stated capital, although the Company may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by a resolution of the Board of Directors.

The Company may reduce its additional paid-in capital or legal reserve generally by resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Company may reduce its stated capital generally by special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Company may reduce its Surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by resolution of a general meeting of shareholders.

### **Stock Splits**

The Company may at any time split the issued Shares into a greater number of Shares by resolution of the Board of Directors. When a stock split is to be made, so long as the only class of the Company’s outstanding stock is its common stock, it may increase the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such stock split by amending its Articles of Incorporation, which amendment may be made without approval by shareholders.

Before a stock split, the Company must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date. Under the JASDEC rules relating to the Japanese book-entry transfer system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of the Board of Directors determining such stock split. On the effective date of the stock split, the numbers of Shares recorded in all accounts held by holders of Shares at account management institutions or JASDEC will be increased in accordance with the applicable ratio.

## **Consolidation of Shares**

The Company may at any time consolidate the issued Shares into a smaller number of Shares by a special resolution of the general meeting of shareholders. When a consolidation is to be made, the Company must give public notice at least two weeks (or, in certain circumstances where any fractions of Shares are left as a result of consolidation, 20 days) prior to the effective date of the consolidation. The Company must disclose the reason for the consolidation at the general meeting of shareholders.

Under the Japanese book-entry transfer system, on the effective date of the consolidation, the numbers of Shares recorded in all accounts held by holders of Shares at account management institutions or JASDEC will be decreased in accordance with the applicable ratio.

## **Unit Share System**

The Company's Articles of Incorporation provide that 100 Shares constitute one "unit". The Board of Directors is permitted to reduce the number of Shares that will constitute a unit or abolish the unit share system entirely by amending the Articles of Incorporation without approval by shareholders, while a special resolution of a general meeting of shareholders is required to increase the number of Shares that will constitute a unit. The number of Shares constituting a unit may not exceed the lesser of 1,000 and one-two hundredth of the total number of issued Shares.

Under the unit share system, a shareholder has one vote for each unit of Shares held by it, except as stated in "—Voting Rights". Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Moreover, holders of Shares constituting less than one unit will have no other shareholder rights except for certain rights specified in the Companies Act, an ordinance of the Ministry of Justice or the Company's Articles of Incorporation, including the right to receive distribution of Surplus.

Under the Japanese book-entry transfer system, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit and, accordingly, may not be sold on the Japanese stock exchanges, unless a different trading unit is designated by the relevant Japanese stock exchange.

Holders of Shares constituting less than one unit may at any time request the Company to purchase Shares held by them. Pursuant to the Company's Articles of Incorporation and Share Handling Regulations, any such holders may also request the Company to sell to such holder Shares constituting less than one unit which, when added to the Shares held by such holder, shall constitute a full one unit. Under the Japanese book-entry transfer system, such requests must be made to the Company through the relevant account management institutions and JASDEC. Such purchase or sale of Shares will be effected, in general, at the last trading price of the Shares on the relevant stock exchange on the day such request is made (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter). The request of such purchase or sale may not be withdrawn without the Company's consent.

## **General Meetings of Shareholders**

The ordinary general meeting of shareholders of the Company is held in June each year pursuant to the Company's Articles of Incorporation. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. The place, time, purpose and certain other matters relating to the general meeting of shareholders, including the information contained in the reference materials, must be uploaded onto a website at least three weeks prior to the date set for the meeting, and notice of the URL of the website to be used and certain other matters relating to such meeting must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or one per cent of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting (provided that the Company is able to limit the number of proposals with respect to the matters proposed by each shareholder to 10). If the Company's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened. The Company's Articles of Incorporation currently do not include any such provisions.

## **Voting Rights**

A holder of Shares constituting one or more units is, in principle, entitled to one voting right for each unit of Shares. However, in general, neither the Company nor any corporate or certain other entity, one-quarter or more of the total voting rights of which are directly or indirectly held by the Company, has voting rights in respect of Shares held by the Company or such entity.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by the holder of a majority of the total number of voting rights represented at the meeting. The Company's Articles of Incorporation provide that the quorum for election of its Directors is one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of its Directors. The shareholders may exercise their voting rights in writing or through proxies, provided that the proxies are, in principle, also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" of a general meeting of shareholders. Under the Company's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

- (i) repurchase of Shares by the Company from a specific shareholder other than any of the Company's subsidiaries;
- (ii) consolidation of Shares;
- (iii) issuance or transfer of new Shares or existing Shares held by the Company as treasury stock to persons other than the shareholders at a "specially favourable" price;
- (iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favourable" conditions;
- (v) removal of any of the Directors who are the Audit and Supervisory Committee Members of the Company;
- (vi) exemption from a portion of liability of the Company's Directors or independent auditors;
- (vii) distribution of Surplus in kind with respect to which shareholders are not granted the right to require the Company to make distribution in cash instead of in kind;
- (viii) reduction of stated capital;
- (ix) any amendment to the Company's Articles of Incorporation (except for such amendments that may be made without the approval of shareholders under the Companies Act, such as (i) an increase of the number of authorised shares by the same ratio as that of a stock split, (ii) a reduction of the number of Shares per unit of Shares and (iii) termination of the unit share system);
- (x) transfer of the whole or a substantial part of the Company's business;
- (xi) transfer of the whole or a part of the Company's equity interests in any of the Company's subsidiaries which meets certain requirements;
- (xii) taking over of the whole of the business of another company;
- (xiii) dissolution or merger or consolidation;
- (xiv) corporate split;
- (xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or a share exchange (*kabushiki-kokan*); and
- (xvi) a partial share exchange (*kabushiki-kofu*) for the purpose of making another corporation a subsidiary.

However, under the Companies Act, no shareholder approval, whether by an ordinary resolution or a special resolution at a general meeting of shareholders, is required for any matter described in (viii) through (xvi) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act as are necessary to determine that its impact is immaterial.

### **Liquidation Rights**

In the event of the Company's liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Shares in proportion to the respective numbers of Shares held by them.

### **Issue of Additional Shares and Pre-emptive Rights**

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued, or existing Shares held by the Company as treasury stock may be sold, at such times and upon such terms as the Board of Directors



determines, subject to the limitations as to the issuance of new Shares or sale of existing Shares held by the Company as treasury stock at a “specially favourable” price mentioned in “—Voting Rights”. The Board of Directors may, however, determine that shareholders be given subscription rights regarding a particular issuance of new Shares or sale of existing Shares held by the Company as treasury stock, in which case such rights must be given on uniform terms to all holders of Shares as at a record date of which not less than two weeks’ prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks’ prior notice of the date on which such rights expire.

In the case of an issuance of Shares or a sale of existing Shares held by the Company as treasury stock or an issuance of stock acquisition rights (*shinkabu yoyakuken*) whereby any subscriber (including its subsidiaries and other companies set forth in ordinances of the Ministry of Justice) will hold more than 50 per cent of the voting rights of all shareholders, and if shareholders who hold one-tenth or more of the voting rights of all shareholders object to such issuance or sale, an approval by a resolution of a general meeting of shareholders is generally required before the payment date pursuant to the Companies Act. In addition, in the case of an issuance of shares, a sale of existing shares held as treasury stock or an issuance of stock acquisition rights by a listed company such as the Company by way of an allotment to a third party which would dilute the outstanding voting shares by 25 per cent or more or cause change of the controlling shareholder, in addition to resolution of the Board of Directors, an approval by a resolution of a general meeting of shareholders or otherwise, or an affirmative opinion by a person independent of such company’s management is generally required pursuant to the rules of the Japanese stock exchanges.

### **Stock Acquisition Rights**

The Company may issue stock acquisition rights. Holders of stock acquisition rights are entitled to acquire Shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The Company may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorised by the Board of Directors unless it is made under “specially favourable” conditions, as described in “—Voting Rights” or, in certain circumstances, may be required to obtain an approval of the shareholders or an affirmative opinion by an independent person as described above.

### **Record Date**

As mentioned above, 31 March is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders, and 30 September is the record date for the payment of interim dividends.

In addition, by a resolution of the Board of Directors and after giving at least two weeks’ prior public notice, the Company may at any time set a record date in order to determine the shareholders who are entitled to certain rights pertaining to Shares.

Under the JASDEC rules relating to the Japanese book-entry transfer system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors determining such record date. JASDEC is required to promptly give the Company notice of the names and addresses of holders of Shares, the numbers of Shares held by them and other relevant information as at such record date.

### **Acquisition by the Company of Shares**

The Company may acquire Shares (i) from a specific shareholder other than any of the Company’s subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (ii) from any of the Company’s subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter) and (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted, the price of the Shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Shares may not exceed the Distributable Amount, as described in “—Distributions of Surplus—Restriction on Distributions of Surplus”.

The Company may hold the Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Shares by a resolution of the Board of Directors.

