OFFERING CIRCULAR

TAIYO YUDEN

TAIYO YUDEN CO., LTD.

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

¥20,000,000,000
Zero Coupon Convertible Bonds due 2021
OFFER PRICE: 103.0 PER CENT.

The ¥20,000,000,000 Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds") of Taiyo Yuden Co., Ltd. (the "Company") 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") exercisable on or after 10th February, 2014 up to, and including, 13th January, 2021, unless previously redeemed, acquired or purchased and cancelled or become due and repayable, into fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial Conversion Price (as defined in the terms and conditions of the Bonds, the "Conditions"), subject to adjustment in certain events as set out herein, of ¥2,069 per Share. The Closing Price (as defined in the Conditions) of the Shares as reported on the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") on 9th January, 2014, was ¥1,335 per Share.

Unless previously redeemed, acquired or purchased and cancelled or become due and repayable, the Bonds will be redeemed at 100 per cent. of their principal amount on 27th January, 2021.

On or after 28th September, 2020, the Company may (subject to certain conditions) give notice to the Bondholders to acquire from the Bondholders the Bonds, in whole but not in part, held by them in exchange for the Acquisition Shares (as defined in the Conditions) and the Adjustment Amount (as defined in the Conditions), if any, to be determined in accordance with the Conditions.

On or after 27th January, 2017 and prior to maturity, the Bonds may be redeemed in whole but not in part at their principal amount at the option of the Company as set out herein, provided that no redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days (as defined in the Conditions), the last of which occurs not more than 30 days prior to the day upon which the notice of redemption is first published, is at least 120 per cent. of the Conversion Price in effect on each such Trading Day. The Company may also redeem all 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 (as defined in the Conditions)), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

The Bonds may be redeemed at 100 per cent. of their principal amount at the option of the relevant holder of the Bonds on 25th January, 2019, as set out in the Conditions.

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 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 or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

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

The Bonds will be represented 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 depositary for each of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about 27th January, 2014 (the "Closing Date") for the accounts of their respective accountholders. The 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, or upon acquisition by the Company of, the Stock Acquisition Rights in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act ("Regulation S")). For a summary of certain restrictions on offers and sales of Bonds and Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights, see "Subscription and Sale".

Sole Bookrunner and Lead Manager

Daiwa Capital Markets Europe

Co-Lead Manager

Nomura

Co-Manager

SMBC Nikko

Dated 9th January, 2014.

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 herein 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 issuable upon conversion of the Bonds 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 required, references to the "Group" are to the Company and its consolidated subsidiaries and its affiliate 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 Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein 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 Managers or BNY Mellon Corporate Trustee Services Limited (the "Trustee") to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights and distribution of this Offering Circular, see "Subscription and Sale".

To the fullest extent permitted by law, none of the Managers, 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 by a Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the 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, or upon acquisition by the Company of, the Stock Acquisition Rights 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, or upon acquisition by the Company of, the Stock Acquisition Rights 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, or upon acquisition by the Company of, the Stock Acquisition Rights 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 offer or sell, any Bonds 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 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.

The Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights 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, or upon acquisition by the Company of, the Stock Acquisition Rights may not be offered, sold or delivered within the United States or to U.S. persons. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights 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".

IN CONNECTION WITH THE ISSUE OF THE BONDS, DAIWA CAPITAL MARKETS EUROPE LIMITED (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT 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, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED 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 3rd May, 1998 on the introduction of the euro, as amended, references to "U.S. dollars", "U.S.$" and "$" 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). Accordingly, the total of each column of figures may not be 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 financial statements are prepared in accordance with generally accepted accounting principles in Japan ("Japanese GAAP"), which differ in certain material 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 Group and its Business — 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 at and for the fiscal years ended 31st March, 2011, 2012 and 2013, as indicated in the audit report with respect thereto included herein at page F-3. This Offering Circular also contains the unaudited semi-annual consolidated financial statements of the Company as at 30th September, 2013 and for the six-month periods ended 30th September, 2012 and 2013, which have not been audited. Such unaudited semi-annual consolidated financial statements have been prepared and presented in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan. The unaudited semi-annual consolidated financial statements of the Company as at 30th September, 2013 and for the six-month periods ended 30th September, 2012 and 2013 prepared by the Company in Japanese in accordance with the FIEA have been reviewed by the Company's independent auditors in accordance with the quarterly review standards generally accepted in Japan under the FIEA.

Segment Data

Effective from the year ended 31st March, 2013, the Company has changed the product segment previously listed as "Modules" to "Integrated Modules & Devices". In addition, SAW/FBAR devices and high frequency integrated module components previously included in "Other Electronic Components" are now included in "Integrated Modules & Devices". Furthermore, energy devices previously included in "Capacitors" are now included in "Other Electronic Components". Data for the fiscal year ended 31st March, 2012 used for comparison purposes represents data after product segment changes were made.

Change in Accounting Policy

See "Recent Business — Change in Accounting Policy — Change in Accounting Policy for Employee Benefits" for details of the change in accounting policy applied by the Company in respect of its consolidated financial statements from the fiscal year started 1st April, 2013.

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 thereof at the option of the Company. 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 and except in the context of the exercise by the Company of its option to acquire the Bonds (including the Stock Acquisition Rights in relation thereto). In addition, references to the word "acquired" used in conjunction with the Shares (other than where the references are to the acquisition of the Bonds at the option of the Company pursuant to Condition 7.2) shall be read as including both the words "issued" and "transferred", and the word "acquisition" shall be construed accordingly.

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 document or any forward-looking statements contained in this document 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.

CONTENTS

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".

TAIYO YUDEN CO., LTD.

Since the Company's inception in 1950, the Group has been engaged in the development and mass production of electronic components that meet contemporary market needs. The Group's core philosophy is that the process of product commercialisation should start with material development. The Group currently engages in the research, development, manufacture and sales of products that include capacitors, inductors, circuit products, SAW/FBAR devices, energy devices and recording media. The Group's products have applications mainly in IT and electronics fields, and are integrated into a variety of devices such as communications and information devices including smartphones and tablets as well as AV devices. In recent years, the Group has also been focusing on launching products in the automobile, industrial equipment, health-care and environmental energy markets.

The Group's reporting segments (being those for which separate financial information is available and regular evaluation by the Company's Board of Directors is performed in order to decide how resources are allocated within the Group), comprise of two segments identified by the nature of the business, being (i) Electronic Components, and (ii) Optical Media and Others:

- *Electronic Components*: This segment comprises of the following product segments:
    - *Capacitors*: This product segment principally comprises of the manufacture and sale of small, high-capacitance multilayer ceramic capacitors.
    - *Ferrite and Applied Products*: This product segment principally comprises of the manufacture and sale of wire-wound chip inductors, multilayer chip inductors, ferrite chip beads and common-mode choke coils.
    - *Integrated Modules & Devices*: This product segment principally comprises of the manufacture and sale of SAW/FBAR devices for mobile communications, various power modules, high-frequency modules and embedded parts multilayer wiring substrates.
    - *Other Electronic Components*: This product segment principally comprises of the manufacture and sale of energy devices such as polyacene capacitors and lithium ion capacitors.
- *Optical Media and Others*: This segment comprises of the following product segments:
    - *Optical Media Products*: This product segment principally comprises of the manufacture and sale of CD-Rs and DVD-Rs and the sale of BD-Rs.
    - *Others*: The Others product segment mainly comprises the printed circuit board design and the device mounting business.

As at 30th September, 2013, the Group consisted of the Company, its 34 consolidated subsidiaries and one affiliate of the Company accounted for by the equity method. The Company's consolidated net sales, operating income and net income for the fiscal year ended 31st March, 2013 amounted to ¥192,904 million, ¥4,993 million and ¥2,000 million, respectively and for the six-month period ended 30th September, 2013 amounted to ¥105,550 million, ¥7,197 million and ¥4,261 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 16-20, Ueno 6-chome, Taito-ku, Tokyo 110-0005, Japan.

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 9th January, 2014 was approximately ¥160,842 million.

THE OFFERING

Issuer	Taiyo Yuden Co., Ltd.
Securities Offered	¥20,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*).
Issue Price	100.5 per cent.
Offer Price	103.0 per cent.
Closing Date	On or about 27th January, 2014.
Delivery	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	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".
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 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.
Lock-up	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: (a) 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; (b) 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; (c) 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 (d) publicly announce any intention to do any of the above,

without the prior written consent of Daiwa Capital Markets Europe Limited (on behalf of the Managers), other than:

(i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(ii) the issue or transfer of any Shares by the Company upon exercise of any stock acquisition rights (including bonds with stock acquisition rights) issued and outstanding as of the date hereof and referred to in this Offering Circular;

(iii) the grant of stock options or stock acquisition rights to directors of the Company pursuant to its stock option plans;

(iv) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or stock acquisition rights to holders of Shares without any consideration; and

(v) 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 ¥20.0 billion, and are expected to be used by the Company primarily as follows:

(i) approximately ¥10 billion for capital expenditure in Japan for increasing the Group's production capacity in respect of super high-end products in the Electronic Components segment, including for increasing production capacity, manufacturing new products, improving productivity and maintenance and repair of factories of the Company (such as the Tamamura and Nakanojo factories) and its subsidiaries and affiliate (such as TAIYO YUDEN Mobile Technology Co., Ltd. ("TAIYO YUDEN Mobile Technology") and Chuki Seiki Co., Ltd. ("Chuki Seiki")) involved in the manufacture of products such as ultra small, high-capacitance and thin multilayer ceramic capacitors, MCOIL™ metal power inductors, super compact size multilayer chip inductors and SAW/FBAR devices for mobile communications;

(ii) ¥8 billion for the repayment of the Company's series 1 unsecured bonds due January 2015; and

(iii) the balance for repayment of borrowings.

THE BONDS

Form and Denomination	The Bonds are issued in registered form in the denomination of ¥10,000,000 each.
Initial Conversion Price	¥2,069 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, at any time on and after 10th February, 2014 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 13th January, 2021 (but in no event thereafter), 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 5.1.4), 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).
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 remain 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 relevant Bonds. See Condition 2.
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 27th January, 2021.
Acquisition of the Bonds at the Option of the Company	On or after 28th September, 2020, and subject to certain conditions, the Company may, but shall not be bound to, give notice (the "Acquisition Notice") to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable) to acquire from the Bondholders all, but not some only, of the Bonds outstanding on the

	date (the "Acquisition Option Date") fixed for such acquisition in the Acquisition Notice (being a date not less than 60 and not more than 75 days after the date that the Acquisition Notice is first given). Upon giving such notice, all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date (and each Bondholder will be bound to agree to such acquisition) in exchange for (i) the Acquisition Shares (as defined in Condition 7.2.1) to be issued with effect as of the Acquisition Option Date, and (ii) the Adjustment Amount (as defined in Condition 7.2.1), if any, payable on the Acquisition Option Date, each to be determined in accordance with the Conditions. In order to effect delivery of any Acquisition Shares, Bondholders will be required to deliver a Share Settlement Notice (as defined in Condition 7.2.2) no later than the Determination Date (as defined in Condition 7.2.2). If there are any Bonds in respect of which a duly completed Share Settlement Notice has not been delivered, the Company shall deliver all the Acquisition Shares with respect to all such Bonds without Share Settlement Notice to the Custodian's Agent on behalf of the Custodian. All the Acquisition Shares so delivered to the Custodian's Agent shall be sold by it and the net proceeds of such sale shall be paid through the Custodian to holders of the Bonds without Share Settlement Notice. See Condition 7.2.
Early Redemption — Redemption at the Option of the Company upon Increased Share Prices	The Company may, on or after 27th January, 2017, 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, provided, however, that no such redemption may be made unless the Closing Price (as defined in Condition 3.1) of the Shares for each of the 20 consecutive Trading Days (as defined in Condition 3.1), the last of which occurs not more than 30 days prior to the date upon which the notice of such redemption is first published, is at least 120 per cent. of the Conversion Price in effect on each such Trading Day. 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 9th January, 2014, 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. See Condition 6.

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.
Early Redemption — Redemption at the option of the Bondholders	The holder of any Bond is entitled, at its option, unless notice of early redemption of the Bonds by the Company shall have been given in accordance with Condition 7.13, to require the Company to redeem such Bond at 100 per cent. of its principal amount on 25th January, 2019, by giving notice to the Company not less than 30 nor more than 60 days prior to such redemption date. See Conditions 7.9 and 7.13.
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”)	XS1008564848.
Common Code	100856484.
Trustee	BNY Mellon Corporate Trustee Services Limited.

Principal Agent	Sumitomo Mitsui Banking Corporation Europe Limited.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Custodian	Sumitomo Mitsui Finance Dublin Limited.
Custodian's Agent in Japan	Sumitomo Mitsui Banking Corporation.

GLOSSARY

Set out below are definitions of some of the terms used in this Offering Circular.

AV devices	Audio-visual devices.
BD-R	Recordable blu-ray disk.
Bluetooth®	Bluetooth® technology is a wireless communications system for exchanging data over short distances, intended to replace the cables connecting different types of devices, such as mobile phones and headsets.
Capacitor	An electronic component fitted to digital devices, such as smartphones, tablets and digital cameras, to store electricity on a temporary basis and to release it as required, and to remove electronic noise.
CD-R	Recordable compact disk.
Chip	An electronic component in a shape with no lead lines.
Choke coils	See the definition of “Inductors”.
CPU	Central processing unit.
DC	Direct current.
DVD-R	Recordable digital versatile disk.
EIA size	An indication of size pursuant to the EIA standards set by the Electronic Components Industry Association.
EMC	Electromagnetic compatibility.
EOMIN™	EOMIN™ (Embedded Organic Module Involved Nanotechnology) is an embedded parts multilayer wiring substrate of the Company that incorporates a copper core, with a technology developed to accommodate multiple built-in ICs.
FBAR	Film bulk acoustic resonator. A type of bulk acoustic wave filter (which utilises the resonant oscillation of the piezoelectric membrane (bulk waves)), which utilises a film type piezoelectric membrane sandwiched between electrodes.
Front-end module	A product which integrates the require circuits as one module in the reception portion of the antenna.
High-Q	See the definition of “Q-factor”.
IC	Integrated circuit.
IT	Information technology.
Inductors	Inductors have two main applications: firstly, they serve as electronic noise suppression components based on their characteristic of

allowing direct current to pass while blocking the flow of alternating current, and secondly, inductors serve as electronic components known as choke coils (also known as power inductors), which utilise inductors' ability to store electricity in the form of a magnetic field in their coils.

ISO 14001	An international standard for environmental management system issued by the International Organisation for Standardisation ("ISO"). It defines the requirements for a system to continually improve the environmental impact of corporate activities.
ISO 9001	An internationally recognised standard for the quality management of businesses. It applies to the processes that create and control the products and services an organisation supplies, prescribing systematic control of activities to ensure that the needs and expectations of customers are met. It is designed and intended to apply virtually to any product or service, made by any process anywhere in the world.
LCD	Liquid crystal display.
LTE	Long term evolution. LTE is a high-speed data transmission format for wireless services, designed by the 3rd Generation Partnership Project (a standard-setting organisation), intended to achieve high-speed transmission in excess of 100 megabits per second for downlink and more than 50 megabits per second for uplink.
MCOIL™	A type of metal power inductor developed and commercialised by the Company, made of metallic magnetic materials developed by the Company. The most significant feature of MCOIL™ is that it allows for the passage of large currents (around 1.5 times that of a ferrite inductor of the same size), coupled with a miniaturised and low-profile form, and is designed to meet market needs for the lengthening of the battery operating time of compact digital devices such as smartphones and tablets.
µF	Microfarad. Farad is a unit of capacitance and "micro" means one-millionth.
PC	Personal computer.
Power inductors	A type of inductor used in power circuits that serve to stabilise circuit voltages. See also the definition of "Inductors".
Q-factor	Quality factor. The higher the Q-factor which an inductor has at certain frequency, the more effectively the inductor works at the relevant frequency.
SAW	Surface acoustic wave. Acoustic wave which travels along the surface of a material. A SAW filter utilises the surface elasticity of its piezoelectric body.
Tablets	Tablet PCs.
TV	Television set.
Wireless LAN	Local area network system which allows the transmission and reception of various data utilising wireless telecommunications.

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

The Group directly markets to, and negotiates with, many electronic product and device manufacturers including major global manufacturers. The demand for multilayer ceramic capacitors, the Group's main product, as well as most of its other products, tends to reflect the demand for products in the electronics markets. Competition in the products sold by the Group's customers is intense, with often great differences in demand between "hit" products and other similar products, and increasingly shortened life cycles as new products are introduced at a greater frequency. These trends are particularly acute for integrated modules and devices and, in respect of products manufactured by the Group's customers, smartphones and tablets. 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. 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. As production lines for such products, especially for super 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. Business cycles vary by product and according to the Group's customers' requirements. These factors may affect the demand for the Group's products and may adversely affect the Group's results of operation and its financial condition.

Competitive Industry

The electronic device 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. To remain competitive, the Group must achieve continuous cost reductions by improving its production process (including moving production to overseas facilities in a timely manner), but depending on the trend of demand in the market for the Group's products, prices for such products may decline below the cost reductions which the Group may achieve, and may adversely affect the Group's profitability.

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 resources. The greater financial resources of such competitors may enable them to commit larger amounts of capital in response 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, which may intensify competition for the Group (although the Group's current focus is not on middle-end and lower-end products). Further, the Group must continue to introduce new products that offer performance advantages over its existing products and which can achieve premium prices that offset the price declines in its existing products.

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 products.

The Development and Sale of Reliable Products

The Group strives to actively develop excellent leading-edge technologies, apply them in new products, and introduce them promptly to the market. At the same time, the Group has also worked to establish systems to provide a quality assurance with ISO 9001 certification as well as a sophisticated service structure. 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, leading-edge technologies are utilised in its products, it is possible that unforeseen or unexpected faults or malfunctions may occur. Any partial or complete malfunction of one of the Group's products could result in substantial losses to the Group. 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 automobiles) or affects human life (such as products relating to the automobile or health-care industries). 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

While most of the fundamental technologies used in the electronic components industry have been available for a long time, the market is nonetheless typified by rapid changes in product designs and technological advances allowing for better performance, smaller size and/or lower cost. New applications are frequently found for existing technologies, and new technologies occasionally replace existing technologies for some applications or open up new business opportunities in other areas of application. The Group actively invests in research and development ("R&D") with respect to leading-edge technologies, including ceramic technologies based on raw material technologies, multilayer technologies, circuit design technologies, software technologies, production system technologies, and evaluation and simulation technologies.

The Company believes that successful innovation is critical for maintaining profitability in the face of potential erosion of selling prices for existing products and to ensure the flow of new products and manufacturing processes that will keep the Group at the forefront of its customers' product designs. The Group works to create leading-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. 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 adversely affected.

Global Operations

The Group's overseas production ratio currently exceeds 60 per cent., with production bases in locations such as China, Malaysia, Philippines and South Korea. The Group has established a global divisional structure and considers its overseas sales companies as customer sales bases for each geographical area and its overseas production companies as optimised production bases. Some of the countries 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;
- exposure to different legal standards;
- 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); and
- 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 production and sales bases in China, a large and growing economic power in the world. 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 Chinese government has over the last decade or so been implementing many economic reforms, but such reforms and other policies can be unpredictable in their introduction and changes 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 a slowdown in economic growth, exchange rate fluctuations between the Renminbi and the U.S. dollar and/or the Japanese yen, problems with electric power supply and other infrastructure systems, 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's overseas sales account for a large part of its consolidated net sales and is increasing due to the active development of its overseas business. Although the Group's sales are often denominated in U.S. dollars, its expenses are generally incurred in local currencies and accordingly the Group's results are subject to fluctuations in the exchange rate between the U.S. dollar and local currencies at the places of production. In addition, foreign currency exchange rate fluctuations can affect the Japanese yen value of the Group's monetary 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 affected by the rates of exchange as at the last day of the fiscal year (in the case of assets and liabilities and net assets) and by the average rate of exchange for the relevant fiscal year (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 and to a certain extent by obtaining funding through U.S. dollar loans, the Group may not be able to fully insulate itself from the effects of foreign currency exchange rate fluctuations.

Interest Rate Risk

As at 30th September, 2013, the balance of the Group's interest-bearing debt amounted to ¥65,294 million (excluding lease liabilities). Most of such loans are yen-denominated, although the Group also has some U.S. dollar-denominated borrowings. The current level of interest rates charged on yen-denominated and U.S. dollar-denominated loans are low, but the outlook for yen and U.S. dollar interest rates is uncertain and interest rates may increase in the future. Increases in prevailing interest rates may have the effect of increasing interest payments by the Group and may increase the refinancing cost on maturity of the Group's debts. Although the Group conducts hedging activities, this may only partially cover the interest rate risk relating to the Group's interest-bearing debt, and any increase in interest rates may have a material adverse effect on the Group's results of operations and financial condition. In addition, 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 become more restricted. Any such events may adversely affect the Group's results of operations and financial condition.

Risks Associated with 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, the Group's credit losses may increase, which may adversely affect the Group's results of operations and financial condition.

Regulations

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 and recycling as well as governmental permits for conducting business and making 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. 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 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 materially adverse effect on the results of operations and financial condition of the Group.

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 industrial, solid and hazardous wastes, 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. 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.

Intellectual Property

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, there can be no assurance that the Group will always be successful in adequately protecting its intellectual property rights. For example, in some countries where intellectual property rights are not given sufficient protection, there may be a possibility that local companies could imitate and sell products similar to the Group's products, which would damage the Group's sales opportunity of the products. Further, poor quality of the imitated products could harm the Group's credibility.

While the Group has put in place what the Company considers to be a reasonable remuneration policy for inventions by employees leading to the Group obtaining intellectual property rights, there can be no assurance that there will never be disputes relating to remuneration where the revenues from such intellectual property rights turn out to be very significant.

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 more global. These factors increase the possibility of a dispute by the Group with third parties over intellectual property or other similar rights, and any such dispute may have a negative impact on the Group's business, results of operations and financial condition.