### **Request by Controlling Shareholder to Sell All Shares**

A shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as may be provided in the Company's Articles of Incorporation) or more of the Company's voting rights has the right to request, subject to approval by the Company's Board of Directors, that the other shareholders and (if the controlling shareholder so determines) all holders of stock acquisition rights of the Company (in each case, other than the Company and, if the controlling shareholder so determines, the controlling shareholder's wholly owned subsidiaries) sell to the controlling shareholder all Shares and all stock acquisition rights, as the case may be, held by them (*kabushiki tou uriwatashi seikyu*). If the approval is granted by resolution of the Company's Board of Directors, the Company will be required to give public notice thereof to all holders and registered pledgees of Shares (and stock acquisition rights, as the case may be) not later than 20 days prior to the effective date of such sales, as proposed by the controlling shareholder.

### **Disposal of Shares by the Company**

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails to arrive for five consecutive years or more at its address registered in the Company's register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder to whom delivery of notices has failed also fails to receive distributions of Surplus on Shares continuously for five years or more at its address registered in the Company's register of shareholders or otherwise notified to the Company, then the Company may in general dispose of such Shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

### **Reporting of Substantial Shareholdings**

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than five per cent of the total issued shares of capital stock of a company that is listed on any Japanese stock exchange to file a report with the Director of the relevant Local Finance Bureau of the Ministry of Finance within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of one per cent or more in the holding or of any change in material matters set forth in any previously filed reports. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by the holder and such company's total issued shares of capital stock. Any report so filed will be made available for public inspection. Reports are required to be filed through the EDINET system, which is an electronic disclosure system operated by the Financial Services Agency.

## JAPANESE TAXATION

*The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon exercise of the Stock Acquisition Rights incorporated in the Bonds who are non-resident individuals or non-Japanese corporations having no permanent establishment in Japan (“non-resident Holders”). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties or arrangements or in the interpretation thereof after that date.*

*This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.*

### **Bonds**

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

### **Shares**

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company. Stock splits are not subject to Japanese income tax.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20 per cent, subject to any applicable income tax treaty. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the Shares) to any corporate or individual shareholders (including those shareholders who are non-resident individuals or non-Japanese corporations), except for any individual shareholder who holds 3 per cent or more of the total issued shares of the relevant Japanese corporation, the said 20 per cent withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent of the original applicable tax rate) will be added to the withholding tax rates until 31 December 2037. The withholding tax under Japanese tax law mentioned above may be exempted or reduced under an applicable tax treaty between Japan and the country of tax residence of a non-resident Holder.

Gains derived from the sale of Shares, whether within or outside Japan, by a non-resident Holder thereof are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

## SUBSCRIPTION AND SALE

### Subscription Agreement

Pursuant to a subscription agreement dated 28 February 2024 in respect of the Bonds (the “Subscription Agreement”) between the Company on the one hand and Nomura International plc (“Nomura”), Daiwa Capital Markets Europe Limited (“Daiwa”) and SMBC Nikko Capital Markets Limited (“SMBC Nikko”, and together with Nomura and Daiwa, the “Joint Lead Managers”) on the other, the Joint Lead Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of the Bonds as indicated in the table below at the issue price (the “Issue Price”) of 105.0 per cent of the principal amount of the Bonds and to offer the Bonds at the offer price in respect of the Bonds as stated on the cover page of this Offering Circular (the “Offer Price”).

	<b>Aggregate Principal Amount of the Bonds</b>
<b>Joint Lead Managers</b>	
Nomura International plc .....	¥42,000,000,000
Daiwa Capital Markets Europe Limited .....	14,000,000,000
SMBC Nikko Capital Markets Limited .....	14,000,000,000
Total .....	<u>¥70,000,000,000</u>

No selling concession or combined management and underwriting commission will be payable by the Company with respect to the offering of the Bonds. The difference between the Offer Price and the Issue Price will be retained by the Joint Lead Managers.

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Joint Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue and offering of the Bonds.

### Lock-up Arrangements

In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date:

- (i) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;
- (ii) enter into a transaction (including a derivative transaction) that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;
- (iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility; or
- (iv) publicly announce any intention to do any of the above,

without the prior written consent of Nomura on behalf of the Joint Lead Managers, other than:

- (a) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights (or the acquisition of the Bonds at the option of the Company);
- (b) the issue, sale or disposition of the Shares to directors, corporate officers and managerial employees of the Company and directors of certain of its subsidiaries pursuant to the performance-linked share compensation plan of the Group as described in this Offering Circular;

- (c) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares;
- (d) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and
- (e) any other issue or sale of Shares required by the Japanese laws and regulations.

## **Selling Restrictions**

### ***United States***

The Bonds are being offered and sold outside of the United States in reliance on Regulation S of the Securities Act ("Regulation S"). The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

### ***Japan***

The Bonds have not been and will not be registered under the FIEA. Accordingly, each Joint Lead Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### ***Prohibition of Sales to EEA Retail Investors***

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

### ***Prohibition of Sales to UK Retail Investors***

Each Joint Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

#### ***Other United Kingdom Regulatory Restrictions***

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights in, from or otherwise involving the United Kingdom.

#### ***Singapore***

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

#### ***Hong Kong***

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds or Shares issuable upon exercise of the Stock Acquisition Rights other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds and Shares issuable upon exercise of the Stock Acquisition Rights which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

#### ***Switzerland***

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the “FinSA”) and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

#### ***General***

Neither the Company nor any of the Joint Lead Managers represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.



### ***Other Relationships***

Certain of the Joint Lead Managers or their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offering, any Joint Lead Manager may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or the Shares and/or other securities of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or Shares and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions any of the Joint Lead Managers may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Joint Lead Managers or their affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds.

## GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) is XS2774311224 and the Common Code is 277431122.
2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 4062. The Legal Entity Identifier (LEI) for the Company is 52990051DBFIQEY37C91.
3. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST and rules of the SGX-ST so require. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate evidencing the Bonds is exchanged for definitive Certificates. In addition, in the event that the Global Certificate evidencing the Bonds is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.
4. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 28 February 2024 of the Board of Directors of the Company.
5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2023.
6. Save as disclosed in this Offering Circular, neither the Company nor any of its subsidiaries is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.
7. Copies of the latest audited annual consolidated financial statements in English, and the Company's latest unaudited annual and quarterly consolidated financial statements in English (being English translations of the Company's published *Kessan tanshin* (results announcements)) may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, or electronically upon request to the Trustee, so long as any of the Bonds is outstanding.
8. The consolidated financial statements of the Company for each of the fiscal years ended 31 March 2021, 2022 and 2023 included in this Offering Circular, have been audited by KPMG AZSA LLC, the Company's independent auditor, as stated in its audit reports appearing herein.
9. The unaudited quarterly consolidated financial statements of the Company as of and for the nine-month period ended 31 December 2023 (together with corresponding figures for the nine-month period ended 31 December 2022), included in this Offering Circular, have been reviewed by KPMG AZSA LLC, the Company's independent auditor, as stated in its review report appearing herein.
10. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.
11. The Trustee is entitled under each Trust Deed to rely on reports and certificates addressed and/or delivered to it by the independent auditor to the Company whether or not the same are subject to any limitation on the liability of the independent auditor to the Company and whether by reference to a monetary cap or otherwise.

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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

### Basis for Opinion

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

### Key Audit Matters

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

<b>Accuracy of the accounting treatment for acquisitions of property, plant and equipment as part of the large-scale capital investments in the Electronics Operation</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>During the current fiscal year, IBIDEN CO., LTD. (the “Company”) made capital investments totalling ¥89,755 million mainly for production facilities and equipment in the Electronics Operation. This amount accounted for 10.5% of total assets in the consolidated financial statements for the current fiscal year.</p> <p>The amount of assets that were transferred from construction in progress to the respective accounts within property, plant and equipment for the current fiscal year was ¥29,292 million.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the transactions to acquisitions of property, plant and equipment. In the assessment, we focused our testing on controls to ensure the accuracy of the amount recognized, the timing of recognition, the account used, and the timing of when depreciation of the acquired assets starts.</p> <p><b>(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</b></p> <ul style="list-style-type: none"><li>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;</li></ul>

<p>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.</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul>
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### **Other Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 6 to the consolidated financial statements.



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

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

Tetsuya Nakamura  
Designated Engagement Partner  
Certified Public Accountant

Akihiro Sugiura  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Nagoya Office, Japan  
August 31, 2023

**Notes to the Reader of Independent Auditor's Report:**

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

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

**Consolidated Balance Sheet**

**March 31, 2023**

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

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

**Consolidated Balance Sheet**

**March 31, 2023**

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

See accompanying Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Income**

**Year Ended March 31, 2023**

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

See accompanying Notes to Consolidated Financial Statements.

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**Year Ended March 31, 2023**

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

See accompanying Notes to Consolidated Financial Statements.

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Consolidated Statement of Changes in Net Assets**

**Year Ended March 31, 2023**

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

Thousands of U.S. dollars (Note 6)

	Thousands of U.S. dollars (Note 6)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on other securities	Surplus arising from land revaluation	Translation adjustments	Non- controlling interests	Total net assets	
Balance at March 31, 2022	\$480,400	\$482,959	\$1,382,448	\$(24,449)	\$199,387	\$1,199	\$208,144	\$46,073	\$2,776,161	
Cash dividends			(52,381)						(52,381)	
Profit attributable to owners of parent			390,798						390,798	
Purchases of treasury stock				(65)					(65)	
Retirement of treasury stock				1,098					1,098	
Other changes					(16,440)		86,324	1,610	71,494	
Balance at March 31, 2023	\$480,400	\$482,959	\$1,720,865	\$(23,416)	\$182,947	\$1,199	\$294,468	\$47,683	\$3,187,105	

See accompanying Notes to Consolidated Financial Statements.



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

**Consolidated Statement of Cash Flows**

**Year Ended March 31, 2023**

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2023	2022	2023
<b>Operating activities</b>			
Profit before income taxes	¥ 71,702	¥ 59,252	\$ 536,935
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	54,915	52,715	411,221
Loss on impairment of fixed assets	844	1,219	6,319
Reversal for accrued bonuses for employees	(246)	582	(1,844)
Reversal for accrued bonuses for directors	13	18	97
Reversal of allowance for doubtful accounts	(44)	(10)	(326)
Increase (decrease) in liability for retirement benefits	(5)	(500)	(39)
Interest and dividend income	(2,506)	(1,411)	(18,767)
Interest expense	370	281	2,774
Share of profit of entities accounted for using equity method	(2)	(2)	(11)
Gain on sales of property, plant and equipment	(82)	(136)	(614)
Loss on disposal of property, plant and equipment	3,732	6,113	27,947
Gain (loss) on sales of investment securities	(295)	(91)	(2,211)
Loss on sales of shares of subsidiaries and associates	—	7,098	—
Loss on valuation of investment securities	—	630	—
Decrease (increase) in notes and accounts receivable—trade	15,820	(1,922)	118,463
Decrease (increase) in inventories	(2,345)	(17,602)	(17,559)
Increase (decrease) in notes and accounts payable	(12,029)	4,368	(90,080)
Increase (decrease) in accrued expenses	640	1,140	4,790
Other, net	17,746	5,734	132,897
Subtotal	148,228	117,476	1,109,992
Interest and dividends received	2,507	1,411	18,772
Interest paid	(370)	(280)	(2,774)
Income taxes paid	(24,617)	(10,234)	(184,339)
Net cash provided by operating activities	¥ 125,748	¥ 108,373	\$ 941,651
<b>Investing activities</b>			
Purchases of property, plant and equipment	¥ (103,234)	¥ (66,200)	\$ (773,055)
Proceeds from sales of property, plant and equipment	192	433	1,441
Purchases of intangible assets	(799)	(1,014)	(5,984)
Purchases of investment securities	(40)	(36)	(296)
Proceeds from sales of investment securities	402	225	3,012
Sale of shares of subsidiaries resulting in change in scope of consolidation	—	(1,164)	—
Collection of long-term loans receivable	0	0	2
Other, net	(540)	33	(4,057)
Net cash used in investing activities	(104,019)	(67,723)	(778,937)
<b>Financing activities</b>			
Increase in short-term borrowings, net	—	(101)	—
Increase in long-term debt	70,000	—	524,188
Repayment of long-term debt	—	(44)	—
Proceeds from issuance of bonds	50,000	35,000	374,420
Redemption of bonds	(20,000)	(15,000)	(149,768)
Purchases of treasury stock	(9)	(11)	(65)
Proceeds from sales of treasury stock	147	33	1,098
Cash dividends paid	(6,995)	(5,596)	(52,381)
Cash dividends paid to non-controlling interests	(15)	(49)	(110)
Repayments of lease obligations	(542)	(233)	(4,064)
Other, net	—	(64)	—
Net cash provided by financing activities	92,586	13,935	693,318
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,513</b>	<b>4,122</b>	<b>18,818</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>116,828</b>	<b>58,707</b>	<b>874,850</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>185,592</b>	<b>126,885</b>	<b>1,389,787</b>
<b>Cash and cash equivalents at end of year (Note 22)</b>	<b>¥ 302,420</b>	<b>¥ 185,592</b>	<b>\$ 2,264,637</b>

See accompanying Notes to Consolidated Financial Statements.

# IBIDEN CO., LTD. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2023

### 1. Basis of Presentation

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

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

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

### 2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

#### (b) Foreign currency translation

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

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

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

**(c) Cash equivalents**

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

**(d) Allowance for doubtful accounts**

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

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

**(e) Inventories**

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

**(f) Investment securities**

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

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

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

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

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

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

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

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

**(i) Leases**

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

**(j) Goodwill**

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

**(k) Accrued bonuses for employees**

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

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

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

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

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

**(n) Retirement benefits for employees**

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

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

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

**(o) Provision for share-based compensation**

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

**(p) Income taxes**

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

**(q) Deferred assets**

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

**(r) Research and development costs**

Research and development costs are charged to expense as incurred.

**(s) Recognition criteria for revenue and expenses**

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

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

**(t) Derivatives**

Derivative positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred and reported as deferred gain or loss on hedges in a separate component of accumulated other comprehensive income (loss).

**(u) Distribution of retained earnings**

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

**3. Significant Accounting Estimates**

**Recoverability of deferred tax assets**

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

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

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

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

**4. Change in presentation method**

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

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

**5. Additional Information**

**(a) Share-based compensation plan for directors**

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

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

(Outline of the plan)

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

(The Company's own stock in the trust)

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

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

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

#### **(b) Share-based compensation plan for employees**

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

(Outline of the plan)

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

(The Company's own stock in the trust)

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

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

The Company's senior management.

### **6. U.S. Dollar Amounts**

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen solely for convenience and as a matter of arithmetic computation only at a rate of ¥133.54 to U.S. \$1.00, the rate of exchange prevailing on March 31, 2023. This translation should not be construed as a representation that the yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

### **7. Financial Instruments**

#### **Status of financial instruments**

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

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

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



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

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

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

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

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

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

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

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

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

### **Estimated Fair Value of Financial Instruments**

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

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

	2023		
	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
<b>Assets:</b>			
Investment securities	¥ 60,881	¥ 60,881	¥ —
Total assets	<u>60,881</u>	<u>60,881</u>	<u>—</u>
<b>Liabilities:</b>			
Bonds payable	¥ 100,000	¥ 99,751	¥ (250)
Long-term loans payable	<u>150,000</u>	<u>149,906</u>	<u>(93)</u>
Total liabilities	<u>250,000</u>	<u>249,657</u>	<u>(343)</u>
Derivative transactions (*)	¥ 371	¥ 371	¥ —
	2022		
	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
<b>Assets:</b>			
Investment securities	¥ 64,168	¥ 64,168	¥ —
Total assets	<u>64,168</u>	<u>64,168</u>	<u>—</u>
<b>Liabilities:</b>			
Bonds payable	¥ 70,000	¥ 69,708	¥ (292)
Long-term loans payable	<u>80,000</u>	<u>79,706</u>	<u>(294)</u>
Total liabilities	<u>150,000</u>	<u>149,414</u>	<u>(586)</u>
Derivative transactions (*)	¥ (724)	¥ (724)	¥ —
	2023		
	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
<b>Assets:</b>			
Investment securities	\$ 455,901	\$ 455,901	\$ —
Total assets	<u>455,901</u>	<u>455,901</u>	<u>—</u>
<b>Liabilities:</b>			
Bonds payable	\$ 748,840	\$ 746,971	\$(1,869)
Long-term loans payable	<u>1,123,258</u>	<u>1,122,562</u>	<u>(697)</u>
Total liabilities	<u>1,872,098</u>	<u>1,869,533</u>	<u>(2,566)</u>
Derivative transactions (*)	\$ 2,777	\$ 2,777	\$ —

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

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

The carrying value of cash and deposits, notes and accounts receivable—trade, and electronically recorded monetary claims approximates fair value because these items are settled in a short period of time.