Risks Relating to 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 extremely 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.

Natural Disaster, 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, typhoons, floods, hurricanes and other extreme weather conditions, fires, infectious diseases and epidemics. In addition, other events outside the Group's control (such as deliberate acts of sabotage) 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. In the event of a major natural disaster or other uncontrollable events or accidents, the Group's facilities, particularly its production plants 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 revenues may be experienced, or other problems (such as problems relating to the Group's information network) may be caused to the Group's operations. The Group has insurance to cover certain potential losses at its production facilities, although loss caused by earthquake and certain water-related damage is not covered. However, 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.

Management Plan

To respond to the current and future business environment, the Group is implementing measures for improving profitability consisting of structural reforms and growth strategies. In structural reforms in particular, the Group has set certain fixed cost reduction measures centred on increased utilisation of overseas business bases, the withdrawal of unprofitable products, reorganisation of domestic and overseas business sites, and personnel reductions. 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 Group is currently pursuing its medium-term management plan up to the fiscal year ending 31st March, 2015, and has set certain specific quantitative or qualitative targets. In addition, the Group has set a strategy of, among other things, focusing on super high-end products and on broadening its offering to key target markets such as automobile, industrial equipment, health-care and environmental energy markets. See "Business — Strategy".

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 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.

Risks Associated with Business Acquisitions and Other Activities

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, tie-ups, joint ventures and alliances with other companies. 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. 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 relationships with third parties were not beneficial to the Group's business, it may divest, rationalise or end such business or relationships. 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.

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 in those and other respects. 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. There are currently discussions regarding the possible adoption of IFRS or the use of IFRS by Japanese listed companies in the future. If the Company were to use IFRS for its financial reporting, the reported financial results of the Company and/or the Group may differ materially from prior years' financial results prepared under Japanese GAAP, which may make comparisons to prior years more difficult.

Unaudited Semi-annual Financial Statements

This Offering Circular contains unaudited semi-annual consolidated financial statements in respect of the six-month periods ended 30th September, 2012 and 2013, which are not required to be, and have not been, audited by the Company's independent auditors. The unaudited semi-annual consolidated financial statements of the Company as at 30th September, 2013 and for the six-month periods ended 30th September, 2012 and 2013 prepared by the Company in Japanese in accordance with the FIEA have been reviewed by the Company's independent auditors in accordance with the quarterly review standards generally accepted in Japan under the FIEA.

The unaudited semi-annual 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. Certain adjustments, accruals and deferrals which are made in the annual audited consolidated financial statements have been estimated or are not made in respect of such unaudited semi-annual consolidated financial statements.

In addition, such unaudited semi-annual 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 semi-annual consolidated financial statements may not be indicative of the Group's consolidated annual results as at and for the year ending 31st March, 2014 or for future fiscal periods.

Considerations Relating to the Bonds and the Shares

Limitations on the Timing of Exercise of Stock Acquisition Rights

Since the coming into effect of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act") in January 2009, under the current rules and practices of the Japan Securities Depository Center, Inc. ("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, 31st March and 30th September in each year).

No Cash Amounts in respect of Non-unit Shares

Since the coming into effect of the Book-Entry Act, making it possible for listed shares of Japanese companies comprising less than one whole 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 whole 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 whole 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 whole unit are limited under the Company's Articles of Incorporation, and may not be tradable 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.

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.

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, fluctuations in foreign currency exchange rates, regulatory changes, disputes over intellectual property or other similar rights, and the Group's success in implementing its strategy. 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):

The ¥20,000,000,000 Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by Taiyo Yuden Co., Ltd. (the "Company") are constituted by a trust deed (the "Trust Deed") dated 27th January, 2014 made between the Company and BNY Mellon Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being trustee or trustees 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 27th January, 2014 relating to the Bonds between, *inter alios*, the Company, the Trustee, the principal agent (the "Principal Agent"), the registrar (the "Registrar") and the other agents referred to therein are available for inspection by prior written request 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 One Canada Square, 40th Floor, London E14 5AL, United Kingdom, 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 the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (but excluding the Registrar).

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 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) (the "Issue Price") is 100.5 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 name 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 Trust Deed, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of 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 the exercises of 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 prior 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 five Transfer Business Days of receipt of the duly completed and signed 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 as agreed between such holder and the Registrar or relevant Agent 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 new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the Agents, 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); (ii) the Registrar being satisfied with the documents of title and/or the identity of the person making the application; and (iii) the Company and the Registrar or the relevant Agent being 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 date for redemption pursuant to Condition 7.1, 7.6, 7.7 or 7.8, (ii) during the period from and including the Determination Date (as defined in Condition 3.1) or, if earlier, the time at which a Share Settlement 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), (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), or (v) after a notice of redemption has been deposited in respect of such Bond pursuant to Condition 7.9.

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 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):

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

"Acquisition Notice" has the meaning provided in Condition 7.2.1;

"Acquisition Option Date" has the meaning provided in Condition 7.2.1;

"Acquisition Shares" has the meaning provided in Condition 7.2.1;

"Acquisition Share Value" 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;

"Adjustment Amount" has the meaning provided in Condition 7.2.1;

"Annual Fiscal Period" means a period commencing on 1st April and ending on 31st March of the immediately succeeding year; provided that, if the Company shall change its financial year so as to end on a date other than 31st 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 to them, such other auditors or firm of auditors as may be appointed by the Company 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 identified to the Trustee by notice 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;

"Board of Directors", in respect of any company, means the board of directors of such company;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Bondholders' Optional Redemption Date" has the meaning provided in Condition 7.9;

"Bonds without Share Settlement 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" has the meaning provided in Condition 8.3;

"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 7.12;

"Closing Date" means 27th January, 2014;

"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) and approved in writing by the Trustee for such purpose;

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

"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;

"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 Schedule 1 to 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 Sumitomo Mitsui Finance Dublin Limited at its specified office at La Touche House, I.F.S.C., Custom House Docks, Dublin 1, Ireland 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 Sumitomo Mitsui Banking Corporation at its specified office at 2-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, 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;

"Determination Date" has the meaning provided in Condition 7.2.2;

"Due Date" has the meaning provided in Condition 9;

"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 payable;

"Exercise Period" 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 at a meeting of the Bondholders duly convened (including the 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;

"Financial Instruments and Exchange Act" 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 1st April and ending on 31st March of the immediately succeeding year; or (ii) three month periods each commencing on 1st April, 1st July, 1st October and 1st January; provided that, if the Company shall change its financial year so as to end on a date other than 31st 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 or accounting firm of international 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 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 adviser, appointed by the Trustee in accordance with Condition 18 and notified to the Company;

"Issue Price" has the meaning provided in Condition 1.1;

"Last Day Conversion Price" shall have the meaning provided in Condition 7.2.1;

"Listing" has the meaning provided in Condition 6.4.2;

"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;

"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;

"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 10 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 10 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;

"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;

"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 Financial Instruments and Exchange Act, 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, if applicable, as adopted or endorsed by Japan);

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

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means Tokyo Stock Exchange, Inc. 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 Tokyo Stock Exchange, Inc., 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, 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;

"Share Settlement Notice" has the meaning provided in Condition 7.2.2;

"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" has the meaning provided in Condition 5.1.4;

"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 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), and 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 the references are to the acquisition of the Bonds pursuant to Condition 7.2). 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 Inc.'s system. 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 determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, 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 *Exercise of 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 having 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 ("Non-unit Shares") not constituting a unit (*tangen*) of 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 of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares.

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 ¥2,069 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Each Stock Acquisition Right may be exercised in accordance with Condition 5.9 at any time during the period from, and including, 10th February, 2014 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 13th January, 2021, or:

(i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled by the Company pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled; or

(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); or

(iii) if the Bonds shall become due to be redeemed pursuant to Condition 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; or

(iv) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.9, then up to the time when the relevant notice of redemption is deposited at the specified office of an Agent pursuant to Condition 7.9; or

(v) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or

(vi) 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 13th January, 2021;

(b) 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

(c) in the case of acquisition pursuant to Condition 7.2, if an Acquisition Notice has been duly given by the Company, the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date;

(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 and 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 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 holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"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); and

"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.

The Company shall give 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, a notice of the determination and period referred to in Condition 5.1.4(b) 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 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, 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 two 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.

So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give notice to the Trustee 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 two 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.*

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31st March and 30th September. By way of example, in respect of the Record Date falling on 31st March, 2014, 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) 27th March, 2014 to (and including) 31st March, 2014.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to 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 *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 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 happening 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 issue 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 issue 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 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:

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

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 (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 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:

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

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 (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 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:

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

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 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 thereof.

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 amount obtained by multiplying the Base Dividend by the relevant percentage set out below and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period:

Annual Fiscal Period ending on 31st March,	**Percentage**
2014	110
2015	121
2016	133
2017	146
2018	161
2019	177
2020	195
2021	214

"Base Dividend" means ¥48,330.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥10.

"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 it 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 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 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 merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such 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) 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 them 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:

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

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 date of the issue 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 issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall issue or transfer (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 issue or transfer 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:

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

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 issue 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 issue 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) 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 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 grant, issue 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 grant, issue 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 or transfer of such Shares, or the issue 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; and

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.

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, corporate auditors or directors (including directors 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 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. Neither the Trustee, the Registrar, the Principal Agent nor the other Agents shall be under any duty 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 will not be responsible or liable in any respect to Bondholders for any loss arising from any failure by it to do so.

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 Custodian and the Custodian's 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 at least 30 days' 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 Sumitomo Mitsui Banking Corporation 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 not 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 Agent will not be bound to make any payments until the 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 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 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 Agent disclosing otherwise confidential information for the purposes of the 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*: The date on 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 Date" applicable to such Bond. 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 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). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company.

If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the Agent, such delivery 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 Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. 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 Bond(s) the Stock Acquisition Right(s) incorporated in which has/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, or the Articles of Incorporation:

(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, securities (other than Shares), property or cash 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 Shares), property or cash 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 Shares), property or cash 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;

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.

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 and (unless the Trustee is also the Principal Agent) the Principal Agent 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 and (unless the Trustee is also the Principal Agent) the Principal Agent 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 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 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;

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 27th January, 2021. 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*: On or after 28th September, 2020, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may, but shall not be bound to, acquire from the Bondholders all, but not some only, of the Bonds outstanding on the Acquisition Option Date (as defined below); provided that such option to acquire may not be exercised by the Company if an Event of Default has occurred. To exercise such option to acquire, the Company shall give notice of such acquisition (the "Acquisition Notice") (which notice shall be irrevocable) 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, specifying the date fixed for such acquisition (the "Acquisition Option Date"), which shall be a date not less than 60 and not more than 75 days after the date that the Acquisition Notice is first given; and upon giving such notice, all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date. Each Bondholder by accepting or acquiring any Bond agrees that such Bond shall be so acquired by the Company on the Acquisition Option Date (whether or not a Share Settlement Notice is delivered as required by Condition 7.2.2).

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

(i) issue the Acquisition Shares to the Bondholders and shall deem the Custodian or its nominee to have become the holder of record thereof, with effect as of the Acquisition Option Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), and

(ii) pay to the Bondholders in the same manner as provided in Condition 8, the Adjustment Amount on the Acquisition Option Date.

Immediately prior to giving the Acquisition Notice (but on the same day as the giving of such Acquisition Notice), the Company shall provide the Trustee with a certificate by a Representative Director or an Authorised Officer certifying to the effect that, as at the date thereof, no Event of Default or, no condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, has occurred. The Trustee may rely absolutely without liability to Bondholders or any other person on such certificate as to the absence of any Event of Default or, any condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, on such date.

Any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the Acquisition Shares or the Adjustment Amount 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 Shares" means such number of Shares per Bond calculated by dividing (i) the principal amount of the Bond by (ii) the Last Day Conversion Price, provided that fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof, provided further that, 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 in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser);

"Acquisition Share Value" means the yen amount per Bond comprising the product of the number of the Acquisition Shares deliverable per Bond multiplied by the Average VWAP per Share;

"Adjustment Amount" means such yen amount per Bond, if any (subject to a minimum of ¥0, and rounded down to the nearest yen) calculated in accordance with the formula below:

AA = PA – SV

where:

AA = Adjustment Amount in respect of such Bond;

PA = 100 per cent. of the principal amount of such Bond; and

SV = the Acquisition Share Value of such Bond;

"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. If on any Trading Day, 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 VWAP on such Trading Day. 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 in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser) in order to compensate for the effect of such event;

"Last Day Conversion Price" means the Conversion Price in effect on the last day of the Relevant VWAP Period; and

"Relevant VWAP Period" means the 20 consecutive Trading Days beginning on the 5th Trading Day from, but excluding, the date on which the Company gives the Acquisition Notice to the Bondholders in accordance with Condition 19.

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

7.2.2 *Share Settlement Notice*: In order to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.2, each Bondholder must deliver to the specified office of an Agent, no later than the Determination Date, a duly completed share settlement notice (a "Share Settlement Notice") substantially in the form set out in the Agency Agreement (a copy of which may be obtained from the specified office of any Agent) with respect to the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Share Settlement Notice relates. A Share Settlement Notice shall be irrevocable once delivered.

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 Share Settlement 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 Share

Settlement Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.5 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 a Share Settlement 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.

A Share Settlement Notice may be delivered by a holder with respect to one or more Bonds. To the extent that a Share Settlement 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 Share Settlement Notice.

In these Conditions, "Determination Date" means the date falling 14 calendar days prior to the Acquisition Option Date.

7.2.3 *Sale of Shares*: If, on the day immediately following the Determination Date, there are any Bonds ("Bonds without Share Settlement Notice") in respect of which a duly completed Share Settlement Notice has not been received by an Agent on or prior to the Determination Date, the following provisions shall apply in respect of such Bonds without Share Settlement Notice:

(i) the Company shall deliver or cause to be delivered all the Acquisition Shares deliverable with respect to all such Bonds without Share Settlement Notice to the Custodian's Agent on behalf of the Custodian on or as soon as possible after the Acquisition Option Date whereupon all such Acquisition Shares shall be deemed to be delivered and paid to the relevant Bondholders;

(ii) all the Acquisition Shares so delivered pursuant to Condition 7.2.3(i) shall be sold (whether in one or more lots) by the Custodian's Agent, acting on behalf and by order of the Custodian (subject to any limitations then imposed by Japanese law and any necessary consents being obtained), and (subject to the deduction by the Custodian's Agent of any amount which shall be payable in respect of any liability of the Custodian or the Custodian's Agent to taxation and the payment of any capital, stamp, issue or registration duties (if any) and any fees or costs incurred by the Custodian or the Custodian's Agent in connection with the allotment and sale thereof) the net proceeds thereof shall be paid by the Custodian's Agent to the Custodian (or any Agent if so instructed by the Custodian) for distribution to holders of the Bonds without Share Settlement Notice in the same manner as provided in Condition 8 (save that no presentation and surrender of the relevant Certificates are required) in proportion to the numbers of the Bonds without Share Settlement Notice held by them.

For the avoidance of doubt, calculations with respect to the number of Acquisition Shares and the Adjustment Amount (if any) with regard to the Bonds without Share Settlement Notice to be deemed to be delivered and paid pursuant to Condition 7.2.3(a) shall be made on the basis of the aggregate number of all such Bonds without Share Settlement Notice (and not on the basis of the number of Bonds held by the relevant Bondholders or on a per Bond basis).

In undertaking the sale of any Acquisition Shares pursuant to this Condition 7.2.3, the Custodian may, following consultation with the Company, appoint an independent investment bank, securities company, financial institution, broker or accountancy firm of international repute to advise the Custodian as to the manner and/or timing of any such sale (or on such other matters as the Custodian shall deem appropriate in connection therewith) and shall be entitled to act, without liability, on the advice thereof. The fees of any such appointment and advice shall be paid by the Company.

None of the Company, the Trustee, the Custodian, the Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder for the timing of any such sale (including if no such sale can be made), the price at which the Acquisition Shares are sold, or for any loss suffered by any Bondholder as a result of the same. None of the Company, the Trustee, the Custodian, Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder (i) for any loss suffered by Bondholders as a result of any failure by the Custodian's Agent to effect any such sale or to pay over the net proceeds of the sale to the Custodian (or any Agent if instructed by the Custodian), and for distribution to holders of

Bonds without Share Settlement Notice or (ii) for monitoring or supervising the performance by the Custodian's Agent of its functions pursuant to this Condition 7.2. The Contracts (Rights of Third Parties) Act 1999 shall apply in favour of the Custodian and the Custodian's Agent in relation to Condition 7.2.

The payment of the net proceeds of the sale of any Acquisition Shares shall satisfy the obligation with respect to the delivery of the Acquisition Shares. Each Bondholder by accepting or acquiring any Bond shall be deemed to agree to any such sale and manner of sale thereof by the Custodian's Agent, and such sale and transfer shall be binding on all Bondholders.

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.

In addition, if an Event of Default occurs at any time after the giving of the Acquisition Notice but before the Acquisition Option Date, then the Acquisition Notice shall, unless the Bonds have already been acquired on the Acquisition Option Date, become null and void and the provisions of Condition 10 will apply.

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, the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date.

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

At any time on or after 27th January, 2017, the Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Optional Redemption Notice") 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, 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 is first published, is at least 120 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).

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

The Company may, 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 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, 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 9th January, 2014, 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 cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled 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. 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 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 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 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 entitled to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.6.

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 13th January, 2021, 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**
27th January, 2014	98.27	101.08	104.71	109.10	114.22	120.00	126.36	133.24	140.58	148.34	156.45	164.87	173.57	182.51	191.67	201.02
27th January, 2015	98.26	100.63	103.81	107.81	112.60	118.14	124.37	131.20	138.58	146.43	154.69	163.30	172.20	181.37	190.76	200.34
27th January, 2016	98.35	100.25	102.86	106.25	110.48	115.58	121.53	128.28	135.74	143.81	152.38	161.37	170.68	180.25	190.04	200.00
27th January, 2017	98.61	100.14	102.33	105.14	108.48	112.26	116.30	120.32	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00
27th January, 2018	99.04	100.07	101.88	104.50	107.82	111.71	115.95	120.37	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00
25th January, 2019	100.00	100.00	100.29	103.13	106.70	110.87	115.48	120.40	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00
26th January, 2019	97.04	98.28	100.31	103.14	106.71	110.88	115.50	120.40	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00
27th January, 2020	98.10	98.54	99.68	101.83	105.13	109.48	114.62	120.39	130.00	140.00	150.00	160.00	170.00	180.00	190.00	200.00
13th January, 2021	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

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 200.00 per cent., the Corporate Event Redemption Price shall be 200.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 14th January, 2021 to (and including) 26th January, 2021, 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 Financial Instruments and Exchange Act 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 Financial Instruments and Exchange Act;

(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 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 may assume until it has received actual written notice from the Company 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 to the above redemption price without any adjustment.

7.7.3 *Offer Followed by Corporate 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 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 Condition 6 and Condition 7.6 shall be applicable to such Corporate Event) unless such Corporate 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 Condition 7.6, the procedure pursuant to Condition 7.6 shall apply.

7.8 ***Squeezeout Redemption***

7.8.1 *Redemption*: Upon the occurrence of a Squeezeout Event, 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 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 the provisions below, 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 of the acquisition of the Shares with respect to the Squeezeout Event).

"Squeezeout Event" means 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*) by way of an amendment to the Articles of Incorporation, such as for the purpose of making the Company a wholly-owned subsidiary of another corporation.

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 to the above redemption price without any adjustment.

7.9 ***Redemption at the Option of the Bondholders***

The holder of any Bond is entitled, at its option, to require the Company to redeem such Bond on 25th January, 2019 (the "Bondholders' Optional Redemption Date"), at 100 per cent. of its principal amount, together with all Additional Amounts due on the Bonds (if any).

To exercise such option, the holder of such Bond shall complete, execute and deposit at the specified office of any Agent, at such holder's own expense, during normal business hours of such Agent, a notice of redemption in the form (for the time being current) obtainable from any Agent, together with the Certificate in respect of such Bond. Such notice of redemption must be given not less than 30 nor more than 60 days prior to the Bondholders' Optional Redemption Date. Such notice may only be withdrawn with the consent in writing of the Company; provided, however, that if, prior to the Bondholders' Optional Redemption Date, the Bonds evidenced by any Certificate so deposited become immediately due and payable pursuant to Condition 10, or, upon due presentation of any Certificate on the Bondholders' Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, such Certificate shall, without prejudice to the exercise of the option contained in this Condition 7.9, be returned to the relevant holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant notice of redemption.

See Condition 7.13 for priorities among the redemption options.

7.10 ***Purchase***

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 and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders 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.

7.11 ***Cancellation***

All Bonds which are redeemed 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 7.10 shall be forwarded to the Principal Agent for cancellation.

7.12 ***Notice of Redemption***

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 and 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(b) or within 15 days following the last day of a Closed Period.

7.13 ***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 given (or as the case may be, required to be given) pursuant to any other of those Conditions, subject as provided in Condition 7.7.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.5 and subject to Condition 7.2.4.

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.

If the Company gives notice of its intention to redeem or acquire all of the Bonds pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8, that notice shall take priority over any notice given by a Bondholder pursuant to Condition 7.9 (whether given before or after any notice of redemption or acquisition being given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8). If any notice of redemption or acquisition is given by the Company pursuant to Condition 7.2, 7.3, 7.4, 7.5, 7.6, 7.7 or 7.8 after any notice of redemption is given by a Bondholder pursuant to Condition 7.9, the Certificate for the relevant Bond shall be deemed to have been surrendered for payment as provided in Condition 8 or for acquisition in accordance with the provisions of Condition 7.2, as the case may be.

7.14 ***Calculations***

The Trustee, 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) and shall have no responsibility to verify or monitor such calculation.

8. Payments

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. 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 but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, 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 sixth Transfer Business Day before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the Registrar and their respective initial specified offices 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 at least 30 days' written notice to vary or terminate the appointment of the Principal Agent, the Registrar 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) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar 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 Business Days***

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following 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. "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 on 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) held by or on behalf of 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 the 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;

(ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date 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;

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

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.