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

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

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

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

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

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

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

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

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

	2023			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	(Millions of yen)			
Cash and deposits	¥ 302,420	¥ —	¥ —	¥ —
Notes receivable–trade	1,929	—	—	—
Electronically recorded monetary claims	3,563	—	—	—
Accounts receivable–trade	70,256	—	—	—
Total	<u>¥ 378,168</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>
	2022			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	(Millions of yen)			
Cash and deposits	¥ 185,592	¥ —	¥ —	¥ —
Notes receivable–trade	1,415	—	—	—
Electronically recorded monetary claims	3,600	—	—	—
Accounts receivable–trade	83,970	—	—	—
Total	<u>¥ 274,577</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>
	2023			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	(Thousands of U.S. dollars)			
Cash and deposits	\$2,264,637	\$ —	\$ —	\$ —
Notes receivable–trade	14,444	—	—	—
Electronically recorded monetary claims	26,683	—	—	—
Accounts receivable–trade	526,105	—	—	—
Total	<u>\$2,831,869</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

## 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.

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

	2023			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
<u>Assets:</u>				
Investment securities	¥ 60,881	¥ —	¥ —	¥ 60,881
Derivative transactions	—	371	—	371
Total assets	<u>60,881</u>	<u>371</u>	<u>—</u>	<u>61,252</u>
	2022			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
<u>Assets:</u>				
Investment securities	¥ 64,168	¥ —	¥ —	¥ 64,168
Total assets	<u>64,168</u>	<u>—</u>	<u>—</u>	<u>64,168</u>
<u>Liabilities:</u>				
Derivative transactions	¥ —	¥ (724)	¥ —	¥ (724)
Total liabilities	<u>—</u>	<u>(724)</u>	<u>—</u>	<u>(724)</u>
	2023			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
<u>Assets:</u>				
Investment securities	\$455,901	\$ —	\$ —	\$455,901
Derivative transactions	—	2,777	—	2,777
Total assets	<u>455,901</u>	<u>2,777</u>	<u>—</u>	<u>458,678</u>

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

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

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

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

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

Investment securities

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

Derivatives

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

Bonds payable

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

Long-term loans payable

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

## 8. Investment Securities

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

	2023		
	Acquisition cost	Market value reflected in the balance sheet	Difference
	(Millions of yen)		
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	¥ 24,828	¥ 60,202	¥ 35,374
Other	—	—	—
Subtotal	<u>24,828</u>	<u>60,202</u>	<u>35,374</u>
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	724	679	(45)
Other	—	—	—
Subtotal	<u>724</u>	<u>679</u>	<u>(45)</u>
Total	<u>¥ 25,552</u>	<u>¥ 60,881</u>	<u>¥ 35,329</u>
	2022		
	Acquisition cost	Market value reflected in the balance sheet	Difference
	(Millions of yen)		
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>
	2023		
	Acquisition cost	Market value reflected in the balance sheet	Difference
	(Thousands of U.S. dollars)		
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	\$185,919	\$450,817	\$264,898
Other	—	—	—
Subtotal	<u>185,919</u>	<u>450,817</u>	<u>264,898</u>
Securities whose market value reflected in the balance sheet does not exceed their acquisition cost:			
Equity securities	5,419	5,084	(335)
Other	—	—	—
Subtotal	<u>5,419</u>	<u>5,084</u>	<u>(335)</u>
Total	<u>\$191,338</u>	<u>\$455,901</u>	<u>\$264,563</u>

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



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

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

	2023		
	Proceeds	Gross realized gain	Gross realized loss
	(Millions of yen)		
Equity securities	¥ 402	¥ 295	¥ 0
Total	<u>¥ 402</u>	<u>¥ 295</u>	<u>¥ 0</u>
	2022		
	Proceeds	Gross realized gain	Gross realized loss
	(Millions of yen)		
Equity securities	¥ 225	¥ 91	¥ —
Total	<u>¥ 225</u>	<u>¥ 91</u>	<u>¥ —</u>
	2023		
	Proceeds	Gross realized gain	Gross realized loss
	(Thousands of U.S. dollars)		
Equity securities	\$3,012	\$2,211	\$ 1
Total	<u>\$3,012</u>	<u>\$2,211</u>	<u>\$ 1</u>

## 9. Short-Term Borrowings and Long-Term Debt

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

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

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

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

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

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

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

## 10. Assets Pledged as Collateral

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

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

## 11. Lease Obligations

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

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

## 12. Retirement Benefits

The Company and certain consolidated subsidiaries have defined contribution plans for retirement benefits. Other consolidated subsidiaries have defined benefit plans, including lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination occurs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 13. Income Taxes

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

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

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

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

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

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

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

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

Notes on carryforward tax loss

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

#### 14. Shareholders' Equity

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

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

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

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

#### Treasury stock

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

	Number of shares			
	2023			
	March 31, 2022	Increase	Decrease	March 31, 2023
Treasury stock:				
Common stock	1,252,626	1,857	43,335	1,211,148
	Number of shares			
	2022			
	March 31, 2021	Increase	Decrease	March 31, 2022
Treasury stock:				
Common stock	1,260,507	1,783	9,664	1,252,626

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

## 15. Loss on Impairment of Fixed Assets

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

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

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

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

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



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

#### 16. Loss on sales of shares of subsidiaries and associates

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

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

#### 17. Land Revaluation

At March 31, 2022, a consolidated subsidiary revalued its land held for business use in accordance with the “Land Revaluation Law” and the amended “Land Revaluation Law”. As a result, the consolidated subsidiary recognized a gain on land revaluation and recorded a deferred tax liability related to this gain. The resulting gain, net of the relevant tax effect, has been accounted for under accumulated other comprehensive income (loss) as surplus arising from land revaluation. The method followed for this land revaluation was determined in accordance with the “Land Valuation Tax Law” as stipulated in the “Enforcement Act Concerning Land Revaluation” and other regulations. As of March 31, 2023, the fair value of this land was ¥151 million (\$1,129 thousand) less than its carrying value after revaluation.

#### 18. Selling, General and Administrative Expenses

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

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

#### 19. Other Income (Expenses)

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

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

## 20. Amounts Per Share

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

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Profit attributable to owners of parent	¥ 52,187	¥ 41,233	\$ 390,798

  

	Thousands of shares	
	2023	2022
Weighted average number of shares of common stock outstanding during the year	139,637	139,608

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total net assets	¥ 425,606	¥ 370,728	\$3,187,105
Deductions from total net assets:			
Non-controlling interests	(6,368)	(6,153)	(47,683)
Total net assets attributable to common stockholders	¥ 419,238	¥ 364,575	\$3,139,422

  

	Thousands of shares	
	2023	2022
Number of shares of common stock used in the calculation of net assets per share	139,649	139,608

## 21. Other Comprehensive Income

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

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

## 22. Supplementary Cash Flow Information

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

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

## 23. Derivatives

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

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

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

Method of hedge accounting	Transaction	Hedged items	2023	
			Notional amount	Estimated fair value
(Millions of yen)				
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥17,874	¥ 378
	Euros		3,433	(7)
	Total		¥21,307	¥ 371

Method of hedge accounting	Transaction	Hedged items	2022	
			Notional amount	Estimated fair value
(Millions of yen)				
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥11,752	¥ (585)
	Euros		4,107	(139)
	Total		¥15,859	¥ (724)

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

## 24. Revenue Recognition

### Contract balances

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

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

	2022	
	Balance at March 31, 2021	Balance at March 31, 2022
	(Millions of yen)	
Receivables	¥ 86,988	¥ 88,985
Contract assets	2,808	3,098
Contract liabilities	—	6,005
	2023	
	Balance at March 31, 2022	Balance at March 31, 2023
	(Thousands of U.S. dollars)	
Receivables	\$ 666,353	\$ 567,233
Contract assets	23,201	28,134
Contract liabilities	44,968	52,527

## 25. Segment Information

### Overview of reportable segments

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

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

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

#### Electronics segment:

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

#### Ceramics segment:

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

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

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

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

	Millions of yen						
	2023						
	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Sales to third parties	¥ 250,708	¥ 89,931	¥ 340,639	¥ 76,910	¥ 417,549	¥ —	¥ 417,549
Intersegment sales and transfers	—	85	85	18,807	18,892	(18,892)	—
Net sales	¥ 250,708	¥ 90,016	¥ 340,724	¥ 95,717	¥ 436,441	¥ (18,892)	¥ 417,549
Segment income(loss)	¥ 60,648	¥ 6,129	¥ 66,777	¥ 6,136	¥ 72,913	¥ (551)	¥ 72,362
Segment assets	324,044	126,395	450,439	123,442	573,881	283,628	857,509
Depreciation and amortization	45,454	6,017	51,471	2,066	53,537	1,378	54,915
Increase in property, plant and equipment and intangible assets	121,545	3,083	124,628	3,609	128,237	3,038	131,275
	Millions of yen						
	2022						
	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Sales to third parties	¥ 236,982	¥ 90,678	¥ 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
	Thousands of U.S. dollars						
	2023						
	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	Electronics	Ceramics	Total				
Sales to third parties	\$1,877,402	\$673,438	\$2,550,840	\$575,931	\$3,126,771	\$ —	\$3,126,771
Intersegment sales and transfers	—	633	633	140,834	141,467	(141,467)	—
Net sales	\$1,877,402	\$674,071	\$2,551,473	\$716,765	\$3,268,238	\$(141,467)	\$3,126,771
Segment income(loss)	\$ 454,155	\$ 45,897	\$ 500,052	\$ 45,952	\$ 546,004	\$ (4,125)	\$ 541,879
Segment assets	2,426,572	946,497	3,373,069	924,374	4,297,443	2,123,918	6,421,361
Depreciation and amortization	340,380	45,060	385,440	15,468	400,908	10,313	411,221
Increase in property, plant and equipment and intangible assets	910,174	23,088	933,262	27,028	960,290	22,749	983,039

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



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

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

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

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

## Related information

### Geographical information

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

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

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

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

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

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

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

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

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

## Major customer information

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

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

Customer Name	Millions of yen
2022	
Intel Corp.	¥173,638

## Amortization amount and remaining balance of goodwill

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

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

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

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

## Loss on impairment of fixed assets

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

	Millions of yen								
	2023								
	Reportable Segments			Others	Total	Corporate and Elimination	Consolidated Financial Statements		
	Electronics	Ceramics	Total						
Loss on impairment of fixed assets	¥	—	¥	—	¥—	¥	844	¥	844

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

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

## 26. Subsequent Events

### Cash dividends

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

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

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

### Transfer of shares of consolidated subsidiary

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

#### Reason for transfer of shares

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

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

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

#### Impact on the consolidated financial results

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

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying consolidated financial statements of IBIDEN CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 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.