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 or Condition 7.9 as and when the same shall become due and payable, and such default is not remedied within 14 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 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 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 any material (in the opinion of the Trustee) 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 will 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 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 any material (in the opinion of the Trustee) part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 ***Stop 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 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 will 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 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 any material (in the opinion of the Trustee) 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 any material (in the opinion of the Trustee) part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 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 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 and/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 premium, if any, and default interest) 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 acquired 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 close its register of shareholders or 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, 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 *Financial 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 financial 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, 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 Condition 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*), 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 of Shares pursuant to a Squeezeout Event);

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 *Conversion Price Adjustments*: 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 will 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 Principal Agent, the other Agents, the Registrar, the Custodian and the Custodian's Agent (including the cost of SWIFT message, fax or telex notices by the Trustee or the Agents to the Principal Agent, the Company or the Custodian's Agent and by the Custodian to the Company or the Custodian's Agent) 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, property or cash 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, and (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution. 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 a 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 and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility 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. 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 it will be solvent immediately after such substitution, and the Trustee shall 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 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**

Each Bond will become void unless presented for payment 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 Registrar 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 or the date fixed for payment of principal pursuant to Condition 7.9, 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), 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 effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in the 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.

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 or potential breach by the Company of the provisions of the Trust Deed or the Bonds 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 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 to the Company and the Trustee of legal advisers 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, 7.6 and/or 7.8 or (ii) the Financial Instruments and Exchange Act 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 to the Company and the Trustee of legal advisers 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 imposes obligations, responsibilities or liabilities on it which are greater than those 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 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. 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 (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 accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action 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 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. The Trustee shall not take any action 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.

15.5 ***Directions from Bondholders***

Notwithstanding anything to the contrary in the Trust Deed, these Conditions or the Agency Agreement, whenever the Trustee is required or entitled by the terms of the Trust Deed or the Conditions or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or prefunded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, 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 to do so within 30 days of such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure 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, Independent Financial Adviser or such 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 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, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion.

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 (in the opinion of the Trustee) 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 TMF Corporate Services Limited, whose office is at present at 6 St. Andrew Street, 5th Floor, London EC4A 3AE, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason TMF Corporate Services 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 the Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond in respect of which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which the Global Certificate is issued to attend and speak (but not vote) at a meeting of Bondholders on appropriate proof of his 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 presentation to, or to the order of, 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 Bonds. 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, the Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the Bondholders for this purpose.

All payments in respect of 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.

For the purpose of any payments made in respect of the Global Certificate, the relevant place of presentation shall be disregarded in the definition of "Business Day" as set out in Condition 8.3.

Notices

So long as the Bonds are evidenced by the Global Certificate and the 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 the 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 two 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 the 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 and premium (if any) in respect of the Bonds evidenced by the 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 Bondholders while the 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 relevant Bonds evidenced by the Global Certificate, and may consider such interests as if such accountholders were the holder of the relevant Bonds.

Cancellation

Cancellation of any Bond evidenced by the 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.

Acquisition of Bonds at the Option of the Company

If the Company exercises its option to acquire Bonds under Condition 7.2, subject to the requirements of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, a Share Settlement Notice may be duly completed by, or on behalf of, an accountholder in such system with an entitlement to the relevant Bonds. Deposit of the Global Certificate with the Principal Agent shall not be required.

Early Redemption by the Company

The options and obligations of the Company to redeem the Bonds prior to maturity provided for in Conditions 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.

Election of Bondholders

The election option of the Bondholders 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.

Redemption at the Option of the Bondholders

The option of the Bondholders provided for in Condition 7.9 may be exercised by the holder of the Bonds in respect of which the Global Certificate is issued by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition substantially in the form of the redemption notice available from any Agent and stating the principal amount of Bonds in respect of which the option is exercised (and the Principal Agent shall accordingly make relevant endorsements on the Global Certificate).

Enforcement

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which the 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 the 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 Bonds.

TAIYO YUDEN 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 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

Since the Company's inception in 1950, the Group has been engaged in the development and mass production of electronic components that meet contemporary market needs. The Group's core philosophy is that the process of product commercialisation should start with material development. The Group currently engages in the research, development, manufacture and sales of products that include capacitors, inductors, circuit products, SAW/FBAR devices, energy devices and recording media. The Group's products have applications mainly in IT and electronics fields, and are integrated into a variety of devices such as communications and information devices including smartphones and tablets as well as AV devices. In recent years, the Group has also been focusing on launching products in the automobile, industrial equipment, health-care and environmental energy markets.

The Group's reporting segments (being those for which separate financial information is available and regular evaluation by the Company's Board of Directors is performed in order to decide how resources are allocated within the Group), comprise of two segments identified by the nature of the business, being (i) Electronic Components, and (ii) Optical Media and Others:

- *Electronic Components*: This segment comprises of the following product segments:
    - *Capacitors*: This product segment principally comprises of the manufacture and sale of small, high-capacitance multilayer ceramic capacitors.
    - *Ferrite and Applied Products*: This product segment principally comprises of the manufacture and sale of wire-wound chip inductors, multilayer chip inductors, ferrite chip beads and common-mode choke coils.
    - *Integrated Modules & Devices*: This product segment principally comprises of the manufacture and sale of SAW/FBAR devices for mobile communications, various power modules, high-frequency modules and embedded parts multilayer wiring substrates.
    - *Other Electronic Components*: This product segment principally comprises of the manufacture and sale of energy devices such as polyacene capacitors and lithium ion capacitors.
- *Optical Media and Others*: This segment comprises of the following product segments:
    - *Optical Media Products*: This product segment principally comprises of the manufacture and sale of CD-Rs and DVD-Rs and the sale of BD-Rs.
    - *Others*: The Others product segment mainly comprises the printed circuit board design and the device mounting business.

As at 30th September, 2013, the Group consisted of the Company, its 34 consolidated subsidiaries and one affiliate of the Company accounted for by the equity method. The Company's consolidated net sales, operating income and net income for the fiscal year ended 31st March, 2013 amounted to ¥192,904 million, ¥4,993 million and ¥2,000 million, respectively and for the six-month period ended 30th September, 2013 amounted to ¥105,550 million, ¥7,197 million and ¥4,261 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 16-20, Ueno 6-chome, Taito-ku, Tokyo 110-0005, Japan.

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 9th January, 2014 was approximately ¥160,842 million.

Selected Financial Data

The following selected consolidated financial data other than financial ratios have been extracted without material adjustment from, and should be read in conjunction with, the Company's consolidated financial statements and the notes thereto appearing elsewhere in this Offering Circular:

	Year ended/As at 31st March,		
	2011	2012	2013
	(Millions of yen, except per Share data and ratios)		
Operating Results for the Fiscal Year:			
Net sales	¥ 210,402	¥183,795	¥192,904
Operating income (loss)	8,792	(8,011)	4,993
Net income (loss)	(5,506)	(21,600)	2,000
Financial Position at Year-end:			
Net assets	127,626	104,400	115,961
Total assets	221,273	208,461	225,927
Cash Flows for the Fiscal Year:			
Cash flows from operating activities	25,219	5,534	19,497
Cash flows from investing activities	(16,595)	(28,945)	(18,158)
Cash flows from financing activities	(8,948)	11,389	2,335
Cash and cash equivalents at the end of the year	38,812	26,672	33,281
Other Data for the Fiscal Year:			
R&D expenses	8,476	8,069	6,840
Capital expenditure (on a cash basis)	17,519	29,101	19,534
Depreciation and amortisation	19,310	19,250	19,833
Per Share Data (Yen):			
Net assets per Share	1,080.61	884.70	983.16
Basic net income (loss) per Share	(46.82)	(183.70)	17.01
Diluted net income per Share	—	—	16.98
Cash dividends per Share	10.00	5.00	10.00
Financial Ratios (Per cent.):			
Equity ratio(1)	57.4	49.9	51.2
Return on equity (ROE)(2)	(4.1)	(18.7)	1.8
Return on assets (ROA)(3)	2.9	(4.2)	3.3

Notes:

(1) Equity ratio = own capital (as defined below) / total assets × 100. "Own capital" as used herein means total net assets less stock acquisition rights less minority interests.

(2) ROE = net income (loss) / own capital (average of the beginning and the end of the period) × 100.

(3) ROA = ordinary income (loss) / total assets (average of the beginning and the end of the period) × 100. "Ordinary income" as used herein means operating income (loss) plus non-operating income less non-operating expenses. Non-operating income and non-operating expenses are defined under Japanese GAAP but do not appear as such line items in the English financial statements contained herein (and included instead as part of "other income (expenses)").

(4) See "Recent Business — Change in Accounting Policy" for certain differences in relation to data in respect of the fiscal year ended 31st March, 2013 contained in this table and the next table.

	Six-month period ended/As at 30th September,	
	2012	2013
	(Millions of yen, except per Share data)	
Operating Results for the Period:		
Net sales	¥ 95,443	¥105,550
Operating income (loss)	1,457	7,197
Net income (loss)	(626)	4,261
Financial Position at Period-end:		
Net assets	99,900	122,830
Total assets	209,094	235,000
Cash Flows for the Period:		
Cash flows from operating activities	7,063	14,612
Cash flows from investing activities	(11,021)	(10,095)
Cash flows from financing activities	6,770	1,379
Cash and cash equivalents at the end of the period	28,655	40,226
Other Data for the Period:		
R&D expenses	3,293	3,554
Depreciation and amortisation	9,300	9,921
Per Share Data (yen):		
Basic net income (loss) per Share	(5.32)	36.21
Diluted net income per Share	—	36.15
Cash dividends per Share	5.00	5.00
Financial Ratios (per cent.):		
Equity ratio(1)	47.6	52.2

Notes:

(1) Equity ratio = own capital / total assets × 100.

(2) See "Recent Business — Change in Accounting Policy" for certain differences in relation to data in respect of the fiscal year ended 31st March, 2013 contained in this table and the previous table.

RECENT BUSINESS

Change in Accounting Policy

Change in Accounting Policy for Employee Benefits

International Accounting Standards ("IAS") 19 "Employee Benefits" (revised 16th June, 2011) has been applied to the Company's consolidated financial statements of the fiscal year started on and after 1st January, 2013. This accounting standard has been applied to certain foreign subsidiaries of the Company beginning with the fiscal year started on 1st April, 2013. As a result, the Company has modified the way to recognise actuarial gains and losses, the net amount of past service costs, and net interest related to defined benefit liability.

This change in accounting policy is applied retroactively, and the unaudited semi-annual consolidated financial statements of the Company for the six-month periods ended 30th September, 2012 and 2013 contained in this Offering Circular reflect this retroactive application. However, such change has not been reflected in the audited consolidated financial statements of the Company for the three years ended 31st March, 2013 contained in this Offering Circular. As such, certain balance sheet data as at 31st March, 2013 contained in this Offering Circular may differ between such data contained in the audited consolidated financial statements of the Company for the three years ended 31st March, 2013 and the data contained in the unaudited semi-annual consolidated financial statements of the Company for the six-month periods ended 30th September, 2012 and 2013. Where references are made to such data as at 31st March, 2013 in this Offering Circular, such data reflect figures prior to the application of this change in accounting policy (unless otherwise specified).

The effect that retroactive application of this accounting policy change had on the Company's consolidated results for the six-month period ended 30th September, 2012 was immaterial. The cumulative effect that this change had on the Company's consolidated net assets at the beginning of the fiscal year started 1st April, 2012 was also immaterial, but the balance of retained earnings at 31st March, 2013 decreased by ¥135 million.

Consolidated Results for the Fiscal Year Ended 31st March, 2013

Overview

The economic environment surrounding the Group in the year ended 31st March, 2013 remained challenging, despite a gradual recovery in the global economy and the rapid depreciation of the yen that began in the second half of the fiscal year.

The electronics industry, to which the Group belongs, saw continued growth from the smartphone and tablet device markets. In contrast to this, the PC and TV markets remained sluggish. Overall this has caused weaker demand for electronic components during the fiscal year.

Under such difficult circumstances, the Group implemented a series of structural reforms that are measures which the Company's management believes will improve operations and foster growth needed to achieve the targets established for the year ending 31st March, 2015, which is the final year of the Group's medium-term management plan. The measures implemented to improve operations include the process of shifting the production of capacitors and inductors offshore from Japan to other countries, which is consistent with efforts to maximise the use of the Group's overseas production sites. The Group's growth strategies include the expansion of sales and the emphasis on super high-end products, including capacitors, inductors and SAW/FBAR devices for mobile communications.

During the fiscal year ended 31st March, 2013, the Group made the following efforts in each reporting segment:

- *Electronic Components*: the Group strengthened its production system and expanded sales of its super high-end products. Examples of this include EIA01005- and EIA0201-sized ultra small multilayer ceramic capacitors and small, high-capacitance multilayer ceramic capacitors, metal power inductors MCOIL™ used for newly developed metallic magnet materials, high frequency multilayer High-Q chip inductors and ultra small multilayer chip inductors and SAW/FBAR devices. These products support the smartphone market and address the continued growth in demand for that market.
- *Optical Media and Others*: the Group continued with initiatives aimed at returning the optical media products business back to profitability.

Results

Net Sales

In the fiscal year ended 31st March, 2013, consolidated net sales amounted to ¥192,904 million, an increase of ¥9,109 million, or 5.0 per cent., compared with the fiscal year ended 31st March, 2012. This principally reflected the increase in net sales in the Electronic Components segment, in particular in relation to products for smartphones and tablets.

Cost of Sales

Cost of sales for the fiscal year ended 31st March, 2013 amounted to ¥155,101 million, a decrease of ¥1,963 million, or 1.2 per cent., compared with the fiscal year ended 31st March, 2012. This principally reflected the beneficial effects of the structural reforms (such as moving production to overseas production sites) and good sales of profitable super high-end products. Gross profit margin improved from 14.5 per cent. for the year ended 31st March, 2012 to 19.6 per cent. for the fiscal year ended 31st March, 2013.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were ¥32,810 million for the fiscal year ended 31st March, 2013, a decrease of ¥1,932 million, or 5.6 per cent., from the previous fiscal year. The contributors to the decrease were decreases in transportation costs and commission fees, a decrease in the provision for employee salaries and benefits, and a decrease in R&D expenses.

Operating Income

As a result of the above, operating income was ¥4,993 million for the fiscal year ended 31st March, 2013, compared to an operating loss of ¥8,011 million in the previous fiscal year.

Other Income (Expenses) — Net

For the fiscal year ended 31st March, 2013, the Group's other expenses (net of other income) amounted to ¥971 million, a decrease of ¥5,643 million compared to ¥6,614 million for the year ended 31st March, 2012. This was due mainly to the posting of ¥2,895 million as gain on foreign exchange (whereas a loss on foreign exchange was recorded in the previous fiscal year), reflecting the depreciation of the yen from the third quarter of the fiscal year onwards, and ¥905 million as gain on sales of property, plant and equipment, and the large decrease (of ¥4,023 million) in business structure improvement expenses to ¥254 million for the fiscal year ended 31st March, 2013, set off to a certain extent by the posting of a settlement package of ¥2,823 million in the fiscal year ended 31st March, 2013 (whereas none was recorded in the previous fiscal year).

Income Before Income Taxes and Minority Interests

As a result of the above, income before income taxes and minority interests was ¥4,022 million for the fiscal year ended 31st March, 2013, compared to a loss before income taxes and minority interests of ¥14,625 million in the previous fiscal year.

Income Taxes

Total income taxes for the fiscal year ended 31st March, 2013 amounted to ¥2,015 million, a decrease of ¥4,956 million, or 71.1 per cent., from the previous fiscal year. This principally reflected the tax loss brought forward as well as the commencement of consolidated tax filing in the year.

Net Income

As a result of above factors, the Group restored profitability and booked net income of ¥2,000 million for the fiscal year ended 31st March, 2013, compared to a net loss of ¥21,600 million in the previous fiscal year.

Results by Business Segments

Electronic Components

Consolidated sales in this segment increased by ¥10,074 million, or 6.3 per cent., compared to the previous fiscal year, to ¥170,926 million for the fiscal year ended 31st March, 2013. Operating income for the segment amounted to ¥5,218 million, compared to an operating loss of ¥6,689 million for the previous fiscal year.

The following sets out information relating to net sales by product category in the Electronic Components segment:

Capacitors

Sales for the multilayer ceramic capacitors for the year ended 31st March, 2013 amounted to ¥89,853 million, an increase of 8.5 per cent. compared to the previous fiscal year. Product sales for consumer products, i.e. TVs, were lower as compared to the previous fiscal year. However, this was offset by the increase in sales for communication equipment, which focused on smartphones, and electronic components (LCD panels).

Ferrite and Applied Products

In the fiscal year ended 31st March, 2013, net sales increased by 2.0 per cent. to ¥28,490 million as compared to the previous fiscal year. Product sales for consumer products and electronic components were lower as compared to the previous fiscal year. However, this was offset by the increase in sales for information equipment (PCs and communication equipment).

Integrated Modules and Devices

In the fiscal year ended 31st March, 2013, sales of power supply and high frequency modules were lower as compared to the previous fiscal year. This was offset by the increase in sales of SAW/FBAR devices. The segment net sales increased by 3.8 per cent. compared to the previous fiscal year to ¥47,804 million for the fiscal year ended 31st March, 2013.

Other Electronic Components

In the fiscal year ended 31st March, 2013, net sales in this product segment increased by 17.0 per cent. to ¥4,779 million as compared to the previous fiscal year

Optical Media and Others

In the fiscal year ended 31st March, 2013, the Group continued with initiatives aimed at returning the optical media products business back to profitability. As a result, although consolidated net sales in this segment declined 4.2 per cent. in the fiscal year as compared to the previous fiscal year to ¥21,978 million, the operating loss for the fiscal year ended 31st March, 2013 amounted to ¥225 million, an improvement of ¥1,097 million from the previous fiscal year's operating loss of ¥1,322 million.

Consolidated Results for the Six-Month Period Ended 30th September, 2013

Overview

The economic environment surrounding the Group in the six-month period ended 30th September, 2013 indicated that generally the Group is seeing a steady recovery, although certain parts of the global economy remained sluggish. The Group believes that the global economy is showing signs of continued gradual recovery, although a great deal of uncertainty still persists.

The Group experienced mixed results in the market with overall higher demand for electronic components. The key factors were growth from the smartphone and tablet device markets as well as advancements in electronic components used in automobiles. This was offset by weaker market conditions for PCs and TVs.

Under such circumstances, the Group has implemented and intends to continue to implement measures to improve profitability in order to attain the targets set in its medium-term management plan that will conclude in the fiscal year ending 31st March, 2015. Under this plan, the Group has increased sales of super high-end products used in key growth markets such as the smartphones and tablets. These products include small, thin and/or high-capacitance capacitors and inductors and SAW/FBAR devices for mobile communications. The Group is also focusing on markets where growth can be anticipated, such as electrical components used in automobile, industrial equipment, health-care and environmental energy markets. Further, as part of its strategic mid-term plan, the Group has expanded the line-up of high reliability products.

During the six-month period ended 30th September, 2013, the Group made the following efforts in each reporting segment:

- *Electronic Components*: the Group strengthened its production system and expanded sales of its super high-end products. Examples of this include EIA01005- and EIA0201-sized ultra small multilayer ceramic capacitors, ultra thin multilayer ceramic capacitors, small and high-capacitance multilayer ceramic capacitors with 330µF and others, metal power inductors MCOIL™ used for newly developed metallic magnet materials, high frequency multilayer High-Q chip inductors and ultra small multilayer chip inductors and SAW/FBAR devices for mobile communications. These products support the smartphone and tablet markets and address the continued growth in demand for that market.
- *Optical Media and Others*: the Group is moving ahead with its structural reforms and intends to continue to implement measures aimed at enhancing the profitability of its optical media products.

Results

Net Sales

In the six-month period ended 30th September, 2013, consolidated net sales amounted to ¥105,550 million, an increase of ¥10,107 million, or 10.6 per cent., compared with the six-month period ended 30th September, 2012. This principally reflected the increase in net sales in the Electronic Components segment, in particular in relation to products for smartphones and tablets, as well as the beneficial effect of the weakening yen.

Cost of Sales

Cost of sales for the six-month period ended 30th September, 2013 amounted to ¥80,296 million, an increase of ¥2,489 million, or 3.2 per cent., compared with the six-month period ended 30th September, 2012. This principally reflected the beneficial effects of the structural reforms (such as moving production to overseas production sites) and good sales of profitable super high-end products. Gross profit margin improved from 18.5 per cent. for the six-month period ended 30th September, 2012 to 23.9 per cent. for the six-month period ended 30th September, 2013.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were ¥18,057 million for the six-month period ended 30th September, 2013, an increase of ¥1,878 million, or 11.6 per cent., from the six-month period ended 30th September, 2012. This principally reflected an increase in personnel expenses.

Operating Income

As a result of the above, operating income was ¥7,197 million for the six-month period ended 30th September, 2013, an increase of ¥5,740 million, or 394.0 per cent., from the six-month period ended 30th September, 2012.

Other Income (Expenses) — Net

For the six-month period ended 30th September, 2013, the Group's other expenses (net of other income) amounted to ¥1,431 million, a decrease of ¥818 million, or 36.4 per cent., compared to ¥2,249 million for the six-month period ended 30th September, 2012. This principally reflected a gain on foreign exchange of ¥558 million for the six-month period ended 30th September, 2013 (compared to a loss on foreign exchange of ¥1,105 million recorded in the six-month period ended 30th September, 2012), which was partly offset by an increase in business structure improvement expenses in respect of structural reform efforts made in the Optical Media and Others segment.

Income Before Income Taxes and Minority Interests

As a result of the above, income before income taxes and minority interests was ¥5,766 million for the six-month period ended 30th September, 2013, compared to a loss before income taxes and minority interests of ¥792 million for the six-month period ended 30th September, 2012.

Income Taxes

Total income tax expense for the six-month period ended 30th September, 2013 amounted to ¥1,528 million, compared to total income tax benefit of ¥156 million for the six-month period ended 30th September, 2012, reflecting the taxable profits recorded in the six-month period ended 30th September, 2013 (as compared to a loss recorded in the six-month period ended 30th September, 2012).

Net Income

As a result of above factors, the Group restored profitability and booked net income of ¥4,261 million for the six-month period ended 30th September, 2013, compared to a net loss of ¥626 million for the six-month period ended 30th September, 2012.

Results by Business Segments

Electronic Components

Consolidated sales in this segment increased by ¥9,872 million, or 11.6 per cent., compared to the six-month period ended 30th September, 2012, to ¥94,724 million for the six-month period ended 30th September, 2013. Operating income for the segment amounted to ¥7,406 million, an increase of ¥5,613 million, or 313.1 per cent., compared to the corresponding period of the previous fiscal year.

The following sets out information relating to net sales by product category in the Electronic Components segment:

Capacitors

In the six-month period ended 30th September, 2013, sales amounted to ¥52,066 million, an increase of 25.2 per cent. compared to the six-month period ended 30th September, 2012. Product sales for all equipment types increased compared to the corresponding period of the previous fiscal year.

Ferrite and Applied Products

In the six-month period ended 30th September, 2013, sales increased by 24.9 per cent. to ¥17,748 million as compared to the same period of the previous fiscal year. This increase was largely attributable to increased product sales for information equipment such as PCs, communication equipment, which focused on smartphones, and automobiles/industrial equipment. These increases were offset by a decline in sales for consumer products such as TVs.

Integrated Modules and Devices

For the six-month period ended 30th September, 2013, sales of SAW/FBAR devices for mobile communications and power supply modules declined compared with the corresponding period of the previous fiscal year. As a result, sales generated by this segment decreased by 17.7 per cent. to ¥22,071 million.

Other Electronic Components

For the six-month period ended 30th September, 2013, sales increased by 25.6 per cent. to ¥2,839 million as compared to the corresponding period of the previous fiscal year.

Optical Media and Others

Optical media and other product sales in the six-month period ended 30th September, 2013 increased by 2.2 per cent. to ¥10,826 million, compared with the corresponding period of the previous fiscal year. Operating loss for the segment for the six-month period ended 30th September, 2013 amounted to ¥209 million, an improvement of ¥127 million from the operating loss of ¥336 million for the corresponding period of the previous fiscal year.

Financial Condition

Consolidated Balance Sheets as at 31st March, 2013 Compared to Consolidated Balance Sheets as at 31st March, 2012

Total assets as at 31st March, 2013 amounted to ¥225,927 million, an increase of ¥17,466 million compared with the amount at 31st March, 2012. Total current assets increased by ¥12,933 million mainly due to four factors (i) an increase of ¥6,609 million in cash and cash equivalents, (ii) an increase of ¥1,923 million in merchandise and finished products, (iii) an increase of ¥2,557 million in work in process, and (iv) an increase of ¥913 million in raw materials and supplies. Net property, plant and equipment as at 31st March, 2013 amounted to ¥98,775 million, an increase of ¥4,754 million compared to the position as at 31st March, 2012, principally reflecting increases in buildings and structures, machinery and equipment and tools, furniture and fixtures, set off to a certain extent by an increase in accumulated depreciation. Total investments and other assets as at 31st March, 2013 amounted to ¥9,820 million, a slight decrease from the position as at 31st March, 2012.

Total liabilities as at 31st March, 2013 amounted to ¥109,966 million, an increase of ¥5,905 million compared to the amount as at 31st March, 2012. This was due primarily to four factors: (i) an increase of ¥2,604 million in trade notes and accounts payable, (ii) an increase of ¥11,210 million in short-term borrowings, (iii) an absence of the ¥19,635 million in current portion of convertible bonds with stock acquisition rights recorded in the previous fiscal year, and (iv) an increase of ¥12,067 million in long-term borrowings.

Total net assets as at 31st March, 2013 amounted to ¥115,961 million, an increase of ¥11,561 million as compared to the amount as at 31st March, 2012, due primarily to an increase of ¥2,000 million from net income, a decrease of ¥882 million in cash dividends from retained earnings, and an increase of ¥10,291 million from foreign currency translation adjustments.

Consolidated Balance Sheets as at 30th September, 2013 Compared to Consolidated Balance Sheets as at 31st March, 2013

See "— Change in Accounting Policy — Change in Accounting Policy for Employee Benefits" for details of the change in accounting policy applied by the Company in respect of its consolidated financial statements from the fiscal year started 1st April, 2013.

Total assets as at 30th September, 2013 increased by ¥9,055 million to ¥235,000 million compared with the balance as at 31st March, 2013. Current assets increased by ¥12,108 million, mainly due to the following five factors: (i) an increase of ¥6,945 million in cash and cash equivalents; (ii) an increase of ¥1,447 million in trade notes and accounts receivable; (iii) an increase of ¥326 million in merchandise and finished products; (iv) an increase of ¥1,267 million in work in process; and (v) an increase of ¥775 million in raw materials and supplies. Net property, plant and equipment as at 30th September, 2013 amounted to ¥95,870 million, a decrease of ¥2,905 million compared to the position as at 31st March, 2013, principally reflecting an increase in accumulated depreciation set off to a certain extent by an increase in machinery and equipment. Investments and other assets as at 30th September, 2013 amounted to ¥9,690 million, a decrease of ¥148 million from the position as at 31st March, 2013.

Total liabilities at 30th September, 2013 increased by ¥2,051 million to ¥112,170 million as compared to the balance as at 31st March, 2013. This was mainly due to an increase of ¥1,216 million in trade notes and accounts payable.

Net assets as at 30th September, 2013 increased by ¥7,004 million to ¥122,830 million, compared with the position as at 31st March, 2013.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31st March, 2013 Compared to the Fiscal Year Ended 31st March, 2012

Net cash provided by operating activities for the fiscal year ended 31st March, 2013 was ¥19,497 million, an increase of 252.3 per cent. compared with the previous fiscal year. The contributing factors were income before income taxes and minority interests of ¥4,022 million; depreciation and amortisation of ¥19,833 million; business structure improvement expenses of ¥254 million; an impairment loss on property, plant and equipment of ¥346 million; a settlement package of ¥2,823 million; a decrease in trade receivables of ¥5,309 million; and an increase in inventories of ¥2,769 million.

Net cash used in investing activities for the fiscal year ended 31st March, 2013 amounted to ¥18,158 million, a decrease of 37.3 per cent. compared with the previous fiscal year. The largest cash outflow was ¥19,534 million paid for purchases of property, plant and equipment.

Net cash provided by financing activities for the fiscal year ended 31st March, 2013 amounted to ¥2,335 million, a decrease of 79.5 per cent. compared with the previous fiscal year. This was primarily attributed to a net increase in short-term borrowings of ¥10,765 million, proceeds from long-term borrowings of ¥17,000 million, repayments of long-term borrowings of ¥4,182 million, and redemption of current portion of convertible bonds with stock acquisition rights to shares of ¥19,635 million.

As a result of the above, cash and cash equivalents as at 31st March, 2013 increased by ¥6,609 million from 31st March, 2012, to ¥33,281 million.

Cash Flows for the Six-Month Period Ended 30th September, 2013 Compared to the Six-Month Period Ended 30th September, 2012

Net cash provided by operating activities for the six-month period ended 30th September, 2013 was ¥14,612 million, an increase of 106.9 per cent. compared with the corresponding period of the previous fiscal year. The contributing factors are income before income taxes and minority interests of ¥5,766 million, depreciation and amortisation of ¥9,921 million and offset by an increase in inventories of ¥1,648 million.

Net cash used in investing activities for the six-month period ended 30th September, 2013 amounted to ¥10,095 million, a decrease of 8.4 per cent. compared with the corresponding period of the previous fiscal year. The largest cash outflow was ¥9,857 million paid for purchases of property, plant and equipment.

Net cash provided by financing activities for the six-month period ended 30th September, 2013 amounted to ¥1,379 million, a decrease of 79.6 per cent. compared with the corresponding period of the previous fiscal year. This was primarily attributed to a net increase in proceeds from long-term borrowings of ¥5,000 million, repayments of long-term borrowings of ¥2,536 million and payments of cash dividends of ¥587 million.

As a result of the aforementioned activities, cash and cash equivalents as of 30th September, 2013 increased by ¥6,945 million from 31st March, 2013, to ¥40,226 million.

Funding

The Group practices consolidated management of Group funds with the objective of increasing the efficiency of funding operations. The Company collects surplus funds from subsidiaries to supply necessary funds to other subsidiaries, while procuring funds externally to cover any shortfalls. The Group has adopted a cash management system to minimise external interest-bearing debt.

Financing from external sources as at 31st March, 2013 consisted of the following items: (i) short-term borrowings of ¥20,242 million, (ii) the current portion of long-term borrowings of ¥4,899 million, (iii) bonds payable of ¥8,000 million, (iv) convertible bonds with stock acquisition rights of ¥365 million, (v) long-term borrowings of ¥29,365 million, and (vi) lease liabilities of ¥1,673 million. Borrowings are made in Japan at fixed interest rates. 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. The Company also has a commitment line of ¥10,000 million effective for three years to ensure financial stability. The Company renewed this commitment line in December 2011 with the intention of having these funds available for any emergencies that may severely impact cash flow. As at 30th September, 2013, the Company has not used any of this commitment line.

The Group currently has the ability to generate cash flow through sound financial position and operating activities. This enables the procurement of operating capital and funds for capital investment required for the future to maintain growth on a Group-wide basis.

Capital Expenditure

The following table gives information with respect to the Group's capital expenditure (on a cash basis) for the periods indicated:

	Year ended 31st March,		
	2011	2012	2013
	(Millions of yen)		
Total capital expenditure	¥17,519	¥29,101	¥19,534

In each of the three fiscal years ended 31st March, 2013, capital expenditure principally related to the Electronic Components segment, used mainly to improve productivity of capacitors, and ferrite and applied products, and for R&D facilities, while capital expenditure in the Optical Media and Others segment mainly related to launching new optical media products.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥20.0 billion, and are expected to be used by the Company primarily as follows:

(i) approximately ¥10 billion for capital expenditure in Japan for increasing the Group's production capacity in respect of super high-end products in the Electronic Components segment, including for increasing production capacity, manufacturing new products, improving productivity and maintenance and repair of factories of the Company (such as the Tamamura and Nakanojo factories) and its subsidiaries and affiliate (such as TAIYO YUDEN Mobile Technology and Chuki Seiki) involved in the manufacture of products such as ultra small, high-capacitance and thin multilayer ceramic capacitors, MCOIL™ metal power inductors, super compact size multilayer chip inductors and SAW/FBAR devices for mobile communications;

(ii) ¥8 billion for the repayment of the Company's series 1 unsecured bonds due January 2015; and

(iii) the balance for repayment of borrowings.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Company's capitalisation and indebtedness as at 30th September, 2013, which has been extracted without material adjustment from the Company's unaudited semi-annual consolidated financial statements as at the same date, and as adjusted to give effect to the issue of the Bonds:

	As at 30th September, 2013	
	Actual	As adjusted
	(Millions of yen)	
Short-term debt(2):		
Short-term borrowings	¥ 20,201	¥ 20,201
Current portion of long-term borrowings	14,223	14,223
Current portion of convertible bonds with stock acquisition rights	365	365
Total short-term debt.	34,789	34,789
Long-term debt(2):		
Bonds payable	8,000	8,000
Long-term borrowings, less current portion	22,505	22,505
The Bonds now being issued.	—	20,000
Total long-term debt	30,505	50,505
Net assets:		
Shareholders' equity:		
Common stock, no par value:		
Authorised: 300,000,000 Shares		
Issued: 120,481,395 Shares(4)	23,557	23,557
Capital surplus	41,495	41,495
Retained earnings	71,476	71,476
Less: Treasury stock, at cost (2,732,482 Shares)	(3,411)	(3,411)
Total shareholders' equity	133,117	133,117
Accumulated other comprehensive income:		
Net unrealised holding gains (losses) on securities	925	925
Deferred gains (losses) on hedges	43	43
Foreign currency translation adjustments	(11,444)	(11,444)
Total accumulated other comprehensive income	(10,476)	(10,476)
Stock acquisition rights	171	171
Minority interests	18	18
Total net assets	122,830	122,830
Total capitalisation and indebtedness(5)	¥188,124	¥208,124

Notes:

(1) The above table should be read in conjunction with the unaudited semi-annual consolidated financial statements of the Company as at and for the six-month period ended 30th September, 2013 contained herein.

(2) As at 30th September, 2013, 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 30th September, 2013, the Group had ¥2 million of contingent liabilities in respect of guarantee of bank loans and indebtedness of a third party.

(4) All of the issued Shares are fully-paid and non-assessable.

(5) Total capitalisation and indebtedness is a 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 30th September, 2013.

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)
31st March, 2009	¥5.00
30th September, 2009	5.00
31st March, 2010	5.00
30th September, 2010	5.00
31st March, 2011	5.00
30th September, 2011	2.50
31st March, 2012	2.50
30th September, 2012	5.00
31st March, 2013	5.00
30th September, 2013	5.00

The Company's Board of Directors may propose year-end dividends at ordinary general meetings of shareholders. The Company's Board of Directors may, by resolution of the Board of Directors, declare an interim cash dividend after the close of its semi-annual fiscal period if it deems appropriate. The Company's Board of Directors may also propose dividends other than those described above at general meeting of shareholders 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 recognises that the distribution of profits to its shareholders is one of its management's most important responsibilities; however, the Company also believes that, at the current time, the Company needs to develop a stable and sustainable earnings structure, as well as improve its financial standing. The Company's current policy is to provide a stable annual dividend of ¥10 per Share per annum. Over the medium term, the Company intends to build a stable and sustainable earnings structure and improve its financial standing through the implementation of its medium-term management plan covering the three fiscal years ending 31st March, 2015, at which point the Company intends to return further profits to its shareholders and set a new dividend policy based on a total return ratio (being the payment of cash dividends and purchase of its own stock, divided by net income)

Changes in Issued Share Capital

The Company has an authorised share capital of 300,000,000 Shares, of which 120,481,395 Shares were in issue as at 30th September, 2013. The following table shows the changes in the issued share capital of the Company as of the dates/periods indicated below:

Date/period	Type of issue	Number of Shares issued	Total number of Shares in issue
31st March, 2008	—	—	120,478,119
1st April, 2008 to 31st March, 2009	Exercise of stock acquisition rights (including conversion of convertible bonds issued pursuant to the prior Commercial Code of Japan)	3,276	120,481,395

As at 30th September, 2013, there has been no change in issued share capital of the Company since 31st March, 2009.

Japanese Stock Market and Price Range of the Shares

The Shares are listed on the First Section of the Tokyo Stock Exchange.

The Tokyo Stock Exchange is the principal stock exchange in Japan. The most widely followed price index of stocks listed on the Tokyo Stock Exchange is the Nikkei Stock Average, an index of 225 selected stocks listed on its First Section computed by Nikkei Inc., a private corporation. In addition, the Tokyo Stock Exchange publishes the Tokyo Stock Price Index ("TOPIX"), an index of the market value of all stocks traded on its First Section.

The following table shows the highest and lowest reported sales prices of the Shares on the Tokyo Stock Exchange, and the highs and lows of the daily closing Nikkei Stock Average and the closing level of TOPIX for the periods indicated, all as reported by the Tokyo Stock Exchange and Nikkei Inc.:

	Price per Share		Nikkei Stock Average		TOPIX	
Calendar Year	High	Low	High	Low	High	Low
	(Yen)		(Yen)		(Points)	
2007	¥2,925	¥1,664	¥18,261.98	¥14,837.66	1,816.97	1,437.38
2008	1,787	382	14,691.41	7,162.90	1,430.47	746,46
2009	1,343	475	10,639.71	7,054.98	975.59	700.93
2010	1,593	920	11,339.30	8,824.06	998.90	803.12
2011	1,429	484	10,857.53	8,160.01	974.63	706.08
2012:						
First quarter	932	565	10,255.15	8,378.36	872.42	725.24
Second quarter	908	648	10,109.87	8,295.63	856.05	695.51
Third quarter	802	570	9,232.21	8,365.90	778.70	706.46
Fourth quarter	802	569	10,395.18	8,534.12	859.80	713.95
2013:						
First quarter	1,254	720	12,635.69	10,486.99	1,058.10	871.88
Second quarter	1,910	1,067	15,627.26	12,003.43	1,276.03	991.34
Third quarter	1,608	1,202	14,808.50	13,338.46	1,222.72	1,106.05
Fourth quarter	1,406	1,063	16,291.31	13,853.32	1,302.29	1,147.58
2014:						
First quarter (up to 9th January)	1,372	1,302	16,121.45	15,814.37	1,306.23	1,283.25

On 9th January, 2014, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥1,335 per Share. The closing Nikkei Stock Average and TOPIX on the same date were ¥15,880.33 and 1,296.75, respectively.

Principal Shareholders and Distribution of Shares

As at 30th September, 2013, the Company had 15,329 shareholders of record. As at 30th September, 2013, 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
	(Thousands of Shares)	(Per cent.)
The Master Trust Bank of Japan, Ltd. (trust account)	18,511	15.36%
Japan Trustee Services Bank, Ltd. (trust account)	9,042	7.50
Sumitomo Mitsui Banking Corporation	4,000	3.32
The Iyo Bank, Ltd. (standing proxy: Trust & Custody Services Bank, Ltd.)	3,000	2.49
Japan Trustee Services Bank, Ltd. (trust account 9)	2,681	2.22
Trust & Custody Services Bank, Ltd. (securities investment trust account)	2,534	2.10
Nippon Life Insurance Company	2,023	1.67
BNP Paribas Securities Co., Ltd.	1,944	1.61
Satou Koutsu Iji Fukushikikin Public Interest Incorporated Foundation	1,916	1.59
The Bank of New York — JASDEC Treaty Account (standing proxy: Mizuho Bank, Ltd.)	1,840	1.52
Total	47,495	39.42%

Notes:

(1) As at 30th September, 2013, the Company held treasury stock of 2,732,482 Shares, which is not included in the above table.

(2) 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"). The Company has received the following reports which may not be reflected in the above table:

- A report relating to a change in shareholding filed on 21st March, 2013 by Nomura Securities Co., Ltd. And two joint holders, informing of the ownership of 6,645 thousand Shares as at 15th March, 2013. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.
- A report relating to a change in shareholding filed on 8th July, 2013 by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and four joint holders, informing of the ownership of 12,185 thousand Shares as at 1st July, 2013. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.
- A report relating to a change in shareholding filed on 6th August, 2013 by Sumitomo Mitsui Trust Bank, Limited and two joint holders, informing of the ownership of 6,574 thousand Shares as at 31st July, 2013. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.
- A report relating to a change in shareholding filed on 22nd August, 2013 by Mizuho Securities Co., Ltd. and three joint holders, informing of the ownership of 6,467 thousand Shares as at 15th August, 2013. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.
- A report relating to a change in shareholding filed on 20th September, 2013 by JP Morgan Asset Management Co., Ltd. and six joint holders, informing of the ownership of 7,132 thousand Shares as at 13th September, 2013. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.

As at 9th January, 2014, the Company has received the following reports since 30th September, 2013:

- A report relating to a change in shareholding filed on 23rd October, 2013 by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and four joint holders, informing of the ownership of 12,325,333 Shares as at 16th October, 2013.
- A report relating to a change in shareholding filed on 23rd October, 2013 by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and four joint holders, informing of the ownership of 13,750,833 Shares as at 21st October, 2013.
- A report relating to a change in shareholding filed on 5th December, 2013 by JP Morgan Asset Management Co., Ltd. and three joint holders, informing of the ownership of 7,909,038 Shares as at 29th November, 2013.
- A report relating to a change in shareholding filed on 6th December, 2013 by Mizuho Securities Co., Ltd. and three joint holders, informing of the ownership of 5,028,340 Shares as at 29th November, 2013.

(3) 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 at 30th September, 2013 was as follows:

Category	Number of Shareholders	Number of Shares held	Percentage of total Shares in issue
		(Units of 100 Shares)	(Per cent.)
Japanese financial institutions.	56	559,815	46.49
Japanese financial instruments and exchange operators	64	100,616	8.35
Other Japanese corporations	206	62,874	5.22
Foreign corporations and others (including foreign individuals)	249	253,594	21.06
Japanese individuals and others[1]	14,151	227,175	18.86
Total	14,726	1,204,074	100.00

Note:

(1) Includes 27,324 units of Shares of treasury stock held by the Company.

As at 30th September, 2013, the current Directors and Audit & Supervisory Board Members of the Company together held 74.968 Shares, or 0.064 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.

Bonds with Stock Acquisition Rights

The following table gives information regarding the bonds with stock acquisition rights previously issued by the Company and outstanding as at 30th September, 2013:

Convertible Bonds	Year of Issue	Interest Rate	Maturity Date	Conversion Price	Conversion Period	Principal Amount Outstanding as at 30th September, 2013
¥20,000,000,000 zero coupon convertible bond-type bonds with stock acquisition rights due 2014	2007	0%	28th April, 2014	¥3,746	11th May, 2007 to 14th April, 2014	¥365,000,000

Stock Acquisition Rights

See "Management and Employees — Stock Option Plans" for details of the Company's outstanding stock acquisition rights issued as stock options.

BUSINESS

Overview

Since the Company's inception in 1950, the Group has been engaged in the development and mass production of electronic components that meet contemporary market needs. The Group's core philosophy is that the process of product commercialisation should start with material development. The Group currently engages in the research, development, manufacture and sales of products that include capacitors, inductors, circuit products, SAW/FBAR devices, energy devices and recording media. The Group's products have applications mainly in IT and electronics fields, and are integrated into a variety of devices such as communications and information devices including smartphones and tablets as well as AV devices. In recent years, the Group has also been focusing on launching products in the automobile, industrial equipment, health-care and environmental energy markets.