<b>Accuracy of the accounting treatment for acquisitions of property, plant and equipment as part of the large-scale capital investments in the Electronics Operation</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>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 accounts within property, plant and equipment for the current fiscal year was ¥40,543 million.</p> <p>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.</p> <p>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.</p> <p>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-</p>	<p>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:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the transactions to acquisitions of property, plant and equipment. In the assessment, we focused our testing on controls to ensure the accuracy of the amount recognized, the timing of recognition, the account used, and the timing of when depreciation of the acquired assets starts.</p> <p><b>(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</b></p> <ul style="list-style-type: none"><li>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;</li></ul>

<p>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.</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul>
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### 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.

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

**Consolidated Balance Sheet**

**March 31, 2022**

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2022	2021	2022
<b>Assets</b>			
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	363,270	285,365	2,967,650
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
	775,005	744,264	6,331,217
Accumulated depreciation and impairment loss	(549,084)	(529,436)	(4,485,614)
Property, plant and equipment, net	225,921	214,828	1,845,603
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	75,142	78,326	613,857
Total assets ( <i>Note 27</i> )	¥ 664,333	¥ 578,519	\$ 5,427,110

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

**Consolidated Balance Sheet**

**March 31, 2022**

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2022	2021	2022
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Notes 8 and 10)	¥ 40,030	¥ 35,131	\$ 327,016
Notes and accounts payable (Notes 8 and 11):			
Trade	47,174	42,564	385,378
Other	27,061	29,254	221,070
Lease obligations (Note 12)	135	395	1,101
Accrued expenses	7,055	5,915	57,637
Income taxes payable (Note 14)	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 (Notes 8 and 25)	14,061	7,834	114,867
Total current liabilities	156,161	131,900	1,275,716
Long-term liabilities:			
Long-term debt (Notes 8 and 10)	130,000	115,044	1,062,005
Lease obligations (Note 12)	200	172	1,633
Liability for retirement benefits (Note 13)	579	1,079	4,729
Provision for share-based compensation (Note 6)	493	353	4,028
Deferred tax liabilities (Notes 3 and 14)	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 (Note 15):			
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 (Note 19)	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 (Note 22)	6,153	5,949	50,262
Total net assets (Note 22)	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**

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2022	2021	2022
Net sales ( <i>Note 27</i> )	¥ <b>401,139</b>	¥ 323,461	\$ <b>3,277,011</b>
Cost of sales	<b>281,059</b>	238,011	<b>2,296,047</b>
Gross profit	<b>120,080</b>	85,450	<b>980,964</b>
Selling, general and administrative expenses ( <i>Note 20</i> )	<b>49,259</b>	46,815	<b>402,407</b>
Operating income ( <i>Note 27</i> )	<b>70,821</b>	38,635	<b>578,557</b>
Other income (expenses):			
Interest and dividend income	<b>1,411</b>	1,222	<b>11,524</b>
Interest expense	<b>(281)</b>	(258)	<b>(2,292)</b>
Gain (loss) on sales of investment securities ( <i>Note 9</i> )	<b>91</b>	65	<b>742</b>
Other, net ( <i>Notes 16, 17 and 21</i> )	<b>(12,790)</b>	(7,498)	<b>(104,482)</b>
Profit before income taxes	<b>59,252</b>	32,166	<b>484,049</b>
Income taxes ( <i>Note 14</i> ):			
Current	<b>(19,049)</b>	(8,070)	<b>(155,614)</b>
Deferred	<b>1,360</b>	1,823	<b>11,110</b>
	<b>(17,689)</b>	(6,247)	<b>(144,504)</b>
Profit	<b>41,563</b>	25,919	<b>339,545</b>
Profit attributable to:			
Non-controlling interests	<b>(330)</b>	(220)	<b>(2,705)</b>
Owners of parent ( <i>Note 22</i> )	¥ <b>41,233</b>	¥ 25,699	\$ <b>336,840</b>

*See accompanying Notes to Consolidated Financial Statements.*

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**Year Ended March 31, 2022**

	Millions of yen		Thousands of U.S. dollars (Note 7)
	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) (Note 23)	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
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				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	
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**

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2022	2021	2022
<b>Operating activities</b>			
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	117,476	43,536	959,690
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	¥ 108,373	¥ 38,955	\$ 885,325
<b>Investing activities</b>			
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	(67,723)	(82,345)	(553,244)
<b>Financing activities</b>			
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	13,935	(6,237)	113,842
<b>Effect of exchange rate changes on cash and cash equivalents</b>	4,122	1,628	33,674
<b>Increase (decrease) in cash and cash equivalents</b>	58,707	(47,999)	479,597
<b>Cash and cash equivalents at beginning of year</b>	126,885	174,884	1,036,555
<b>Cash and cash equivalents at end of year (Note 24)</b>	¥ 185,592	¥ 126,885	\$ 1,516,152

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.

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.

**(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.

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 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 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:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
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 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.

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 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.

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.

	2022		
	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
<b>Assets:</b>			
Investment securities	¥ 64,168	¥ 64,168	¥ —
Total assets	<u>64,168</u>	<u>64,168</u>	<u>—</u>
<b>Liabilities:</b>			
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
	(Millions of yen)		
<b>Assets:</b>			
Investment securities	¥ 67,738	¥ 67,738	¥ —
Total assets	<u>67,738</u>	<u>67,738</u>	<u>—</u>
<b>Liabilities:</b>			
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
	(Thousands of U.S. dollars)		
<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.

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 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:

	Millions of yen		Thousands of U.S. dollars
	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
	(Millions of yen)			
Cash and deposits	¥ 185,592	¥ —	¥ —	¥ —
Notes receivable-trade	5,015	—	—	—
Accounts receivable-trade	83,970	—	—	—
Total	<u>¥ 274,577</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

	2021			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	(Millions of yen)			
Cash and deposits	¥ 126,885	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	89,796	—	—	—
<b>Total</b>	<b>¥ 216,681</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

  

	2022			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
	(Thousands of U.S. dollars)			
Cash and deposits	\$1,516,152	\$ —	\$ —	\$ —
Notes receivable-trade	40,970	—	—	—
Accounts receivable-trade	685,970	—	—	—
<b>Total</b>	<b>\$2,243,092</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

### 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.

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

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

  

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

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

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

  

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

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

#### Investment securities

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

#### Derivatives

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

#### Bonds payable

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

#### Long-term loans payable

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

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

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

	2022		
	Acquisition cost	Market value reflected in the balance sheet	Difference
	(Thousands of U.S. dollars)		
Securities whose market value reflected in the balance sheet exceeds their acquisition cost:			
Equity securities	\$ 190,387	\$ 507,208	\$ 316,821
Other	—	—	—
Subtotal	190,387	507,208	316,821
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	18,886	16,996	(1,890)
Total	\$ 209,273	\$ 524,204	\$ 314,931

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.

(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
	(Millions of yen)		
Equity securities	¥ 225	¥ 91	¥ —
Total	¥ 225	¥ 91	¥ —
	2021		
	(Millions of yen)		
Equity securities	¥ 96	¥ 65	¥ —
Total	¥ 96	¥ 65	¥ —



	2022		
	Proceeds	Gross realized gain	Gross realized loss
	(Thousands of U.S. dollars)		
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:

	Millions of yen		Thousands of U.S. dollars
	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%.