As at 30th September, 2013, the Group consisted of the Company, its 34 consolidated subsidiaries and one affiliate of the Company accounted for by the equity method. The Company's consolidated net sales, operating income and net income for the fiscal year ended 31st March, 2013 amounted to ¥192,904 million, ¥4,993 million and ¥2,000 million, respectively and for the six-month period ended 30th September, 2013 amounted to ¥105,550 million, ¥7,197 million and ¥4,261 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 16-20, Ueno 6-chome, Taito-ku, Tokyo 110-0005, Japan. The Shares are listed on the First Section of the Tokyo Stock Exchange.

History

The Company was established in Tokyo in 1950 and commenced production of ceramic capacitors and steatite ceramic insulators. The Company went on to open its Takasaki factory in 1956, followed by the Haruna factory in 1958.

The Group has been a leader in the industry in which it operates in terms of overseas expansion, having commenced the establishment of overseas manufacturing as well as sales bases early, with its first overseas production site having opened in Taiwan as early as 1967. Since then, the Group has actively expanded its overseas operations, including opening manufacturing bases in South Korea in 1972, in Singapore (together with a sales base) in 1978, in the Philippines in 1988, in China in 1994 and in Malaysia in 1994, as well as a sales base in Hong Kong in 1974 and in the United States in 1977. The Group also established a new manufacturing base in Niigata, Japan in 2007.

The Group invented the world's first recordable compact disk in 1988.

In 2010, the Company acquired the shares of TAIYO YUDEN Mobile Technology and made it its subsidiary.

In 1970, the Shares were listed on the Second Section of the Tokyo Stock Exchange and since 1973, the Shares have been designated to be traded on the First Section of the Tokyo Stock Exchange.

Strategy

The Group's management philosophy focuses on three principles: (i) employee well-being, (ii) betterment of local communities, and (iii) responsibility to provide returns to shareholders. Management of the Group recognises that its mission and the social responsibility of the Group are to continually develop its businesses while serving society and public interests globally. The Group aspires to be a company that can satisfy the diverse needs of its many stakeholders and be a trusted partner to those stakeholders. The Group has established a system that enables it to deliver quality products required by its customers to meet their demand within the time constraints set and while also meeting the stringent quality requirements at competitive pricing. The Group's creed is "customer-first". The Group also pursues product and business development that fully responds to the needs of its customers.

The electronics business, within which the Group operates its business, is experiencing a further shortening of product life cycles with respect to electronic products such as smartphones and tablets, and is also seeing a further intensification of technological competition as industry players aim to offer further value-added and higher-functionality products. Against such background, the Group has implemented a series of structural reforms from November 2011 with the aim of keeping pace with the changes in future business environment, including maximising the use of its overseas production sites (shifting the production of capacitors and inductors offshore from Japan to other countries), ceasing production of unprofitable products, reorganising operational locations within Japan and overseas, and reducing personnel. As a result, the Group has managed to reduce fixed costs significantly in the year ended 31st March, 2013.

Medium-Term Management Plan

The Group has formulated and initiated a medium-term management plan for the three fiscal years ending 31st March, 2015. The Group's profitability has often been greatly influenced by trends in the electronics market, exchange rates and other external factors. In this medium-term management plan, the Group aims to strive to strengthen its business structure and achieve continuous growth that is not so easily affected by such external factors.

The Group's vision within the medium-term management plan is to transform itself to a well-balanced business structure and to break free of its dependence on existing markets. To this end, the Group is implementing the following measures to improve its profitability, with both structural improvement and growth strategy in mind:

Developing super high-end products for growth equipment

The Group intends to offer in a timely manner, its super high-end products with high product competitiveness that meet the needs of customers, for high-growth products like smartphones and tablets. Such super high-end products include (i) products that has the potential to reach the top of its market on a global scale, (ii) products that can only be produced by a few manufacturers within the relevant sector, (iii) products that are aimed towards use in growth markets, and (iv) products that have high product competitiveness which fulfil customer requirements. Examples of super-high end products include small and high capacitance multilayer ceramic capacitors, metal power inductors MCOIL™, High-Q inductors and SAW/FBAR devices for mobile communications. The ratio of sales of super high-end products as a percentage of total consolidated net sales of the Group has increased from approximately 18 per cent. for the fiscal year ended 31st March, 2012 to approximately 27 per cent. for the fiscal year ended 31st March, 2013. The Group intends to continue to further strengthen its sales of super high-end products.

Expanding sales in key target markets

The Group is striving to increase sales in key target markets, such as automobile, industrial equipment, health-care and environmental energy markets, as part of its efforts to enhance the Group's corporate value. By enhancing its product line-up for the automobile and industrial equipment markets, the Group has increased the ratio of its sales to such key target markets from approximately 5 per cent. for the year ended 31st March, 2012 to approximately 10 per cent. for the fiscal year ended 31st March, 2013.

Improving profitability

The Group has implemented a series of structural reforms from November 2011, and the Group believes that implementing structural improvement is an activity that must be carried on continuously through the life of the Group.

At the same time as successively launching competitive new products such as the super high-end products, the Group intends to continually pursue its initiatives for improving productivity and reducing costs, working to make unprofitable products profitable or to speedily withdraw them from the market, and to ensure that the frontline activities of marketing, production and development are subject to corporate management that is rigorously focused on profitability.

Strategies by Product Category

The Group is implementing the following measures for each of its product categories as part of its efforts to improve its profitability and the financial position of the Group on the basis of its medium term management plan.

Capacitors

The Group intends to launch ultra small multilayer ceramic capacitors for high-growth products such as smartphones and tablets. At the same time, the Group intends to strengthen its technological position and introduce cutting edge super high-end products for various sizes as part of its efforts to develop a production system that meets the growing demand for capacitors. The Group will also look to strengthen its product line-up in markets that require superior quality, such as automobile, industrial equipment, health-care and environmental energy markets. In the high capacitance zone of 100μF and greater, where electrolytic capacitors currently prevail, the Group intends to seek to promote expansion of the usage of multilayer ceramic capacitors, with the goal of achieving further growth. Further, as part of its efforts to achieve greater efficiencies with regard to its production systems both in Japan and overseas, the Group will seek to maximise the utilisation of its overseas sites by accelerating production of high-end products at its overseas locations rather than keeping such production within Japan.

Ferrite and Applied Products

The Group intends to further accelerate its rollout of super high-end products for multilayer chip inductors and wire-wound inductors that meet the needs of its customers. In particular, the Group intends to undertake product development for super high-end power inductors MCOIL™, that use new metallic materials capable of conducting higher currents of electricity in much smaller sizes. The Group will also work to enhance its line-up of EIA01005 size (0.4 mm × 0.2 mm) ultra small products for high frequency multilayer chip inductors and multilayer chip beads. As with capacitors, the Group is working to develop a production system that is more efficient and maximises the utilisation of its overseas production sites.

Integrated Modules & Devices

The Group has implemented structural reforms to shift from a conventional business model focused on modules to one centred on integrated modules and devices. The Group intends to further develop its presence in the high frequency business focusing on SAW/FBAR technologies. The Group also aims to actively launch super high-end products that use its proprietarily developed embedded-parts multilayer wiring substrate EOMIN™, and to strengthen its power supply business, including regeneration systems for energy markets. For SAW/FBAR devices, the Group intends to work to build a production system that can accommodate the expansion in the smartphone and tablet markets and the increase in the number of embedded-parts.

Other Electronic Components

The Group is working to initiate development for energy device related products, such as polyacene capacitors and lithium ion capacitors. At the same time, the Group intends to develop applications in advanced technology sectors and expand sales in the energy sector. In particular, the Company intends to reinforce products for back-up power supply applications for equipment used in centralised meter reading systems and smart meters, where the Group believes there may be future growth.

Optical Media Products

In relation to consumer-targeted CD-Rs, DVD-Rs and BD-Rs, the Group is continuing to rationalise its production systems for realising optimal production capacity in line with market contraction as well as working to transform its business model with a view to securing stable earnings, including focusing on obtaining royalty revenue. The Group also intends to cultivate and develop the archive (long-term storage) market where it believes its strength of high quality products can be fully leveraged.

Return to Shareholders

The Company recognises that distributing profits to its shareholders is one of management's most important responsibilities. Currently, the Company believes that the Group is at a stage where it must develop a stable and sustainable earnings structure as well as improve its financial standing. The Company's current dividend policy is to provide a stable annual dividend of ¥10 per Share per annum. Over the medium term, the Company intends to build a stable and sustainable earnings structure and improve its financial standing through the implementation of its medium-term management plan covering the three fiscal years ending 31st March, 2015, at which point the Company intends to return further profits to its shareholders and set a new dividend policy based on a total return ratio (being the payment of cash dividends and purchase of its own stock, divided by net income).

Operations

General

The Group engages in the research, development, manufacture and sales of electronic components that include capacitors, inductors, circuit products, SAW/FBAR devices, energy devices and recording media. The Group's products have applications mainly in IT and electronics fields, and are integrated into a variety of devices such as communications and information devices including smartphones and tablets as well as AV devices. In recent years, the Group has also been focusing on launching products in the automobile, industrial equipment, health-care and environmental energy markets.

The Group's reporting segments (being those for which separate financial information is available and regular evaluation by the Company's Board of Directors is performed in order to decide how resources are allocated within the Group), comprise of two segments identified by the nature of the business, being (i) Electronic Components, and (ii) Optical Media and Others.

The following table sets forth the Group's net sales to external customers and the percentage of consolidated net sales for the periods indicated, divided according to each reporting segment:

	Year ended 31st March,					
	2011		2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Electronic Components	¥179,870	85.5%	¥160,852	87.5%	¥170,926	88.6%
Optical Media and Others	30,532	14.5	22,943	12.5	21,978	11.4
Total consolidated net sales	¥210,402	100.0%	¥183,795	100.0%	¥192,904	100.0%

	Unaudited			
	Six-month period ended 30th September,			
	2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Electronic Components	¥84,852	88.9%	¥ 94,724	89.7%
Optical Media and Others	10,591	11.1	10,826	10.3
Total consolidated net sales	¥95,443	100.0%	¥105,550	100.0%

The following table sets forth operating income (loss) of the Group for the periods indicated, divided according to each reporting segment:

	Year ended 31st March,		
	2011	2012	2013
	(Millions of yen)		
Electronic Components	¥12,279	¥(6,689)	¥5,218
Optical Media and Others	(3,487)	(1,322)	(225)
Total consolidated operating income (loss)	¥ 8,792	¥(8,011)	¥4,993

	Unaudited	
	Six-month period ended 30th September,	
	2012	2013
	(Millions of yen)	
Electronic Components	¥1,793	¥7,406
Optical Media and Others	(336)	(209)
Total consolidated operating income (loss)	¥1,457	¥7,197

Electronic Components

The Electronic Components segment comprises of the following product segments: (i) Capacitors, (ii) Ferrite and Applied Products, (iii) Integrated Modules & Devices, and (iv) Other Electronic Components.

The tables below show a breakdown of the Group's net sales by product categories in the Electronic Components segment for the periods indicated:

	Year ended 31st March,			
	2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Capacitors	¥ 82,796	45.0%	¥ 89,853	46.6%
Ferrite and Applied Products	27,930	15.2	28,490	14.7
Integrated Modules & Devices	46,042	25.1	47,804	24.8
Other Electronic Components	4,084	2.2	4,779	2.5
Total segment net sales	¥160,852	87.5%	¥170,926	88.6%

	Unaudited			
	Six-month period ended 30th September,			
	2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Capacitors	¥41,571	43.5%	¥52,066	49.3%
Ferrite and Applied Products	14,213	14.9	17,748	16.8
Integrated Modules & Devices	26,808	28.1	22,071	20.9
Other Electronic Components	2,260	2.4	2,839	2.7
Total segment net sales	¥84,852	88.9%	¥94,724	89.7%

Notes:

(1) Amounts in the above table excludes consumption and related taxes.

(2) See "Presentation of Financial and Other Information — Segment Data" for changes in product segments that to effect from the fiscal year ended 31st March, 2013.

Capacitors

The capacitors business is the Group's core business. This product segment principally comprises of the manufacture and sale of small, high-capacitance multilayer ceramic capacitors. Capacitors are fitted to digital devices, such as smartphones and mobile phones, tablets and digital cameras, to store electricity on a temporary basis and remove electronic noise. The Group's strength lies in producing small, high-capacitance multilayer ceramic capacitors that are optimal for cutting-edge compact, thin digital devices. Due to their compactness and excellent high frequency characteristics, the Group's products are used in large quantities in most electronic products, including smartphones, tablets, LCD TVs and digital cameras.

Multilayer is the Group's flagship technology. Its multilayer ceramic capacitors are renowned for their compactness and high capacitance. The Group has begun mass production of multilayer capacitors of an EIA0201 size (0.6 mm × 0.3 mm) product with capacitance of 2.2 μF, EIA0402 size (1.0 mm × 0.5 mm) 22 μF and an EIA0603 size (1.6 mm × 0.8 mm) product with capacitance of 47 μF. In addition, the Group has recently commenced mass production of EIA01005 size (0.4 mm × 0.2 mm) with capacitance of 0.22 μF.

Ferrite and Applied Products

Since its pioneering early years, the Group has been engaged in development and production in the ferrite and applied products business. In recent years, in addition to conventional products using ferrite materials, the Group has expanded the metal power inductor MCOIL™ line of products using new metallic magnetic materials.

The main products in this segment are electronic components known as inductors. Inductors have two main applications: firstly, they serve as electronic noise suppression components based on their characteristic of allowing direct current to pass while blocking the flow of alternating current, and secondly, inductors serve as electronic components known as choke coils, which utilise inductors' ability to store electricity in the form of a magnetic field in their coils. This product segment principally comprises of the manufacture and sale of wire-wound chip inductors, multilayer chip inductors, ferrite chip beads and common-mode choke coils. The Group's products are extensively used in electronic products, including smartphones, tablets, digital cameras, video games and LCD TVs.

High-frequency multilayer inductors are used in the high-frequency circuits of mobile devices, which have seen continuing rapid market expansion. In this field, the Group developed and commercialised EIA0201 size (0.6 mm × 0.3 mm) and EIA01005 size (0.4 mm × 0.2 mm) products with among the industry's highest levels of Q-factor. To address stronger market demand for miniaturised, large current inductors, the Group has commenced mass production of the metal power inductor MCOIL™ using metallic magnetic materials. In addition to EIA0806 size (2.0 mm × 1.6 mm) and EIA1008 size (2.5 mm × 2.0 mm) products, it launched 1.6 mm by 1.6 mm square to 4.0 mm by 4.0 mm square size products. The Group has also commenced mass production of products with a thin 1.0 mm profile.

Integrated Modules & Devices

The Integrated Modules & Devices segment includes products such as SAW/FBAR devices for mobile communications, front-end modules, and inverter modules for LCD TV backlights. SAW/FBAR devices for mobile communications are used mainly in smartphones. These devices are being increasingly fitted to smartphones for the purpose of achieving high-speed data communications and high-quality voice communications. Principal products include SAW/FBAR devices for mobile communications, various power modules, high-frequency modules and embedded parts multilayer wiring substrates.

In SAW/FBAR devices for mobile communications, technology has become a key element in the devices that support the smartphone market, and the Group is working hard to develop products in this segment. We are making proposals for miniaturised, low energy-consumption filter devices that support LTE, and front-end modules with value-added integrated circuits. The Group is also focusing its efforts on developing products that use FBAR technology to support more highly functional devices. The Group has worked to develop multifunctional modules that have superior compactness, a low profile and high efficiency, in order to address growing power conservation needs. With regard to wireless communication modules, the Group has also concentrated on developing and commercialising combination modules that enable the same module to be compatible with different communications standards such as Bluetooth® and wireless LAN. The Group also made new proposals to the health-care and other fields which utilise communications technologies.

Other Electronic Components

The main products in this segment are energy devices such as polyacene capacitors and lithium ion capacitors. These products are used as backup power supplies for clocks embedded in smartphones and as peak current assistance for LED flashes. Other common applications for these devices include being used as backup power supplies for smart meters and other devices.

Optical Media and Others

The tables below show a breakdown of the Group's net sales by product categories in the Optical Media and Others segment for the periods indicated:

	Year ended 31st March,			
	2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Optical Media Products	¥16,152	8.8%	¥15,413	8.0%
Others	6,791	3.7	6,565	3.4
Total segment net sales	¥22,943	12.5%	¥21,978	11.4%

	Unaudited			
	Six-month period ended 30th September,			
	2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Optical Media Products	¥ 7,295	7.6%	¥ 6,786	6.5%
Others	3,296	3.5	4,040	3.8
Total segment net sales	¥10,591	11.1%	¥10,826	10.3%

Note:
(1) Amounts in the above table excludes consumption and related taxes.

Optical Media Products

The Company invented the CD-R technology in 1988. This product segment principally comprises of the manufacture and sale of CD-Rs and DVD-Rs and the sale of BD-Rs. The Group has been focusing on the archive (long-term storage) market where it believes its strength of high quality products can be fully leveraged.

Others

The Others product segment mainly comprises the printed circuit board design and the device mounting business.

Sources of Supply

The Group purchases various raw materials, as well as components for modules, from suppliers. The principal raw materials purchased are barium carbonate and titanium dioxide which form the basis of barium titanate, which is an ingredient used for multilayer ceramic capacitors. The Group has an ability to synthesise ingredients such as barium titanate and to produce different types of ceramic capacitor ingredients, particularly suitable for super high-end and high-end products in accordance with its varying needs. The Group also purchases as raw materials, ferrite oxide for inductors and polycarbonate for recording media substrate, and purchases semiconductors and components for modules.

Whilst the Group relies on a limited number of suppliers for high-grade raw materials like other Japanese electronic component manufacturers, the Company believes that the Group is not generally dependent on any single supplier for major raw materials or components for its products. The Group has not experienced in the past three years, and does not anticipate, any material difficulty in obtaining supplies.

Manufacturing

The Group manufactures its multilayer ceramic capacitors, ferrite and its applied products (inductors), modules, recording media and other products at its twelve domestic and nine overseas production plants. In addition, the Group is currently working to establish a new factory in Ome, Tokyo for the manufacture of SAW/FBAR devices for mobile communications and front-end modules. All of the Group's domestic and overseas plants have received ISO 14001 certification. See "— Property and Equipment" for further information relating to the Group's major production facilities and the planned opening of a new factory in Ome, Tokyo.

Initially, the Group manufactures its new and technologically advanced products in Japan in order to maintain the high quality of its sophisticated products. Once these products are well established, they are usually then manufactured overseas at a lower cost. The Group also builds overseas production facilities in locations near to its customers to reduce delivery time and cost. The Group's logistic department centrally checks inventories at each sales base and analyses demand and supply for each product before increasing capacity at each production plant.

Sales and Marketing

In most cases, the Group directly markets to, and negotiates with, its customers through sales offices located all over the world. The Group also sells its products through trading houses and agents. The Group's principal customers are major electronics and device manufacturers in the world.

The following table sets out a geographic breakdown of sales based on the location of the customers and the percentage in the Group's net sales for the periods indicated:

	Year ended 31st March,					
	2011		2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Japan	¥ 48,241	22.9%	¥ 44,825	24.4%	¥ 41,646	21.6%
China	56,935	27.1	54,876	29.9	58,872	30.5
South Korea	29,942	14.2	21,002	11.4	19,732	10.2
Other areas[(1)]	75,284	35.8	63,092	34.3	72,654	37.7
Total consolidated net sales	¥210,402	100.0%	¥183,795	100.0%	¥192,904	100.0%

Note:
(1) Includes Taiwan and the United States.

Competition

The markets in which the Group sells its products are highly competitive worldwide because of the large number of electronic component manufacturing companies. 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 multilayer ceramic capacitors, inductors and modules are other electronic component manufacturers in Japan, South Korea, Taiwan, China and the United States. In the optical media category, the Group's competitors are Asian-based optical media manufacturers.

The Group has consistently promoted globalisation in manufacturing and marketing and has maintained strategic sales and manufacturing bases in relevant regions around the world. The Group has also implemented cost-reduction programmes and is increasing its competitive strength through the expansion of overseas production.

The Company believes that the Group's expertise in cutting-edge products, sophisticated multilayer and raw material technologies and mounting technology together with evaluation and simulation technologies gives it a competitive advantage in the markets in which it operates.

Research and Development

The Group's research and development continues its focus on activities that are driven by one of the Group's main objectives, which is to develop products that are rated highly by its customers, by means of enhancing its many elemental technologies that have been built up since its foundation. In particular, the Group is focusing on the development of super high-end products.

The Group recognises that continuing innovations and advancement in its technologies through R&D are the foundation of the strength of the Group. Accordingly, the Group intends to continue to invest in R&D activities and the future development of its products. The Group opened the R&D Centre in 1998. In 2003, the Group established an Anechoic Chamber Test Facility in the same complex, and accelerated its proactive R&D activities in the field of radio communication. Currently, the R&D Centre has become a foundation of the developmental and technological capabilities of the Group.

The Group is further developing its material technology research and development which it has been involved in since the Company's establishment, and is focusing in particular on development of super high-end products. The Group works on marketing as well as technological development in respect of its focal products, with a view to introducing them to the market at appropriate times.

The following table shows the Group's research and development expenses for the periods indicated and as a percentage of net sales:

	Year ended 31st March,			Six-month period ended 30th September,	
	2011	2012	2013	2012	2013
	(Millions of yen / Per cent.)				
Total R&D expenses	¥8,476	¥8,069	¥6,840	¥3,293	¥3,554
Percentage of net sales	4.0%	4.4%	3.5%	3.5%	3.4%

The principal results of the Group's recent R&D efforts are outlined below:

Electronic Components

Capacitors

Multilayer Ceramic Capacitors

The Group established a stable mass-production technology of dielectrics of thickness at the submicron level (less than 1 μF) through its improvement of the dielectric materials technology, thin-film and high capacity technology and miniaturisation capabilities.

Furthermore, the Group's multi-layering technology is approaching a 1000-layer capability, allowing the Group to successfully introduce and mass produce new capacitor products in the EIA1206 size (3.2 mm × 1.6 mm) and EIA1210 size (3.2 mm × 2.5 mm) range, both with a high capacitance of 220 μF. The Group applied these technologies and began mass production of an EIA0201 size (0.6 mm × 0.3 mm) product with capacitance of 2.2 μF, EIA0402 size (1.0 mm × 0.5 mm) 22 μF and an EIA0603 size (1.6 mm × 0.8 mm) product with capacitance of 47 μF. In addition, the Group has recently commenced mass production of EIA01005 size (0.4 mm × 0.2 mm) with capacitance of 0.22 μF.

The Group will implement a product expansion of capacitor products for the smartphone market.

Ferrite and Applied Products

Multilayer Chip Inductors

The Group expanded its lineup of multilayer choke coils used for DC-DC converters of mobile devices, which have seen continuing rapid market expansion, and commenced mass production of smaller and thinner EIA0603 size (1.6 mm × 0.8 mm) products with a very thin 0.33 mm profile.

In the field of high-frequency multilayer inductors, which are used in the high-frequency circuits of mobile devices, the Group developed and commenced mass production of EIA0201 size (0.6 mm × 0.3 mm) and EIA01005 size (0.4 mm × 0.2 mm) products with among the industry's highest levels of Q-factor. The Group will proceed to expand its lineup of products and continue to develop new products that meet a market need.

As an electronic noise suppression component of smartphones with the increasingly sophisticated functionality, the Group commercialised smaller common mode choke coils in the EIA0302 size (0.85 mm × 0.65 mm). The Group will develop its technologies and advance the development of smaller products with enhanced performance.

Wire-Wound Inductors

In surface-mounted wire-wound inductors used in power circuits, the Group focused on the development of choke coils used for DC-DC converters for smartphones, which have a rapidly expanding market. This enabled the Group to commence mass production of 2.0 mm by 2.0 mm square size products to address stronger market demand for more compact inductors.

Further, to meet market demand for miniaturized, large current inductors, the Group developed and established a production technology of metallic magnetic materials and commenced mass production of the metal power inductor MCOIL™. In addition to EIA0806 size (2.0 mm × 1.6 mm) and EIA1008 size (2.5 mm × 2.0 mm) products, it launched 1.6 mm by 1.6 mm square to 4.0 mm by 4.0 mm square size products. Another initiative was to commence mass production of products with a thin 1.0 mm profile. The Group will further strengthen its competitiveness and merchantability through the expansion of its product lineup, including a development of the thinner MCOIL™, and mass production ability.

Integrated Modules and Devices

Communication Device

SAW technology has become a key element in the devices that support the rapidly growing smartphone market, and the Group is working hard to develop products in this product segment.

The Group is making proposals for miniaturised and low energy-consumption filter devices and front-end modules with value-added integrated circuits that support LTE, the main system for next generation communications, as well as the world standard third generation system.

The Group is also focusing its efforts on developing products that use FBAR technology to support more highly functional devices, allowing the Group to continue to make proposals for most appropriate high-frequency devices for the increasingly complex communication market.

Multifunctional Modules

In response to a strong demand for energy conservation in the market, the Group promoted to build a power source technology for low power consumption and a technology for switching to the use of LED for lighting equipment and TV backlights, which enabled the Group to introduce a variety of differentiated products. The Group will develop multifunctional modules that have superior compactness, a low profile and high efficiency, in order to address growing power conservation needs.

Further, the Group will secure its competitiveness and strengthen its merchantability through developing an application of power source technology and utilising its unique developments of control and electric power technologies.

Wireless Communication Modules

For the growing near field communication market, the Group has developed small and low-profile modules, modules with the Group's manufactured antennas tailored to the customers' needs and other module products responding to the wide-ranging needs. Especially recently, the Group concentrated on developing and commercialising combination modules that enable the same module to be compatible with different communications standards such as Bluetooth® and wireless LAN.

Further, in market circumstances where various equipments have been developed and may access to the communication network, the Group will develop and commercialise modules supporting even software and make new proposals to the communications market, including the digital consumer equipment and health-care and other fields.

Other Electronic Components

Polyacene capacitors are mainly used as backup power supplies for smartphones and digital still cameras. In this field, the Group commences an increased production of square-type polyacene capacitors. The Group is also pressing ahead with low-temperature polyacene capacitors for smart meters.

The Group is also working to develop the capacitance and energy density of cylinder-type lithium ion capacitors which have a feature of both electric double layer capacitors and lithium ion batteries.

The Group will continue to propose attractive new products in response to the market needs in the energy device field with high future growth potential.

Optical Media and Others

Optical Media Products

Optical Media

In response to mounting demand for long-term optical storage devices (for archiving purposes), the Group will continue with efforts to develop high-quality products for various types of recording format, such as CD-R, DVD-R and BD-R.

Intellectual Property Rights

As of 30th September, 2013, the Group owned 705 patents and two utility model rights in Japan. As of 30th September, 2013, the Group had 654 patent applications pending in Japan. As at the same date, the Group owned 1,301 patents registered overseas.

In light of the highly competitive nature of the global electronics industry, the Group takes a strict approach to possible leakage of its production know-how to outside rivals and adopts stringent employee rules regarding the disclosure or leakage of proprietary know-how.

Although the Group considers that its various patents and other intellectual property constitute a valuable asset, it does not regard its business as being materially dependent upon any single patent or other intellectual property.

Property and Equipment

The following table sets out certain information relating to the Company's principal property and equipment by property as at 31st March, 2013:

				Book Value				
Name of Property	Location	Business Segment to Which the Property Relates	Description of the Property	Buildings and Structures	Machinery and Equipment	Land[1]	Tools, Furniture and Fixtures	Total
				(Millions of yen)				
Haruna factory	Gunma, Japan	Electronic Components	Manufacturing facilities, principally for capacitors	¥2,087	¥2,774	¥ 110 (100,746) [8,199]	¥ 54	¥ 5,027
Nakanojo factory	Gunma, Japan	Electronic Components	Manufacturing facilities, principally for ferrites and applied products	970	3,546	119 (32,668) [17,555]	21	4,658
Tamamura factory	Gunma, Japan	Electronic Components	Manufacturing facilities, principally for capacitors	3,774	8,636	525 (58,434) [26,400]	95	13,032
R&D Centre	Gunma, Japan	Electronic Components	R&D facilities	1,558	261	1,117 (90,807)	250	3,189

Notes:

(1) Figures in round parentheses are land areas owned in square metres, while figures in square parentheses are land areas leased from parties other than the Company and its consolidated subsidiaries.

(2) The Group does not have any material unused properties.

The following table sets out certain information relating to the principal property and equipment of the Company's domestic subsidiaries by subsidiary as at 31st March, 2013:

Name of Subsidiary	Location	Business Segment to Which the Property Relates	Description of the Property	Buildings and Structures	Machinery and Equipment	Land[(1)]	Tools, Furniture and Fixtures	Total
				(Millions of yen)				
Taiyo Chemical Industry Co., Ltd.	Gunma, Japan	Optical Media and Others	Manufacturing facilities, principally for other products	¥ 703	¥ 542	¥ 631 (23,479) [7,496]	¥ 50	¥1,927
Niigata Taiyo Yuden Co., Ltd.	Niigata, Japan	Electronic Components	Manufacturing facilities, principally for capacitors	3,594	2,786	2,143 (154,741)	59	8,584
TAIYO YUDEN Mobile Technology Co., Ltd.	Kanagawa, Japan	Electronic Components	Manufacturing facilities, principally for SAW/FBAR devices such as SAW filters	1,052	3,602	— [745]	124	4,779

Notes:

(1) Figures in round parentheses are land areas owned in square metres, while figures in square parentheses are land areas leased from parties other than the Company and its consolidated subsidiaries.

(2) The Group does not have any material unused properties.

The following table sets out certain information relating to the principal property and equipment of the Company's overseas subsidiaries by subsidiary as at 31st March, 2013:

Name of Subsidiary	Location	Business Segment to Which the Property Relates	Description of the Property	Book Value				
				Buildings and Structures	Machinery and Equipment	Land[(1)]	Tools, Furniture and Fixtures	Total
				(Millions of yen)				
TAIYO YUDEN (PHILIPPINES), INC.	Philippines	Electronic Components	Manufacturing facilities, principally for ferrites and applied products	¥ 203	¥4,013	¥ — [34,062]	¥535	¥ 4,752
TAIYO YUDEN (SARAWAK) SDN. BHD.	Malaysia	Electronic Components	Manufacturing facilities, principally for capacitors	3,740	8,576	— [175,130]	131	12,448
TAIYO YUDEN (GUANDONG) CO., LTD.	China	Electronic Components	Manufacturing facilities, principally for capacitors	3,160	9,009	— [53,384]	507	12,667
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	South Korea	Electronic Components	Manufacturing facilities, principally for capacitors	4,313	3,170	1 (31) [171,649]	39	7,525

Notes:

(1) Figures in round parentheses are land areas owned in square metres, while figures in square parentheses are land areas leased from parties other than the Company and its consolidated subsidiaries.

(2) The Group does not have any material unused properties.

Further, the Company's subsidiary, TAIYO YUDEN Mobile Technology has entered into a real estate sale and purchase agreement with Hitachi, Ltd. ("Hitachi") on 31st July, 2013, pursuant to which TAIYO YUDEN Mobile Technology intends to acquire on 1st April, 2014, a portion of the land and building in Ome, Tokyo held by Hitachi, with a view to establishing a new factory for the manufacture of SAW/FBAR devices for mobile communications and front-end modules. The ground area and floor area of the new factory is expected to amount to approximately 56,000 square metres and 53,000 square metres, respectively.

Environment

The Group believes that it has established effective methods to resolve the dilemma of how to respond to customer demands for more advanced electronic devices and also to reduce environmental burdens. The objectives of these methods are to achieve higher performance levels of electronic components that are incorporated in a final product.

Electronic components with high performance levels manifest improvements such as compactness (leading to reduction in the parts and materials used) and enhanced power efficiency (leading to lower energy consumed). Consequently, the Group continues to support the implementation of higher performance in all devices, and to achieve reductions in the environmental burden. Moreover, the Group considers its products as beneficial for society as the products are useful for a wide variety of producers that use electric power and enhance the quality of life of the Group's customers.

The Group strives to make a positive contribution to reducing its burden on the environment by pursuing "green products" and working to provide a stable supply of these items.

The green products that the Group has on its development horizon reflect the environmental considerations applied throughout the product life cycle, not only at the products' end use, but also at all stages from design through production, sales, and incorporation into the final product and also up to final disposal. This means eliminating what in Japanese are called the three M's — *muda* (wastefulness), *mura* (unevenness) and *muri* (overburden) — over the entire life cycle of products to give them value for the Group's customers, the local community, and the Group's employees.

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, consumer protection including 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. See also "Investment Considerations — Global Operations", "Investment Considerations — Regulations" and "Investment Considerations — Environmental Liabilities".

Insurance

The Group maintains a range of insurance policies which cover certain liability risks including personal injury, death and property damage, product liability and damages caused by business suspension. As is typical in Japan, the Group's insurance policies do not cover earthquake and certain water-related damage. 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 individually or in the aggregate have a materially adverse effect on the Group or its operations.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors carries the ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation provide for not more than ten Directors. Directors are elected at a general meeting of shareholders. The normal term of office of any Director expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within one year after such Director's appointment, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent the Company and out of whom, a president is elected. The Board of Directors may elect a Chairman of the Board, one or more Vice Presidents, Senior Executive Operating Officers, Executive Operating Officers and Senior Operating Officers from among its members.

The Articles of Incorporation of the Company also provide for not more than five Audit & Supervisory Board Members, who are elected at a general meeting of shareholders. The normal term of office of any Audit & Supervisory Board Member expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within four years after such Audit & Supervisory Board Member's appointment, although they may serve any number of consecutive terms. Under Japanese laws, the Audit & Supervisory Board Members are not required to be certified public accountants, and may not at the same time be directors or employees of the Company or any of its subsidiaries. In addition, at least half of the Audit & Supervisory Board Members are required to be outside Audit & Supervisory Board Members who have never been directors or employees of the Company or of any of its subsidiaries. The Audit & Supervisory Board Members form the Audit & Supervisory Board. Audit & Supervisory Board Members have the duties of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by the Representative Director to the general meetings of shareholders and of reporting their opinions thereon to the shareholders. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary at such meetings but they are not entitled to vote. In addition, they are required to elect from among themselves at least one Standing Audit & Supervisory Board Members. Audit & Supervisory Board Members also have a statutory duty to provide their report to the Audit & Supervisory Board, which must prepare and submit its auditing report to the relevant Director. The Audit & Supervisory Board will also determine matters relating to the duties of the Audit & Supervisory Board Members, such as audit policy and methods of investigation of the affairs and assets of the Company. In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Company, are required to have at least one independent officer. Such independent officer is required under the regulations to be an outside director (as defined under the Companies Act) or outside Audit & Supervisory Board Member who is unlikely to have conflicts of interest with the shareholders of the relevant company.

In addition to Audit & Supervisory Board Members, the Company must appoint by a resolution of a general meeting of shareholders independent certified public accountants as an Accounting Auditor, who have the statutory duties of examining the financial statements to be submitted by the Representative Director to the general meetings of shareholders and reporting thereon to the relevant Audit & Supervisory Board Members and the relevant Directors. Currently, the Company's Accounting Auditor is KPMG AZSA LLC.

The Company's Directors and Audit & Supervisory Board Members as of the date of this Offering Circular are set out in the table below:

Name	Title
Eiji Watanuki	Representative Director and President
Shoichi Tosaka	Director and Executive Operating Officer
Seiichi Tsutsumi	Director and Senior Operating Officer
Osamu Takahashi	Director and Senior Operating Officer
Katsushige Nakano	Director and Senior Operating Officer
Shinji Masuyama	Director and Senior Operating Officer
Yuji Iwanaga(1)	Director
Hisaji Agata(1)	Director
Norio Osakabe	Audit & Supervisory Board Member
Mamoru Yamaki	Audit & Supervisory Board Member
Tomonori Akisaka(2)	Audit & Supervisory Board Member
Kazuhiro Yamakawa(2)	Audit & Supervisory Board Member

Notes:
(1) Outside Directors under the Companies Act.
(2) Outside Audit & Supervisory Board Member under the Companies Act.

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 business address for the Company's Directors and Audit & Supervisory Board Members is 16-20, Ueno 6-chome, Taito-ku, Tokyo 110-0005, Japan.

The aggregate remuneration of the Directors, the Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) and outside Directors and outside Audit & Supervisory Board Members (together) for the fiscal year ended 31st March, 2013 paid to by the Company was ¥213 million, ¥44 million and ¥29 million, respectively.

As at 31st March, 2013, 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 31st March, 2013, 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.

Employees

The Group had 15,915 full-time employees as at 31st March, 2013. The following table sets out the number of full-time employees of the Group according to reporting segments as at the dates indicated:

	As at 31st March,		
	2011	2012	2013
Electronic Components	16,055	14,977	14,787
Optical Media and Others	821	813	834
Corporate	391	404	294
Total	17,267	16,194	15,915

Note:
(1) "Corporate" represents the number of individuals belonging to the administrative divisions of the Group.

As at 31st March, 2013, 7,501 employees of the Group belonged to labour unions. The Company believes that its relationship with its employees is good. The Company's labour union adopts "Union Shop" and belongs to the Japanese Electrical Electronic & Information Union.

Stock Option Plans

The Company has stock option plans (comprising the issue of stock acquisition rights) that provides certain directors (except for outside directors) with options to acquire Shares from the Company. The following table sets out a summary of the Company's stock option plans as of 31st March, 2013:

Date of board/shareholders' meeting	Exercise period	Exercise price per Share	Number of Shares to be issued upon exercise of options outstanding
29th June, 2005	30th June, 2005 to 31st July, 2025	¥1	26,000
29th June, 2006	24th August, 2006 to 23rd August, 2026	¥1	29,000
28th June, 2007	14th July, 2007 to 13th July, 2027	¥1	32,000
28th June, 2007	14th July, 2007 to 13th July, 2027	¥1	46,000
27th June, 2008	15th July 2008 to 14th July, 2028	¥1	46,000
25th May, 2009	10th June 2009 to 9th June, 2029	¥1	37,000
29th June, 2010	22nd July 2010 to 21st July, 2030	¥1	39,000
29th June, 2011	14th July 2011 to 13th July, 2031	¥1	44,000
25th April, 2012	11th May 2012 to 10th May, 2032	¥1	38,000

SUBSIDIARIES AND AFFILIATE

As at 30th September, 2013, the Company had 34 consolidated subsidiaries and one affiliate accounted for by the equity method.

The following table sets out certain information as at 30th September, 2013 with respect to the Company's principal subsidiaries:

Subsidiary	Location	Principal business	Percentage of voting rights held by the Company	Paid-in capital[1]
			(Per cent.)	
TAIWAN TAIYO YUDEN CO., LTD.	Taiwan	Sales of electronic components	100.0%	NT$333 million
KOREA TAIYO YUDEN CO., LTD.	South Korea	Manufacturing and sales of modules	100.0	KRW10,000 million
TAIYO YUDEN (SINGAPORE) PTE. LTD.	Singapore	Sales of electronic components	100.0	S$18,555 thousand
HONG KONG TAIYO YUDEN CO., LTD.	Hong Kong	Sales of electronic components	100.0	HK$20,400 thousand
TAIYO YUDEN (PHILIPPINES), INC.	Philippines	Manufacturing of capacitors, ferrites and applied products	100.0	P.P. 490 million
TAIYO YUDEN (SARAWAK) SDN. BHD.	Malaysia	Manufacturing of capacitors	100.0	MYR100 million
TAIYO YUDEN (GUANDONG) CO., LTD.	China	Manufacturing of capacitors	100.0	U.S.$69,550 thousand
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	South Korea	Manufacturing of capacitors	100.0	KRW59,758 million

Note:

(1) In the above table, NT$ stands for Taiwanese dollar, KRW stands for South Korean won, S$ stands for Singapore dollar, HK$ stands for Hong Kong dollar, P.P. stands for Philippine peso, MYR stands for Malaysian ringgit and U.S.$ stands for the U.S. dollar.

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.

On 5th January, 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Book-Entry Act, and the shares of all Japanese companies listed on any Japanese stock exchange, including the Shares, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. At present, JASDEC is 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. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an account managing institution unless such person has an account at JASDEC. "Account managing institutions" are financial instruments traders (being 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 of the Book-Entry Act can open accounts directly at JASDEC. For the purpose of the description under this section, 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 shares is recorded in the transferee's account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders' rights against the Company, a transferee must have his or her name and address registered in the Company's register of shareholders, except in limited circumstances. Under the new clearing system, such registration is generally made upon an all shareholders notice from JASDEC. For this purpose, shareholders are required to file their names and addresses with the Company's transfer agent through the account managing institution and JASDEC. See "— Record Date" below for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of his or her standing proxy or a mailing address to the relevant account managing institution. Such notice will be forwarded to the Company's transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxy and provide related services for standard fees.

The transfer agent of the Company is Mizuho Trust & Banking Co., Ltd., located at 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan.

Distributions of Surplus

General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called "dividends", are referred to as "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".

The Companies Act requires a distribution of surplus to be authorised in principle by a resolution of a general meeting of shareholders. However, a distribution of surplus may also be made pursuant to a resolution of the Board of Directors but only if all the requirements described in (a) to (c) 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 normal term of office of each Director of the Company terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last year ending within the period of one year from the election of such Director; and

(c) 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.

At present, the requirement described in (a) above is not met. Nevertheless, the Company may make distributions of surplus in cash as an interim dividend to its shareholders by a resolution of the Board of Directors once per fiscal year under the Company's Articles of Incorporation and the Companies Act.

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31st March of each year and pursuant to a resolution of the Board of Directors, an interim dividend may be distributed to shareholders of record as at 30th September of each year. The Company is not obliged to pay any dividends in cash unclaimed for a period of three years after the date on which they first became payable.

Distributions of surplus may be made in cash or (except for distributions as an interim dividend and cases where shareholders are granted the right to require the Company to make such distributions in cash instead of in kind, upon approval of a general meeting of shareholders) in kind in proportion to the number of Shares held by each shareholder. A resolution of the Board of Directors or a general meeting of shareholders 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 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").

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 goes ex-dividend generally on the second business day prior to the record date.

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 the smaller of (i) an amount equal to one-tenth of the amount of surplus so distributed or (ii) an amount equal to one-quarter of its stated capital less the sum of its additional paid-in capital and legal reserve as at the date of such distribution 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 shall, at any given time, be equal to the amount of surplus less the aggregate of the following:

(a) the book value of the Company's treasury stock, as at the effective date of distributions;

(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 non-consolidated balance sheet of the Company as at the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has, at its option, become 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 temporary financial statements (*rinji keisan shorui*) as described below, and if such temporary 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 temporary financial statements have been prepared. The Company may prepare non-consolidated temporary 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. Temporary financial statements prepared by the Company must be reviewed by its Audit & Supervisory Board Members and independent auditors, and approved by the Board of Directors and a general meeting of shareholders, 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 a 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 a 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) its stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by a 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 a resolution of its Board of Directors. When a stock split is to be made, so long as the only type 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 rules relating to the new clearing system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of its 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 managing institutions or JASDEC will be increased in accordance with the applicable ratio.

Unit Share System

The Company's Articles of Incorporation provide that 100 Shares constitute one "unit". Its 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 its 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 or 0.5 per cent. 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 if the Company's Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distributions of surplus.

Holders of Shares constituting less than one unit may at any time request the Company to purchase Shares held by them. Such purchase of Shares will be effected 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 for such purchase may not be withdrawn without the Company's consent.

General Meetings of Shareholders

The ordinary general meeting of shareholders of the Company is usually held in June each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating, among others, the place, time and purpose thereof 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 31st 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. 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.