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

	Millions of yen		Thousands of U.S. dollars
	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)
	¥ 130,000	¥ 115,044	\$ 1,062,005

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

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

## 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:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment securities	¥ 37	¥ 32	\$ 301

## 12. Lease Obligations

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
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):

	Millions of yen		Thousands of U.S. dollars
	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	\$ —

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
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:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
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:

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

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

	2022	2021
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:

	2022	2021
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	29.9%	19.4%

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

	Millions of yen		Thousands of U.S. dollars
	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

	Millions of yen						
	2022						
	2023	2024	2025	2026	2027	2028 thereafter	Total
Carryforward tax loss (a)	¥ 34	¥ 0	¥ 7	¥ —	¥ —	¥ 17	¥ 58
Valuation reserve	—	—	—	—	—	(13)	(13)
Net deferred tax assets	¥ 34	¥ 0	¥ 7	¥ —	¥ —	¥ 4	¥ 45
	Millions of yen						
	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
	Thousands of U.S. dollars						
	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 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	<b>1,260,507</b>	<b>1,783</b>	<b>9,664</b>	<b>1,252,626</b>
	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.

## 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

Location	Classification	Description	2022	
			Millions of yen	Thousands of U.S. dollars
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.

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

Location	Classification	Description	2021
			Millions of yen
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

#### Transfer profit or loss

	2022	
	Millions of yen	Thousands of U.S. dollars
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

Company name	2022			
	Millions of yen			
	Ividen Ceram GmbH		Ividen Ceram Liegenschaftsverwaltung GmbH	
Current assets	¥	7,864	¥	141
Fixed assets		2,465		107
Current liabilities		2,225		9
Long-term liabilities		472		—

Company name	2022			
	Thousands of U.S. dollars			
	Ividen Ceram GmbH		Ividen Ceram Liegenschaftsverwaltung 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:

Company name	2022			
	Millions of yen			
	Ividen Ceram GmbH		Ividen Ceram Liegenschaftsverwaltung GmbH	
Net sales	¥	10,886	¥	23
Operating income or loss		196		(1)

Company name	2022			
	Thousands of U.S. dollars			
	Ividen Ceram GmbH		Ividen Ceram Liegenschaftsverwaltung GmbH	
Net sales	\$	88,931	\$	188
Operating income or loss		1,599		(5)

## 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:

	Millions of yen		Thousands of U.S. dollars
	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

## 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:

	Millions of yen		Thousands of U.S. dollars
	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

	Yen		U.S. dollars
	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.

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:

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

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

### 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:

	Millions of yen		Thousands of U.S. dollars
	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	539	(35)	4,408
Before tax effect	(2,784)	27,723	(22,740)
Tax effect	795	(8,251)	6,492
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	15,377	8,267	125,621
Total	¥ 13,388	¥ 27,739	\$ 109,373

### 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:

	Millions of yen		Thousands of U.S. dollars
	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	¥ 185,592	¥126,885	\$ 1,516,152

### 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
(Millions of yen)				
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		¥ 15,859	¥ (724)

Method of hedge accounting	Transaction	Hedged items	2021	
			Notional amount	Estimated fair value
(Millions of yen)				
Principal method of accounting	Forward foreign exchange contracts:	Accounts receivable denominated in a foreign currency		
	Sell:			
	U.S. dollars		¥ 14,695	¥ (568)
	Euros		5,740	(239)
	Total		¥ 20,435	¥ (807)

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

## 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
(Millions of yen)		
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
(Thousands of U.S. dollars)		
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.

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 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:

	Millions of yen						
	2022						
	Reportable Segments			Others	Total	Adjustment	Consolidated Financial Statements
	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



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.

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:

	Millions of yen		Thousands of U.S. dollars
	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.

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

	Millions of yen		Thousands of U.S. dollars
	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	Millions of yen		Thousands of U.S. dollars
	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:

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

  

	Millions of yen						
	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

  

	Thousands of U.S. dollars						
	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:

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

  

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

  

	Thousands of U.S. dollars						
	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:

	Millions of yen	Thousands of U.S. dollars
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

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## **Independent Auditor's Report on Review of Quarterly Consolidated Financial Statements**

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

### **Conclusion**

We have reviewed the accompanying quarterly consolidated financial statements of IBIDEN CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the quarterly consolidated balance sheet as at December 31, 2023, the quarterly consolidated statements of income, comprehensive income and cash flows for the nine-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance for the nine-month period then ended in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

### **Basis for Conclusion**

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

### **Responsibilities of Management, Audit and Supervisory Committee for the Quarterly Consolidated Financial Statements**

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

In preparing the quarterly 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 for quarterly consolidated financial statements generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements**

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review in our report on the review of quarterly consolidated financial statements.

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

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other review procedures. A quarterly review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude, based on the evidence obtained, that nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not present fairly in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, if a material uncertainty relating to events or conditions comes to our attention 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 report on the review of quarterly consolidated financial statements to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate,



to express a qualified conclusion or an adverse conclusion. Our conclusions are based on the evidence obtained up to the date of our report on the review of quarterly consolidated financial statements; however, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate that nothing has come to our attention that causes us to believe that the presentation and disclosures in the quarterly consolidated financial statements are not in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, and that nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the group review. We remain solely responsible for our review conclusion.

We communicate with Audit and Supervisory Committee regarding, the planned scope and timing of the review, significant review findings that we identify during our review.

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, actions taken to eliminate threats or safeguards applied.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying quarterly consolidated financial statements with respect to the period ended December 31, 2023 are presented solely for convenience. Our review included the translation of yen amounts into U.S. dollar amounts and, based on our review, nothing has come to our attention that causes us to believe that such translation has not been made on the basis described in Note 5 to the quarterly 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.

Hisashi Ohkita  
Designated Engagement Partner  
Certified Public Accountant

Akihiro Sugiura  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Nagoya Office, Japan  
February 7, 2024

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

**Quarterly Consolidated Balance Sheets**

	Millions of yen		Thousands of U.S. dollars (Note 5)
	December 31, 2023	March 31, 2023	December 31, 2023
<b>Assets</b>			
Current assets:			
Cash and deposits ( <i>Note 7</i> )	¥ 277,412	¥ 302,420	\$ 1,955,945
Notes and accounts receivable ( <i>Note 6</i> ):			
Trade	79,155	75,942	558,100
Other	3,926	2,950	27,681
Allowance for doubtful accounts	(79)	(60)	(554)
Electronically recorded monetary claims ( <i>Note 6</i> )	4,550	3,563	32,080
Inventories:			
Merchandise and finished goods	22,605	30,872	159,381
Work in process	19,321	21,191	136,227
Raw materials and supplies	25,383	27,133	178,970
Other current assets	20,891	12,815	147,294
Total current assets	<b>453,164</b>	476,826	<b>3,195,124</b>
Property, plant and equipment:			
Land	20,544	20,360	144,852
Buildings and structures	225,171	227,466	1,587,615
Machinery and equipment	516,181	540,210	3,639,433
Leased assets	695	628	4,897
Construction in progress	184,147	119,038	1,298,366
	<b>946,738</b>	907,702	<b>6,675,163</b>
Accumulated depreciation and impairment loss	<b>(587,423)</b>	(600,735)	<b>(4,141,744)</b>
Property, plant and equipment, net	<b>359,315</b>	306,967	<b>2,533,419</b>
Investments and other assets:			
Investment securities:			
Affiliates	27	27	194
Other	83,801	61,316	590,857
Long-term loans receivable	8	8	56
Deferred tax assets	4,003	5,534	28,227
Other assets	6,383	7,069	44,995
Allowance for doubtful accounts	(236)	(238)	(1,667)
Total investments and other assets	<b>93,986</b>	73,716	<b>662,662</b>
Total assets	<b>¥ 906,465</b>	¥ 857,509	<b>\$ 6,391,205</b>

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

**Quarterly Consolidated Balance Sheets**

	Millions of yen		Thousands of U.S. dollars (Note 5)
	December 31, 2023	March 31, 2023	December 31, 2023
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	¥ 90,030	¥ 65,030	\$ 634,774
Notes and accounts payable (Note 6):			
Trade	27,632	23,496	194,822
Other	27,800	27,076	196,008
Electronically recorded obligations (Note 6):			
Operating	10,644	12,169	75,046
Facilities	46,781	26,602	329,839
Lease obligations	104	93	730
Accrued expenses	7,569	7,695	53,364
Income taxes payable	1,521	14,269	10,727
Accrued bonuses for employees	2,158	5,139	15,214
Accrued bonuses for directors and audit and supervisory board members	—	186	—
Other current liabilities	35,341	41,566	249,183
Total current liabilities	<b>249,580</b>	223,321	<b>1,759,707</b>
Long-term liabilities:			
Long-term debt	180,000	205,000	1,269,125
Lease obligations	149	167	1,050
Liability for retirement benefits	685	574	4,832
Provision for share-based compensation	529	548	3,730
Deferred tax liabilities	5,909	825	41,664
Other long-term liabilities	1,440	1,468	10,143
Total long-term liabilities	<b>188,712</b>	208,582	<b>1,330,544</b>
Net Assets:			
Shareholders' equity (Note 8):			
Common stock:			
Authorized – 230,000,000 shares			
Issued – 140,860,557 shares at December 31, 2023 and March 31, 2023			
	64,152	64,152	452,320
Capital surplus	64,494	64,494	454,730
Retained earnings	251,604	229,804	1,773,984
Less treasury stock, at cost	(2,981)	(3,127)	(21,016)
Total shareholders' equity	<b>377,269</b>	355,323	<b>2,660,018</b>
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	40,213	24,431	283,530
Surplus arising from land revaluation	160	160	1,129
Translation adjustments	43,871	39,324	309,320
Total accumulated other comprehensive income	<b>84,244</b>	63,915	<b>593,979</b>
Non-controlling interests	6,660	6,368	46,957
Total net assets	<b>468,173</b>	425,606	<b>3,300,954</b>
Total liabilities and net assets	<b>¥ 906,465</b>	¥ 857,509	<b>\$ 6,391,205</b>

See accompanying Notes to Quarterly Consolidated Financial Statements.

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

**Quarterly Consolidated Statements of Income**

	Millions of yen		Thousands of U.S. dollars (Note 5)
	Nine months ended December 31,		Nine months ended December 31, 2023
	2023	2022	
Net sales ( <i>Note 9</i> )	¥ 280,168	¥ 316,682	\$ 1,975,379
Cost of sales	202,318	214,077	1,426,485
Gross profit	77,850	102,605	548,894
Selling, general and administrative expenses	40,902	41,430	288,385
Operating income ( <i>Note 9</i> )	36,948	61,175	260,509
Other income (expenses):			
Interest and dividend income	2,598	2,148	18,314
Interest expense	(507)	(263)	(3,575)
Gain on sales of investment securities	0	20	0
Gain on sales of shares of subsidiaries and associates	3,067	—	21,625
Subsidy income	136	—	961
Loss on tax purpose reduction entry of non-current assets	(136)	—	(961)
Other, net	(1,345)	(1,093)	(9,479)
Profit before income taxes	40,761	61,987	287,394
Income taxes			
Current	(12,623)	(17,332)	(89,003)
Deferred	(510)	(412)	(3,593)
Profit	27,628	44,243	194,798
Profit attributable to:			
Non-controlling interests	(232)	(188)	(1,640)
Owners of parent	¥ 27,396	¥ 44,055	\$ 193,158

See accompanying Notes to Quarterly Consolidated Financial Statements.

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Quarterly Consolidated Statements of Comprehensive Income**

	Millions of yen		Thousands of U.S. dollars (Note 5)
	Nine months ended December 31,		Nine months ended December 31, 2023
	2023	2022	
Profit	¥ 27,628	¥ 44,243	\$ 194,798
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on other securities	15,851	(4,893)	111,763
Translation adjustments	4,553	8,838	32,101
Total other comprehensive income (loss)	20,404	3,945	143,864
Comprehensive income (loss)	¥ 48,032	¥ 48,188	\$ 338,662
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 47,726	¥ 48,039	\$ 336,498
Non-controlling interests	306	149	2,164

See accompanying Notes to Quarterly Consolidated Financial Statements.

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

**Quarterly Consolidated Statements of Cash Flows**

	Millions of yen		Thousands of U.S. dollars (Note 5)
	Nine months ended December 31,		<b>Nine months ended December 31, 2023</b>
	<b>2023</b>	2022	
<b>Operating activities</b>			
Profit before income taxes	¥ 40,761	¥ 61,987	\$ 287,394
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	33,574	40,825	236,719
Loss on impairment of fixed assets	490	96	3,453
Reversal for accrued bonuses for employees	(2,981)	(3,262)	(21,016)
Reversal for accrued bonuses for directors	(186)	(173)	(1,311)
Reversal of allowance for doubtful accounts	16	(27)	116
Increase (decrease) in liability for retirement benefits	112	115	787
Interest and dividend income	(2,598)	(2,148)	(18,314)
Interest expense	507	263	3,575
Share of profit of entities accounted for using equity method	(1)	(0)	(7)
Gain on sales of property, plant and equipment	(14)	(78)	(97)
Loss on disposal of property, plant and equipment	1,536	2,843	10,829
Gain (loss) on sales of investment securities	(0)	(20)	(0)
Loss on sales of shares of subsidiaries and associates	(3,067)	—	(21,625)
Decrease (increase) in notes and accounts receivable—trade	(4,984)	19,068	(35,144)
Decrease (increase) in inventories	12,136	(14,004)	85,570
Increase (decrease) in notes and accounts payable	2,191	(4,244)	15,450
Increase (decrease) in accrued expenses	(126)	745	(891)
Subsidy income	(136)	—	(961)
Loss on tax purpose reduction entry of non-current assets	136	—	961
Other, net	(16,697)	15,551	(117,733)
Subtotal	60,669	117,537	427,755
Interest and dividends received	2,598	2,149	18,314
Interest paid	(507)	(263)	(3,575)
Proceeds from subsidy income	136	—	961
Income taxes paid	(25,480)	(23,588)	(179,647)
Net cash provided by operating activities	¥ 37,416	¥ 95,835	\$ 263,808
<b>Investing activities</b>			
Purchases of property, plant and equipment	¥ (68,043)	¥ (62,373)	\$ (479,748)
Proceeds from sales of property, plant and equipment	159	189	1,124
Purchases of intangible assets	(853)	(640)	(6,016)
Purchases of investment securities	(36)	(34)	(251)
Proceeds from sales of investment securities	0	40	0
Sale of shares of subsidiaries resulting in change in scope of consolidation	8,686	—	61,244
Collection of long-term loans receivable	0	0	1
Other, net	115	(471)	801
Net cash used in investing activities	(59,972)	(63,289)	(422,845)

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Quarterly Consolidated Statements of Cash Flows**

	Millions of yen		Thousands of U.S. dollars (Note 5)
	Nine months ended December 31,		Nine months ended December 31,
	2023	2022	2023
<b>Financing activities</b>			
Increase in long-term debt	<b>45,000</b>	—	<b>317,281</b>
Repayment of long-term debt	<b>(45,000)</b>	—	<b>(317,281)</b>
Proceeds from issuance of bonds	—	50,000	—
Redemption of bonds	—	(20,000)	—
Purchases of treasury stock	<b>(10)</b>	(6)	<b>(71)</b>
Proceeds from sales of treasury stock	<b>156</b>	147	<b>1,101</b>
Cash dividends paid	<b>(5,596)</b>	(6,995)	<b>(39,455)</b>
Cash dividends paid to non-controlling interests	<b>(15)</b>	(15)	<b>(104)</b>
Repayments of lease obligations	<b>(227)</b>	(433)	<b>(1,604)</b>
Net cash (used in) provided by financing activities	<b>(5,692)</b>	22,698	<b>(40,133)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,240</b>	1,624	<b>22,846</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(25,008)</b>	56,868	<b>(176,324)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>302,420</b>	185,592	<b>2,132,269</b>
<b>Cash and cash equivalents at end of period (Note 7)</b>	<b>¥ 277,412</b>	¥ 242,460	<b>\$ 1,955,945</b>

See accompanying Notes to Quarterly Consolidated Financial Statements.



**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Notes to Quarterly Consolidated Financial Statements**

**1. Basis of Presentation**

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

The accompanying quarterly 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 quarterly consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying quarterly consolidated financial statements, certain reclassifications and rearrangements have been made to the quarterly consolidated financial statements issued domestically for the convenience of readers outside Japan. Furthermore, the notes to the quarterly 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**

The accompanying quarterly consolidated financial statements are prepared based on the same accounting policies as the annual consolidated financial statements except for those described in Note 4 and should be read in conjunction with the consolidated financial statements for the years ended March 31, 2023 and 2022. There were no changes in accounting policies that were applied in the accompanying quarterly consolidated financial statements for the nine months ended December 31, 2023 from those for the nine months ended December 31, 2022.

**3. Change in Scope of Consolidation**

IBIDEN Electronics (Beijing) Co., Ltd, which was a consolidated subsidiary for the year ended March 31, 2023, has been excluded from the scope of consolidation since the beginning of the year ending March 31, 2024 due to a transfer of all shares. IBIDEN DPF France S.A.S, which was a consolidated subsidiary for the year ended March 31, 2023, has been excluded from the scope of consolidation since the beginning of the year ending March 31, 2024 due to the completion of its liquidation. IBIDEN Graphite Co., Ltd, which was a consolidated subsidiary for the year ended March 31, 2023, has been excluded from the scope of consolidation since October 1, 2023 due to an absorption-type merger.

**4. Special Accounting Treatment Applied in Preparing Quarterly Consolidated Financial Statements**

(Calculation of Tax Expense)

The tax expenses of the Company and certain of its consolidated subsidiaries are calculated by multiplying the income before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the income before income taxes for the nine months ended December 31, 2023 and 2022.