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, where one-quarter or more of the total voting rights 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 and Audit & Supervisory Board Members 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 general, 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) purchase of Shares by the Company from a specific shareholder other than the Company's subsidiary;

(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 Audit & Supervisory Board Members of the Company;

(vi) exemption from a portion of liability of the Directors, Audit & Supervisory Board Members or independent auditors of the Company;

(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) amendment to the Company's Articles of Incorporation;

(x) transfer of the whole or a substantial part of the Company's business;

(xi) taking over of the whole of the business of another company;

(xii) merger;

(xiii) corporate split;

(xiv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*);

(xv) consolidation; and

(xvi) dissolution.

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) to (xiv) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act.

Liquidation Rights

In the event of the liquidation of the Company, any assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Shares in proportion to the respective number of Shares that they hold.

Subscription Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of new Shares at a "specially favourable" price mentioned in "— Voting Rights". The Board of Directors may, however, determine that shareholders be given subscription rights to new Shares, in which case they 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.

Stock Acquisition Rights

The Company may issue stock acquisition rights (*shinkabu yoyakuken*). 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".

Reports to Shareholders

The Company furnishes to its shareholders notices of shareholders' meetings, annual business reports, including financial statements, and notices of resolutions adopted at the shareholders' meetings, all of which are in Japanese. The Company may, if it so chooses, send such notices and reports by an electronic method, such as e-mail, to those shareholders who have approved such method.

Pursuant to the Company's Articles of Incorporation, public notice given by the Company shall be published by an electronic method; provided, however, that such notice shall be given by publication in the Official Gazette if the method of electronically publishing notices is not available due to any technical problems or other unavoidable circumstances.

Record Date

As mentioned above, 31st 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 30th 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 for determining the shareholders entitled to certain rights pertaining to Shares.

Under the rules relating to the new clearing system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors of the Company 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 of Shares by the Company

The Company may acquire Shares (i) by soliciting all its shareholders to offer to sell Shares held by them (in this case, certain terms of such acquisition, including the total number of Shares to be purchased and the total amount of consideration, shall be set by an ordinary resolution of a general meeting of shareholders in advance, and such acquisition shall be executed pursuant to a resolution of the Board of Directors); (ii) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution of a general meeting of shareholders); (iii) from any of the Company's subsidiaries (pursuant to a resolution of the Board of Directors) or (iv) 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 (ii) 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 (ii) 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) or (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (ii) 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.

Disposal of Shares by the Company held by Shareholders whose Location is Unknown

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails continuously for five years or more at his or her 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 the Shares continuously for five years or more at his or her 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 Shareholders

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance of Japan within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1 per cent. or more in the holding or of any change in material matters set out in reports previously filed. For this purpose, shares issuable to such person upon his or her exchange of exchangeable securities, 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 such holder and the issuer's total issued share capital. Any report so filed will be made available for public inspection. Copies of each report must also be furnished to the issuer of the shares. Reports are required to be filed through the Electronic Disclosure for Investors' Network, known as the EDINET system.

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds or delivered upon the acquisition of the Bonds by the Company as consideration therefor, who are non-resident individuals or non-Japanese corporations, in either case 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 as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements 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 incorporated in the Bonds or delivered upon the acquisition of the Bonds by the Company as consideration therefor, 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, 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.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20.42 per cent. on or before 31st December, 2037 and 20 per cent. thereafter, subject to any applicable income tax treaty. However, with respect to dividends paid by the Company to any non-resident Holders of Shares, except for any individual shareholder who holds 3 per cent. or more of the total issued Shares, the said 20.42 per cent. or 20 per cent. withholding tax rate is reduced to (i) 15.315 per cent. for dividends due and payable on or after 1st January, 2014 but on or before 31st December, 2037 and (ii) 15 per cent. for dividends due and payable thereafter.

Gains derived from the sale of Shares, 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

Daiwa Capital Markets Europe Limited ("Daiwa"), Nomura International plc and SMBC Nikko Capital Markets Limited (together with Daiwa, the "Managers") have entered into a subscription agreement in respect of the Bonds with the Company dated 9th January, 2014 (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of Bonds as indicated in the table below at the issue price (the "Issue Price") of 100.5 per cent. of the principal amount of the Bonds and to offer the Bonds at the Offer Price as stated on the cover page of this Offering Circular (the "Offer Price").

Managers	Aggregate Principal Amount of the Bonds
Daiwa Capital Markets Europe Limited	¥14,000,000,000
Nomura International plc	4,000,000,000
SMBC Nikko Capital Markets Limited	2,000,000,000
Total	¥20,000,000,000

No selling concession, management commission or underwriting commission shall 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 Managers. The Company has also agreed to pay certain costs in connection with the issue of the Bonds and to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds in accordance with the Subscription Agreement. The 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 being made to the Company as set out therein. The Company has agreed to indemnify the Managers against certain liabilities in connection with the 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:

(a) 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;

(b) 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;

(c) 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

(d) publicly announce any intention to do any of the above,

without the prior written consent of Daiwa (on behalf of the Managers), other than:

(i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(ii) the issue or transfer of any Shares by the Company upon exercise of any stock acquisition rights (including bonds with stock acquisition rights) issued and outstanding as of the date hereof and referred to in this Offering Circular;

(iii) the grant of stock options or stock acquisition rights to directors of the Company pursuant to its stock option plans;

(iv) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or stock acquisition rights to holders of Shares without any consideration; and

(v) any other issue or sale of Shares required by the Japanese laws and regulations.

Selling Restrictions

United States

Neither the Bonds nor the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Neither the Bonds nor the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered, sold or delivered and will not offer or sell the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights (i) as part of the distribution at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, each 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.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of Daiwa; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means 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, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each 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, or upon acquisition by the Company 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, or upon acquisition by the Company of, the Stock Acquisition Rights in, from or otherwise involving the United Kingdom.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Bonds may not be offered or sold, nor may the Bonds be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Bonds are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferrable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Hong Kong

Each Manager has represented and agreed that:

(a) the Bonds and the Shares to be issued upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights may not be offered or sold by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") and any rules made under the SFO, or (b) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) no advertisement, invitation or document relating to the Bonds or the Shares to be issued upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), 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 laws of Hong Kong) other than with respect to Bonds and Shares to be issued upon exercise of, or upon acquisition by the Company 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" within the meaning of the SFO and any rules made under the SFO.

General

Neither the Company nor any of the 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 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 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 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 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.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) is XS1008564848 and the Common Code is 100856484.
2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 6976.
3. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 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. 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 is exchanged for definitive Certificates. In addition, in the event that the Global Certificate 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 9th January, 2014 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 31st March, 2013.
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 annual report of the Company including the audited consolidated annual financial statements in English, and the Company's latest unaudited consolidated annual and quarterly 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, so long as any of the Bonds is outstanding.
8. 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.
9. The consolidated financial statements of the Company for each of the three fiscal years ended 31st March, 2011, 2012 and 2013 included in this Offering Circular, have been audited by KPMG AZSA LLC, the Company's independent auditor, as stated in its audit report appearing herein.
10. The Trustee is entitled under the 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.

INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TAIYO YUDEN Co., Ltd.:

We have audited the accompanying consolidated financial statements of TAIYO YUDEN Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013, 2012 and 2011, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TAIYO YUDEN Co., Ltd. and its consolidated subsidiaries as at March 31,2013, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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 1 to the consolidated financial statements.

KPMG AZSA LLC
December 10, 2013
Tokyo, Japan

Consolidated Financial Statements

TAIYO YUDEN CO., LTD. and Subsidiaries

Consolidated Balance Sheets
March 31, 2013, 2012, and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	¥ 33,281	¥ 26,672	¥ 38,812	$ 354,048
Time deposits (Note 3)	2,076	1,241	1,146	22,085
Receivables:				
Trade notes and accounts receivable (Note 3)	41,656	41,865	41,191	443,144
Allowance for doubtful receivables	(271)	(290)	(216)	(2,886)
Inventories:				
Merchandise and finished products	15,023	13,100	13,276	159,821
Work in process	11,087	8,530	9,319	117,943
Raw materials and supplies	9,833	8,920	9,893	104,604
Deferred tax assets (Note 8)	536	405	1,774	5,708
Prepaid expenses and other current assets	4,111	3,956	4,381	43,750
Total current assets	117,332	104,399	119,576	1,248,217
Property, plant and equipment (Note 11):				
Land	7,689	7,687	7,716	81,804
Buildings and structures	68,215	64,204	62,069	725,686
Machinery and equipment	212,367	192,930	179,945	2,259,226
Tools, furniture and fixtures	19,262	18,212	17,649	204,920
Construction in progress	9,358	10,397	10,742	99,548
Total	316,891	293,430	278,121	3,371,184
Accumulated depreciation	(218,116)	(199,409)	(190,518)	(2,320,388)
Net property, plant and equipment	98,775	94,021	87,603	1,050,796
Investments and other assets:				
Investment securities (Notes 3 and 4)	3,814	3,955	4,149	40,577
Investments in affiliate (Note 3)	546	595	528	5,812
Goodwill	1,201	1,802	2,646	12,778
Deferred tax assets (Note 8)	839	580	3,626	8,925
Other	3,702	3,355	3,395	39,375
Allowance for doubtful receivables	(282)	(246)	(250)	(3,000)
Total investments and other assets	9,820	10,041	14,094	104,467
Total assets	¥ 225,927	¥ 208,461	¥ 221,273	$ 2,403,480

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Consolidated Balance Sheets — (Continued)
March 31, 2013, 2012, and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term borrowings (Notes 3 and 5)	¥ 20,242	¥ 9,032	¥ 2,997	$ 215,345
Current portion of long-term borrowings (Notes 3 and 5)	4,899	4,148	12,540	52,120
Current portion of convertible bonds with stock acquisition rights	—	19,635	—	—
Notes and accounts payable:				
Trade notes and accounts payable (Note 3)	17,950	15,346	17,048	190,958
Other (Note 3)	8,713	7,593	10,289	92,693
Income taxes payable (Note 3)	1,049	586	1,120	11,162
Accrued bonuses for employees	2,981	1,741	2,952	31,715
Accrued bonuses for directors	75	—	47	803
Deferred tax liabilities (Note 8)	698	616	484	7,422
Provision for business structure improvement	—	475	—	—
Other	7,837	10,585	7,926	83,354
Total current liabilities	64,444	69,757	55,403	685,572
Long-term liabilities:				
Bonds payable (Notes 3 and 5)	8,000	8,000	—	85,106
Long-term borrowings (Notes 3 and 5)	29,365	17,298	9,470	312,389
Convertible bonds with stock acquisition rights (Notes 3 and 5)	365	365	20,000	3,883
Lease liabilities (Note 5)	1,011	1,662	2,010	10,754
Accrued retirement benefits for employees (Note 6)	1,263	1,660	3,400	13,441
Accrued retirement benefits for directors	126	108	137	1,338
Deferred tax liabilities (Note 8)	4,378	3,650	2,301	46,572
Negative goodwill	10	31	52	110
Other	1,004	1,530	874	10,687
Total long-term liabilities	45,522	34,304	38,244	484,280
Total liabilities	109,966	104,061	93,647	1,169,852
Commitment and contingent liabilities (Notes 10 and 12):				
Net assets (Note 7)				
Shareholders' equity:				
Common stock				
Authorized — 300,000,000 shares				
Issued — 120,481,395 shares in 2013, 2012 and 2011	23,557	23,557	23,557	250,609
Capital surplus	41,484	41,471	41,471	441,320
Retained earnings (Note 20)	67,938	66,820	89,302	722,748
Treasury stock, at cost — 2,855,179 shares in 2013, 2,899,010 shares in 2012 and 2,894,450 shares in 2011	(3,564)	(3,625)	(3,621)	(37,919)
Total shareholders' equity	129,415	128,223	150,709	1,376,758
Accumulated other comprehensive income:				
Net unrealized holding gains (losses) on securities	562	434	382	5,981
Deferred gains (losses) on hedges	15	6	(50)	153
Foreign currency translation adjustments	(14,347)	(24,638)	(23,975)	(152,618)
Total accumulated other comprehensive income	(13,770)	(24,198)	(23,643)	(146,484)
Stock acquisition rights (Note 14)	275	329	288	2,921
Minority interests	41	46	272	433
Total net assets	115,961	104,400	127,626	1,233,628
Total liabilities and net assets	¥225,927	¥208,461	¥221,273	$2,403,480

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Consolidated Statements of Operations
March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
NET SALES (Note 18)	¥192,904	¥183,795	¥210,402	$2,052,169
COST OF SALES	155,101	157,064	164,472	1,650,009
Gross profit	37,803	26,731	45,930	402,160
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	32,810	34,742	37,138	349,041
Operating income (loss) (Note 18)	4,993	(8,011)	8,792	53,119
OTHER INCOME (EXPENSES):				
Interest and dividends income	238	277	254	2,531
Interest expense	(556)	(410)	(477)	(5,918)
Equity in earnings of affiliate	7	69	2	80
Gain (Loss) on foreign exchange	2,895	(526)	(1,442)	30,799
Depreciation of inactive noncurrent assets	(419)	(349)	(546)	(4,456)
Gain on sales of property, plant and equipment	905	29	941	9,632
Loss on disposal and sales of property, plant and equipment	(217)	(496)	(2,172)	(2,310)
Loss on disposal of inventories	(135)	(142)	(313)	(1,437)
Loss on valuation of investment securities	(427)	(443)	(235)	(4,548)
Impairment loss on property, plant and equipment (Note 11)	(346)	(268)	(7,343)	(3,679)
Business structure improvement expenses (Note 16)	(254)	(4,277)	—	(2,707)
Settlement package	(2,823)	—	—	(30,029)
Subsidy income	122	72	58	1,293
Life insurance dividends income	69	41	58	738
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	—	(27)	—
Loss on disaster (Note 17)	—	—	(1,410)	—
Interest on bonds	(74)	(12)	—	(783)
Bond issuance cost	—	(41)	—	—
Gain on change of employee retirement benefit plan	—	56	—	—
Gain on negative goodwill	—	12	—	—
Other	44	(206)	207	462
Other income (expense) — net	(971)	(6,614)	(12,445)	(10,332)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	4,022	(14,625)	(3,653)	42,787
INCOME TAXES (Note 8)				
Current	1,737	1,139	1,879	18,483
Deferred	278	5,832	(42)	2,953
Total income taxes	2,015	6,971	1,837	21,436
INCOME (LOSS) BEFORE MINORITY INTERESTS	2,007	(21,596)	(5,490)	21,351
MINORITY INTERESTS	7	4	16	71
NET INCOME (LOSS)	¥ 2,000	¥(21,600)	¥ (5,506)	$ 21,280

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 19, 20):				
Basic earnings	¥ 17.01	¥(183.70)	¥ (46.82)	$ 0.18
Diluted earnings	16.98	—	—	0.18
Cash dividends applicable to the year	10.00	5.00	10.00	0.11

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income
March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
INCOME (LOSS) BEFORE MINORITY INTERESTS	¥ 2,007	¥(21,596)	¥ (5,490)	$ 21,351
OTHER COMPREHENSIVE INCOME (Note 15):				
Net unrealized holding gains (losses) on securities	128	52	(313)	1,367
Deferred gains (losses) on hedges	9	55	46	95
Foreign currency translation adjustments	10,291	(662)	(4,715)	109,475
Total other comprehensive income	10,428	(555)	(4,982)	110,937
COMPREHENSIVE INCOME	¥12,435	¥(22,151)	¥(10,472)	$132,288
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	¥12,429	¥(22,155)	¥(10,488)	$132,224
Minority interests	6	4	16	64

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets
March 31, 2013, 2012 and 2011

	Thousands	Millions of Yen											
		Shareholders' Equity					Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2010	120,481	¥23,557	¥41,471	¥ 95,984	¥(3,592)	¥157,420	¥ 695	¥(96)	¥(19,260)	¥(18,661)	¥248	¥ 256	¥139,263
Changes during the year													
Cash dividends, ¥10.00 per share				(1,176)		(1,176)							(1,176)
Net loss				(5,506)		(5,506)							(5,506)
Treasury stock acquired (23,021 shares)					(29)	(29)							(29)
Changes other than shareholders' equity							(313)	46	(4,715)	(4,982)	40	16	(4,926)
Total changes	—	—	—	(6,682)	(29)	(6,711)	(313)	46	(4,715)	(4,982)	40	16	(11,637)
BALANCE, APRIL 1, 2011	120,481	¥23,557	¥41,471	¥ 89,302	¥(3,621)	¥150,709	¥ 382	¥(50)	¥(23,975)	¥(23,643)	¥288	¥ 272	¥127,626
Changes during the year													
Cash dividends, ¥7.50 per share				(882)		(882)							(882)
Net loss				(21,600)		(21,600)							(21,600)
Treasury stock acquired (4,560 shares)					(4)	(4)							(4)
Changes other than shareholders' equity							52	56	(663)	(555)	41	(226)	(740)
Total changes	—	—	—	(22,482)	(4)	(22,486)	52	56	(663)	(555)	41	(226)	(23,226)
BALANCE, APRIL 1, 2012	120,481	¥23,557	¥41,471	¥ 66,820	¥(3,625)	¥128,223	¥ 434	¥ 6	¥(24,638)	¥(24,198)	¥329	¥ 46	¥104,400
Changes during the year													
Cash dividends, ¥7.50 per share				(882)		(882)							(882)
Net income				2,000		2,000							2,000
Treasury stock acquired (12,169 shares)					(9)	(9)							(9)
Treasury stock disposed (56,000 shares)			13		70	83							83
Changes other than shareholders' equity							128	9	10,291	10,428	(54)	(5)	10,369
Total changes	—	—	13	1,118	61	1,192	128	9	10,291	10,428	(54)	(5)	11,561
BALANCE, MARCH 31, 2013	120,481	¥23,557	¥41,484	¥ 67,938	¥(3,564)	¥129,415	¥ 562	¥ 15	¥(14,347)	¥(13,770)	¥275	¥ 41	¥115,961

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets — (Continued)
March 31, 2013, 2012 and 2011

	Thousands of U.S. Dollars (Note 1)											
	Shareholders' Equity					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity	Net Unrealized Holding Gains (Losses) on Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2012	$250,609	$441,183	$710,852	$(38,570)	$1,364,074	$4,614	$ 58	$(262,100)	$(257,428)	$3,504	$491	$1,110,641
Changes during the year												
Cash dividends, $0.08 per share			(9,384)		(9,384)							(9,384)
Net income			21,280		21,280							21,280
Treasury stock acquired (12,169 shares)				(94)	(94)							(94)
Treasury stock disposed (56,000 shares)		137		745	882							882
Changes other than shareholders' equity						1,367	95	109,482	110,944	(583)	(58)	110,303
Total changes	—	137	11,896	651	12,684	1,367	95	109,482	110,944	(583)	(58)	122,987
BALANCE, MARCH 31, 2013	$250,609	$441,320	$722,748	$(37,919)	$1,376,758	$5,981	$153	$(152,618)	$(146,484)	$2,921	$433	$1,233,628

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows
March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
Operating activities:				
Income (loss) before income taxes and minority interests	¥ 4,022	¥(14,625)	¥ (3,653)	$ 42,787
Adjustments to reconcile income (loss) before income tax and minority interests to net cash provided by operating activities:				
Depreciation and amortization	19,833	19,250	19,310	210,989
Impairment loss on property, plant and equipment	346	268	7,343	3,679
Business structure improvement expense	254	4,277	—	2,707
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	—	27	—
Loss on disaster	—	—	1,410	—
Amortization of goodwill	601	844	844	6,389
Amortization of negative goodwill	(21)	(21)	(21)	(220)
Gain on negative goodwill	—	(12)	—	—
Increase (decrease) in allowance for doubtful receivables	(13)	70	(95)	(139)
Increase (decrease) in accrued bonuses for employees	1,211	(1,207)	237	12,882
Increase (decrease) in accrued bonuses for directors	75	(47)	24	803
Increase (decrease) in accrued retirement benefits for directors	16	(26)	6	169
Interest and dividend income	(238)	(277)	(254)	(2,531)
Interest expense	556	410	477	5,918
Interest on bonds	74	12	—	783
Equity in earnings of affiliate	(7)	(69)	(2)	(80)
(Gain) loss on disposal and sales of property, plant and equipment	(688)	467	1,231	(7,322)
Loss on valuation of investment securities	427	443	235	4,548
Settlement package	2,823	—	—	30,029
Changes in operating assets and liabilities:				
Trade receivables	5,309	(1,116)	4,415	56,476
Inventories	(2,769)	1,550	(4,784)	(29,456)
Trade payables	(1,216)	(1,154)	852	(12,939)
Other	(3,031)	(687)	(44)	(32,242)
Subtotal	27,564	8,350	27,558	293,230
Interest and dividends received	299	281	252	3,178
Interest paid	(568)	(403)	(489)	(6,040)
Settlement package paid	(2,823)	—	—	(30,029)
Payments for business structure improvement expenses	(3,419)	(1,113)	—	(36,368)
Income taxes paid	(1,556)	(1,581)	(2,102)	(16,558)
Net cash provided by operating activities	19,497	5,534	25,219	207,413
Investing activities:				
Purchases of property, plant and equipment	(19,534)	(29,101)	(17,519)	(207,808)
Proceeds from sales of property, plant and equipment	1,195	73	1,011	12,708
Purchases of investment securities	(38)	(200)	(125)	(399)
Decrease (Increase) in time deposits	(566)	(123)	84	(6,018)
Proceeds from sales of investment securities	170	5	—	1,805
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	(44)	—	—	(471)
Other	659	401	(46)	7,018
Net cash used in investing activities	(18,158)	(28,945)	(16,595)	(193,165)
Financing activities:				
Net increase (decrease) in short-term borrowings	10,765	6,054	(2,733)	114,524
Proceeds from long-term borrowings	17,000	12,000	—	180,851
Repayments of long-term borrowings	(4,182)	(12,564)	(4,062)	(44,488)
Proceeds from issuance of bonds	—	7,959	—	—
Redemption of convertible bonds with acquisition rights	(19,635)	—	—	(208,883)
Proceeds from stock issuance to minority shareholders	—	6	—	—
Purchase of stock from minority shareholder	(11)	(224)	—	(122)
Payments of cash dividends	(880)	(880)	(1,178)	(9,361)
Purchases of treasury stock	(9)	(4)	(29)	(94)
Repayments of lease obligations	(713)	(958)	(945)	(7,591)
Other	0	—	(1)	0
Net cash provided by financing activities	2,335	11,389	(8,948)	24,836
Effect of exchange rate changes on cash and cash equivalents	2,935	(118)	(1,316)	31,223
Net increase (decrease) in cash and cash equivalents	6,609	(12,140)	(1,640)	70,307
Cash and cash equivalents, beginning of year	26,672	38,812	40,452	283,741
Cash and cash equivalents, end of year	¥ 33,281	¥ 26,672	¥ 38,812	$ 354,048

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements
March 31, 2013, 2012, and 2011

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, and partially reflect the adjustments which are necessary to conform with Japanese GAAP.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94 to U.S. $1.