**5. U.S. Dollar Amounts**

The U.S. dollar amounts in the accompanying quarterly consolidated financial statements have been translated from yen solely for convenience and as a matter of arithmetic computation only at a rate of ¥141.83 to U.S. \$1.00, the rate of exchange prevailing on December 31, 2023. This translation should not be construed as a representation that the yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Notes to Quarterly Consolidated Financial Statements**

**6. Accounting for Notes with Maturity**

The accounting for notes maturing at end of the quarter is to be implemented as of the clearance date. As the end of the current consolidated quarter fell on a bank holiday, the following notes scheduled to mature at the end of the current consolidated quarter are included in the balance at the end of current consolidated quarter.

	Millions of yen		Thousands of U.S. dollars
	December 31, 2023	March 31, 2023	December 31, 2023
Notes and accounts receivable	¥ 129	¥ —	\$ 907
Electronically recorded monetary claims	249	—	1,758
Notes and accounts payable	251	—	1,772
Electronically recorded obligations			
Operating	1,289	—	9,085
Facilities	4,128	—	29,103

**7. Supplementary Cash Flow Information**

A reconciliation of cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and deposits in the accompanying quarterly consolidated balance sheets are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31		Nine months ended December 31,
	2023	2022	2023
Cash and deposits	¥ 277,412	¥ 242,460	\$ 1,955,945
Time deposits with maturities in excess of three months	—	—	—
Cash and cash equivalents	¥ 277,412	¥ 242,460	\$ 1,955,945

**8. 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.

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

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

Cash dividends paid

Nine months ended December 31, 2023						
(Resolution)	Share class	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
May 15, 2023 Meeting of the Board of Directors	Common shares	¥2,798	¥20.00	March 31, 2023	June 1, 2023	Retained earnings
October 26, 2023 Meeting of the Board of Directors	Common shares	¥2,798	¥20.00	September 30, 2023	November 27, 2023	Retained earnings

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Notes to Quarterly Consolidated Financial Statements**

Note:

The total dividends as of the May 15, 2023 meeting of the Board of Directors includes dividends of ¥5 million allocated to the shares of treasury stock of the Company (for the share-based compensation plan for directors and the share-based compensation plan for employees). The total dividends as of the October 26, 2023 meeting of the Board of Directors includes dividends of ¥4 million allocated to the shares of treasury stock of the Company (for the share-based compensation plan for directors and the share-based compensation plan for employees).

Nine months ended December 31, 2022

(Resolution)	Share class	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
May 16, 2022 Meeting of the Board of Directors	Common shares	¥2,798	¥20.00	March 31, 2022	June 2, 2022	Retained earnings
October 27, 2022 Meeting of the Board of Directors	Common shares	¥4,197	¥30.00	September 30, 2022	November 25, 2022	Retained earnings

Note:

The total dividends as of the May 16, 2022 meeting of the Board of Directors includes dividends of ¥6 million allocated to the shares of treasury stock of the Company (for the share-based compensation plan for directors and the share-based compensation plan for employees). The total dividends as of the October 27, 2022 meeting of the Board of Directors includes dividends of ¥7 million allocated to the shares of treasury stock of the Company (for the share-based compensation plan for directors and the share-based compensation plan for employees).

Nine months ended December 31, 2023

(Resolution)	Share class	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Record date	Effective date	Source of dividends
May 15, 2023 Meeting of the Board of Directors	Common shares	\$19,727	\$0.14	March 31, 2023	June 1, 2023	Retained earnings
October 26, 2023 Meeting of the Board of Directors	Common shares	\$19,727	\$0.14	September 30, 2023	November 27, 2023	Retained earnings

Note:

The total dividends as of the May 15, 2023 meeting of the Board of Directors includes dividends of \$35 thousand allocated to the shares of treasury stock of the Company (for the share-based compensation plan for directors and the share-based compensation plan for employees). The total dividends as of the October 26, 2023 meeting of the Board of Directors includes dividends of \$28 thousand allocated to the shares of treasury stock of the Company (for the share-based compensation plan for directors and the share-based compensation plan for employees).

## 9. Segment Information

A summary of net sales, income (loss) by reportable segment for the nine months ended December 31, 2023 and 2022 are as follows:

	Millions of yen Nine months ended December 31, 2023						
	Reportable Segments			Others	Total	Adjustments	Consolidated
	Electronics	Ceramics	Total				
Sales to third parties	¥ 148,186	¥ 72,879	¥ 221,065	¥ 59,103	¥ 280,168	¥ —	¥ 280,168
Intersegment sales and transfers	4	32	36	10,338	10,374	(10,374)	—
Net sales	¥ 148,190	¥ 72,911	¥ 221,101	¥ 69,441	¥ 290,542	¥(10,374)	¥ 280,168
Segment income(loss)	¥ 23,666	¥ 9,174	¥ 32,840	¥ 4,216	¥ 37,056	¥ (108)	¥ 36,948

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

**Notes to Quarterly Consolidated Financial Statements**

	Millions of yen						
	Nine months ended December 31, 2022						
	Reportable Segments			Others	Total	Adjustments	Consolidated
	Electronics	Ceramics	Total				
Sales to third parties	¥ 196,011	¥ 66,040	¥ 262,051	¥ 54,631	¥ 316,682	¥ —	¥ 316,682
Intersegment sales and transfers	3	74	77	11,041	11,118	(11,118)	—
Net sales	<u>¥ 196,014</u>	<u>¥ 66,114</u>	<u>¥ 262,128</u>	<u>¥ 65,672</u>	<u>¥ 327,800</u>	<u>¥(11,118)</u>	<u>¥ 316,682</u>
Segment income(loss)	¥ 53,310	¥ 4,704	¥ 58,014	¥ 3,433	¥ 61,447	¥ (272)	¥ 61,175

	Thousands of U.S. dollars						
	Nine months ended December 31, 2023						
	Reportable Segments			Others	Total	Adjustments	Consolidated
	Electronics	Ceramics	Total				
Sales to third parties	<b>\$1,044,814</b>	<b>\$513,848</b>	<b>\$1,558,662</b>	<b>\$416,717</b>	<b>\$1,975,379</b>	\$ —	<b>\$1,975,379</b>
Intersegment sales and transfers	<b>31</b>	<b>226</b>	<b>257</b>	<b>72,887</b>	<b>73,144</b>	<b>(73,144)</b>	<b>—</b>
Net sales	<u><b>\$1,044,845</b></u>	<u><b>\$514,074</b></u>	<u><b>\$1,558,919</b></u>	<u><b>\$489,604</b></u>	<u><b>\$2,048,523</b></u>	<u><b>\$(73,144)</b></u>	<u><b>\$1,975,379</b></u>
Segment income(loss)	<b>\$ 166,860</b>	<b>\$ 64,681</b>	<b>\$ 231,541</b>	<b>\$ 29,727</b>	<b>\$ 261,268</b>	<b>\$ (759)</b>	<b>\$ 260,509</b>

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 are not included in reportable segments.

The adjustments of segment income (loss) in the amount of ¥(108) million (\$759 thousand) and ¥(272) million for nine months ended December 31, 2023 and 2022, respectively, are eliminations of intersegment transactions and expenses that could not be allocated to the business segments. Segment income (loss) is reconciled to operating income in the quarterly consolidated statements of income.

**10. Amounts Per Share**

Net income per share and the basis for its calculation and diluted net income per share and the basis for its calculation are as follows:

	Nine months ended December 31		Nine months ended December 31, 2023
	2023	2022	
Net income per share (Yen / U.S. dollars)	<b>¥ 196.13</b>	¥ 315.51	<b>\$ 1.38</b>
Basis for calculation			
Net income attributable to owners of parent (Millions of yen / thousands of U.S. dollars)	<b>¥ 27,396</b>	¥ 44,055	<b>\$193,158</b>
Amount not attributed to common shareholders (Millions of yen / thousands of U.S. dollars)	—	—	—
Net income attributable to owners of parent related to common shares (Millions of yen / thousands of U.S. dollars)	<b>¥ 27,396</b>	¥ 44,055	<b>\$193,158</b>
Average number of common shares during the period (Thousands of shares)	<b>139,680</b>	139,632	<b>139,680</b>

Note:

- Diluted profit attributable to the owners of the parent per share for the nine months ended December 31, 2023 and 2022 is not disclosed as the Company has no potentially dilutive common shares for the nine months ended December 31, 2023 and 2022.
- 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 with Custody Bank of Japan, Ltd. (entrusted for the share compensation of directors, etc., and employees) are included in treasury stock (216 thousand shares and 265 thousand shares for the nine months ended December 31, 2023 and 2022, respectively) that is excluded from the calculation of the average number of shares for the period.

**IBIDEN CO., LTD. and Consolidated Subsidiaries**  
**Notes to Quarterly Consolidated Financial Statements**

**11. Subsequent Events**

Not applicable.

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