The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation Policies

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (together the "Companies"). The Japanese accounting standards for consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates.

As of March 31, 2013, 2012 and 2011, the numbers of consolidated subsidiaries were 34, 36 and 35 respectively. And the number of affiliate was 1, that was not changed during current 3 fiscal years.

The Company sold investment securities in Tsukiyono Denshi Co., Ltd., which was a subsidiary of the Company, in the fiscal year ended March 31, 2013.

TAIYO YUDEN Mobile Technology Products Co., Ltd., which was a sub-subsidiary of the Company, was merged into TAIYO YUDEN Moblie Technology Co., Ltd., which is a subsidiary of the Company, in the fiscal year ended March 31, 2013.

TAIYO YUDEN TRADING (THAILAND) CO., LTD. was established in the fiscal year ended March 31, 2012, Taiyo Fukushi Co., Ltd. was merged into Sun Vertex Co., Ltd. in the current fiscal year ended March 31, 2011, and thus is excluded from the scope of consolidation. TRDA, INC. was merged into TAIYO YUDEN (U.S.A.) INC. in the same fiscal year, and thus is excluded from the scope of consolidation. Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation.

The difference between cost of the Company's investment securities in subsidiaries and its equity in their net assets at the dates of acquisition ("goodwill" or "negative goodwill acquired before March 2010") is being amortized over the subsequent five-year periods. Investment in affiliate is accounted for by the equity method. Net income (loss) includes the equity in the current net earnings (losses) of such company after the elimination of unrealized intercompany profit.

(2) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit, and short-term investments with original maturities of three months or less, that are readily convertible into known amount of cash and are so near maturity that they present negligible risk of changes in value.

(3) Foreign Currency Transactions

Short-term and long-term foreign currency monetary items are translated into Japanese yen at appropriate fiscal year-end current rates. The resulting net gains (losses) are shown as "Gain (Loss) on foreign exchange" in the accompanying consolidated statements of operations.

(4) Foreign Currency Financial Statements

In translating the financial statements of foreign subsidiaries for the purpose of consolidation, all assets and liabilities are translated into Japanese yen at appropriate fiscal year-end current rates while net assets accounts are translated at historical rates.

Revenue and expense items are translated at the average rates during the fiscal year. The resulting translation differences are shown as "Foreign currency translation adjustments" in net assets at March 31, 2013, 2012 and 2011 in the accompanying consolidated balance sheets.

(5) Debt and Equity Securities

The Companies classify debt and equity securities, depending on management's intent, as follows:

(i) Held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost.

(ii) Available-for-sale securities represent securities not classified as either trading securities or held-to-maturity debt securities. Available-for-sale securities, which have fair value, are reported at fair value with unrealized gains, net of applicable taxes.

Available-for-sale securities, which do not have fair value, are stated at cost using the moving-average method. Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

(6) Inventories

Inventories are stated primarily at cost, determined by the average method for merchandise, finished products and work in process and by the first-in, first-out (FIFO) method for raw materials and supplies, modified by the writing down below cost to net realizable value.

(7) Property, Plant and Equipment (Except for the leased assets)

Property, plant and equipment are stated at cost. For the Company and domestic consolidated subsidiaries, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to building acquired on and after April 1, 1998. Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the corporate tax law in Japan. For foreign subsidiaries, depreciation is principally computed by straight-line method.

(8) Leased Assets

(i) Leased assets, ownership of which is considered to be transferred to the lessee, are depreciated in the same manner as property, plant and equipment.

(ii) Leased assets, ownership of which is not considered to be transferred to the lessee, are depreciated over the leased term by the straight-line method with no residual value, except for finance leases commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases.

(9) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the percentage of actual bad debt losses against the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record the allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

(10) Accrued Retirement Benefits for Employees

Accrued retirement benefits for employees at certain consolidated subsidiaries are provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. Also, certain consolidated subsidiaries provide allowance for accrued pension and severance costs.

(11) Accrued Retirement Benefits for Directors

Certain subsidiaries of the Company provide lump-sum severance benefits for directors. The accrued retirement benefits for directors are provided at the amount which would be required based on their internal regulations if all directors retired at the balance sheet date.

(12) Accrued Bonuses for Employees

Allowance for bonuses to employees are provided by the estimated amounts, which are obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(13) Accrued Bonuses for Directors

Allowance for bonuses to directors are provided by the estimated amounts, which are obligated to pay to directors after the fiscal year-end, based on services provided during the current period.

(14) Provision for business structure improvement

Provision for business structure improvement for certain subsidiary is provided by the estimated amounts to be incurred on business structure improvement.

(15) Income Taxes

The provision for income taxes is computed based on the pretax income for the financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities.

A valuation allowance is recorded to reduce deferred tax assets if it is not probable that deferred tax assets will be realized in the future.

The Company and certain domestic subsidiaries have adopted a consolidated tax return system from the year ended March 31, 2013.

(16) Research and Development Costs

Expenditures by the Company and certain subsidiaries for development of specified new products are charged to income as incurred and were ¥6,840 million ($72,767 thousand), ¥8,069 million, and ¥8,476 million for the years ended March 31, 2013, 2012 and 2011, respectively.

(17) Derivative and Hedging Activities

Companies are required to state derivative instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative instruments are used for hedging purposes.

The Company defers recognition of gains or losses resulting from changes in fair value of derivative instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The derivative transactions are executed and managed by the finance and accounting division in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(18) Per Share Information

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Basic earnings per share for the years ended March 31, 2013, 2012 and 2011 are computed in accordance with Japanese accounting standards.

Diluted earnings per share reflects the potential dilution that could occur if stock acquisition rights were exercised or convertible bonds are converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Diluted earnings per share for the year ended March 31, 2013 are computed in accordance with Japanese accounting standards.

Although diluted shares exist for the year ended March 31, 2012 and 2011, diluted earnings per share are not disclosed since there is net loss per share for the period.

Cash dividends per share consist of interim and year-end dividends and are accounted for in the year they are declared rather than in the year in which they are actually paid.

(19) Certain Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation for 2013.

(20) Others

(i) The Company and its consolidated domestic subsidiaries obtained approval from the Japan national tax agency to file a consolidated tax return system effective from the year beginning April 1, 2012. From the fiscal year ended March 31, 2012, the Company has been adopting accounting treatments as a prerequisite to the adoption of a consolidated tax return system in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation system (Part 1)" (ASBJ Practical Issues Task Force (PITF) No.5, initially issued on October 9, 2002 and lastly revised on March 18, 2011) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation system (Part 2)" (ASBJ PITF No.7, initially issued on February 6, 2003 and revised on June 30, 2010)

(ii) Bond issuance cost is recognized as expense when it is incurred.

(21) Additional Information

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

(22) Changes in Accounting Policies

(i) Changes in Depreciation Method

The Company and its consolidated domestic subsidiaries have changed the depreciation method used for property, plant and equipment acquired on or after April 1, 2012 based on revisions made to Japan's Corporation Tax Act. This change has taken effect beginning with this fiscal year.

This change resulted in an increase in operating income of ¥328 million ($3,494 thousand) and profit before income taxes and minority interests of ¥343 million ($3,648 thousand) for the year ended March 31, 2013

(ii) Equity Method of Accounting for Investments

Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issues Task Force No. 24, issued on March 10, 2008).

The adoption of the new accounting standard had no impact on the consolidated financial statements for the year ended March 31, 2011.

(iii) Asset Retirement Obligations

Effective from the fiscal year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

The adoption of the new accounting standard had no material impact on the consolidated financial statements for the year ended March 31, 2011.

(iv) Business Combinations

Effective from the fiscal year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, issued on December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

3. Financial instruments

(1) Qualitative information on financial instruments

a. Group policy for financial instruments

The Companies, which mainly produce and market electronic components, procure short-term operating funds with bank loans, and long-term funds for capital investment, etc. with bank loans and issuance of bonds in accordance with a capital investment plan.

Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Company uses derivatives to hedge risks stated below, and do not intend to use them for speculative purpose.

b. Risk management for financial instruments

Trade notes and accounts receivable which are operating receivables are exposed to consumer credit risk. Therefore, the Companies manage due dates and balance for each customer, and make efforts to early recognize concerns about collectability and reduce its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Companies have business relationship are managed by grasping fair values and financial conditions of issuers on a regular basis.

Payment due dates of most trade notes and accounts payable which are operating payables are within one year.

The Company uses borrowings, bonds and convertible bond with stock acquisition rights mainly for the purpose of procuring funds necessary for capital investment. As long-term loans with floating interest rate are exposed to the risk of interest-rate fluctuations, the Company uses derivative transactions (interest-rate swaps) to hedge the risk.

Operating receivables in foreign currency which arise from the Company's global business development are exposed to the risk of exchange-rate fluctuations. The Company uses forward exchange contracts as hedging instruments for operating receivables in foreign currency to reduce the risk of exchange-rate fluctuations, in principle. The Company also makes forward exchange contracts to hedge risks from operating receivables in foreign currency which are surely brought about by forecasted transactions related to exports. The Company makes derivatives transactions only with high-rated financial institutions.

In accordance with the internal risk management regulations providing for trading authority, the ceiling and other matters, the finance and accounting department executes derivative transactions, and manage them by recording details of transactions and checking balances with counterparties.

A manager of finance and accounting department reports monthly results of transactions to Managing Officers of Management & Administration Headquarters, and they report the results to the Board of Directors. Consolidated subsidiaries and affiliate do not use derivatives.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

c. Supplemental information on market value of financial instruments

Financial instruments without market quotations are stated at reasonably calculated value. Such a value is calculated based on variable factors. Therefore, the value may be changed depending on prerequisites to be adopted.

(2) Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheets at March 31, 2013, 2012 and 2011 are as follows;. When it is extremely difficult to measure a fair value of financial instrument, such a financial instrument is not included in the table shown below.

	Millions of yen		
	2013		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥35,357	¥35,357	—
(2) Trade notes and accounts receivable	41,656	41,656	—
(3) Investment securities:			
1) Held-to-maturity debt securities	0	0	—
2) Available-for-sale securities	3,303	3,303	—
Total assets	¥80,316	¥80,316	—
(4) Trade notes and accounts payable	17,950	17,950	—
(5) Short-term borrowings	20,242	20,242	—
(6) Other accounts payable	8,713	8,713	—
(7) Income taxes payable	1,049	1,049	—
(8) Bonds payable	8,000	8,030	¥ 30
(9) Convertible bonds with stock acquisition rights	365	362	(3)
(10) Long-term borrowings (*2)	34,264	34,129	(135)
Total liabilities	¥90,583	¥90,475	¥(108)
(11) Derivative transactions (*3)	¥ (559)	¥ (559)	—

	Millions of yen		
	2012		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥27,913	¥27,913	—
(2) Trade notes and accounts receivable	41,865	41,865	—
(3) Investment securities:			
1) Held-to-maturity debt securities	1	1	—
2) Available-for-sale securities	3,438	3,438	—
Total assets	¥73,217	¥73,217	—
(4) Trade notes and accounts payable	15,346	15,346	—
(5) Short-term borrowings	9,032	9,032	—
(6) Other accounts payable	7,593	7,593	—
(7) Income taxes payable	586	586	—
(8) Bonds payable	8,000	8,014	¥ 14
(9) Convertible bonds with stock acquisition rights (*1)	20,000	19,964	(36)
(10) Long-term borrowings (*2)	21,446	21,406	(40)
Total liabilities	¥82,003	¥81,941	¥(62)
(11) Derivative transactions (*3)	¥ (686)	¥ (686)	—

	Millions of yen		
	2011		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	¥39,958	¥39,958	—
(2) Trade notes and accounts receivable	41,191	41,191	—
(3) Investment securities:			
1) Held-to-maturity debt securities	1	1	—
2) Available-for-sale securities	3,811	3,811	—
Total assets	¥84,961	¥84,961	—
(4) Trade notes and accounts payable	17,048	17,048	—
(5) Short-term borrowings	2,997	2,997	—
(6) Other accounts payable	10,289	10,289	—
(7) Income taxes payable	1,120	1,120	—
(8) Bonds payable	—	—	—
(9) Convertible bonds with stock acquisition rights (*1)	20,000	19,754	¥(246)
(10) Long-term borrowings (*2)	22,010	22,150	140
Total liabilities	¥73,464	¥73,358	¥(106)
(11) Derivative transactions (*3)	¥ (181)	¥ (181)	—

	Thousands of U.S. dollars		
	2013		
	Book value	Fair value	Difference
(1) Cash, cash equivalents and time deposits	$376,133	$376,133	—
(2) Trade notes and accounts receivable	443,144	443,144	—
(3) Investment securities:			
1) Held-to-maturity debt securities	5	5	—
2) Available-for-sale securities	35,138	35,138	—
Total assets	$854,420	$854,420	—
(4) Trade notes and accounts payable	190,958	190,958	—
(5) Short-term borrowings	215,345	215,345	—
(6) Other accounts payable	92,693	92,693	—
(7) Income taxes payable	11,162	11,162	—
(8) Bonds payable	85,106	85,430	$ 324
(9) Convertible bonds with stock acquisition rights	3,883	3,854	(29)
(10) Long-term borrowings (*2)	364,509	363,070	(1,439)
Total liabilities	$963,656	$962,512	$(1,144)
(11) Derivative transactions (*3)	$ (5,946)	$ (5,946)	—

(*1) Convertible bonds with stock acquisition rights at March 31,2012 includes current portion.
(*2) Long-term borrowings includes current portion.
(*3) Derivatives transactions are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

Note 1: Measurement methods for fair value of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash, cash equivalents and time deposits and (2) Trade notes and accounts receivable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

(3) Investment securities

Equity securities are stated at price on exchange market, and bonds are stated at price offered by correspondent financial institutions.

Liabilities:

(4) Trade notes and accounts payable, (5) Short-term borrowings, (6) Other accounts payable and

(7) Income taxes payable

Since these are settled in short term, their fair values are close to book values. Accordingly, they are stated at book value.

(8) Bonds payable and (9) Convertible bonds with stock acquisition rights

The prices offered by correspondent financial institutions are regarded as fair values.

(10) Long-term borrowings

The fair values of long-term borrowings are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made. Long-term borrowings with floating interest rates are subject to the preferential accounting method for interest-rate swaps. Their fair values are calculated by discounting the total amount of principal and interest treated together with relevant interest-rate swaps at the estimated interest rate if similar borrowings were newly made.

(11) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by financial institutions.

As derivative transactions subject to the preferential accounting method for interest-rate swaps are treated together with hedged long-term borrowings, their fair values are included in the fair values of relevant long-term borrowings.

Note 2: Financial instruments of which fair value is extremely difficult to be identified

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
	Book value	Book value	Book value	Book value
Classification				
Available-for-sale securities:				
Unlisted equity securities	¥135	¥177	¥ 77	$1,440
Investments in affiliate	546	595	528	5,812
Equities of limited liability partnerships for investment business and of other similar partnerships	375	340	260	3,994

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, since it is considered very difficult to identify their fair value, they are not included in "Assets (3) 2) Available-for-sale securities".

Note 3: Planned redemption amounts after March 31, 2013, 2012 and 2011 for monetary assets and investment securities

	Millions of yen	
	2013	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥35,317	—
Trade notes and accounts receivable	41,656	—
Investment securities		
Held-to-maturity debt securities	0	¥ 0

	Millions of yen	
	2012	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥27,877	—
Trade notes and accounts receivable	41,865	—
Investment securities		
Held-to-maturity debt securities	0	¥ 1

	Millions of yen	
	2011	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	¥39,923	—
Trade notes and accounts receivable	41,191	—
Investment securities		
Held-to-maturity debt securities	—	¥ 1

	Thousands of U.S. dollars	
	2013	
	Within 1 year	Over 1 year and within 5 year
Cash, cash equivalents and time deposits	$375,709	—
Trade notes and accounts receivable	443,144	—
Investment securities		
Held-to-maturity debt securities	2	$ 3

4. DEBT AND EQUITY SECURITIES

(1) Held-to-maturity debt securities

	Millions of Yen		
	2013		
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	¥ 0	¥ 0	—
Subtotal	¥ 0	¥ 0	—
Total	¥ 0	¥ 0	—

	Millions of Yen		
	2012		
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	¥ 1	¥ 1	—
Subtotal	¥ 1	¥ 1	—
Total	¥ 1	¥ 1	—

	Millions of Yen		
	2011		
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bond	—	—	—
Corporate bonds	—	—	—
Other	¥ 1	¥ 1	—
Subtotal	¥ 1	¥ 1	—
Total	¥ 1	¥ 1	—

	Thousands of U.S. Dollars		
	2013		
	Book value	Fair value	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	$ 5	$ 5	—
Subtotal	$ 5	$ 5	—
Total	$ 5	$ 5	—

(2) Available-for-sale securities

	Millions of Yen		
	2013		
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥3,103	¥2,413	¥690
Corporate bonds	—	—	—
Other	45	42	3
Subtotal	¥3,148	¥2,455	¥693
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥ 155	¥ 165	¥(10)
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ 155	¥ 165	¥(10)
Total	¥3,303	¥2,620	¥683

	Millions of Yen		
	2012		
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥2,983	¥2,232	¥ 751
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥2,983	¥2,232	¥ 751
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥ 419	¥ 603	¥(184)
Corporate bonds	—	—	—
Other	36	42	(6)
Subtotal	¥ 455	¥ 645	¥(190)
Total	¥3,438	¥2,877	¥ 561

	Millions of Yen		
	2011		
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	¥2,723	¥1,852	¥ 871
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥2,723	¥1,852	¥ 871
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	¥1,054	¥1,433	¥(379)
Corporate bonds	—	—	—
Other	34	42	(8)
Subtotal	¥1,088	¥1,475	¥(387)
Total	¥3,811	¥3,327	¥ 484

	Thousands of U.S. Dollars		
	2013		
	Book value	Acquisition cost	Unrealized Gain/loss
Securities for which book value of consolidated balance sheets exceeds acquisition cost			
Stock	$33,006	$25,675	$7,331
Corporate bonds	—	—	—
Other	483	450	33
Subtotal	$33,489	$26,125	$7,364
Securities for which book value of consolidated balance sheets does not exceed acquisition cost			
Stock	$ 1,649	$ 1,755	$ (106)
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$ 1,649	$ 1,755	$ (106)
Total	$35,138	$27,880	$7,258

(3) Impaired securities

For the years ended March 31, 2013 and 2012, the Company recorded an impairment loss of ¥427 million ($4,548 thousand) and ¥443 million on “Available-for-sale securities” (¥427 million ($4,548 thousand) and ¥443 million on other marketable securities), respectively.

The Company posts the entire amount of impairment loss on all securities whose fair value at the end of the fiscal year is less than 50% of the acquisition cost.

For securities whose fair value at the end of the fiscal year decreases by 30 to 50% from their acquisition cost, the Company posts an impairment loss when it is judged necessary, by examining the impact and recoverability of the amount.

5. INDEBTEDNESS

Short-term borrowing at March 31, 2013, 2012 and 2011 principally consist of borrowings from banks at average annual rates of approximately 0.83%, 0.92% and 0.88%, respectively.

Long-term debts at March 31, 2013, 2012 and 2011 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Long-term borrowings from banks and other financial institutions				
Due within one year, weighted average interest rate 1.25% at March 31, 2013, 1.38% at March 31, 2012, and 1.56% at March 31, 2011	¥ 4,899	¥ 4,148	¥ 12,540	$ 52,120
Due after one year, weighted average interest rate 0.98% at March 31, 2013, 1.19% at March 31, 2012. and 1.58% at March 31, 2011.	29,365	17,298	9,470	312,389
Euro Yen zero coupon convertible bonds due 2014				
Due within one year	—	19,635	—	—
Due after one year	365	365	20,000	3,883
Bonds payable				
Due within one year	—	—	—	—
Due after one year	8,000	8,000	—	85,106
Lease liabilities				
Due within one year				
Lease that deem to transfer ownership to lessee, weighted average interest rate 3.22%	351	340	328	3,733
Lease that do not transfer ownership to lessee	311	373	579	3,314
Due after one year				
Lease that deem to transfer ownership to lessee weighted average interest rate 3.22%	—	351	691	—
Lease that do not transfer ownership to lessee	1,011	1,311	1,319	10,754
Total	44,302	51,821	44,927	386,193
Less current portion	(5,561)	(24,496)	(13,447)	(59,167)
Long-term debts, less current portion	¥38,741	¥ 27,325	¥ 31,480	$327,026

The average interest rate per annum for lease that do not transfer ownership to lessee is not presented since lease liabilities are stated at the amounts before deducting interest portion which is included in total lease liabilities.

The conversion price per share of Euro Yen zero coupon convertible bonds for the years ended March 31, 2013, 2012, and 2011 was ¥3,746 ($39.85) — fixed price.

The aggregate annual maturities of long-term debts other than lease liabilities as of March 31, 2013 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
For the year ending March 31		
2014	¥ 4,899	$ 52,120
2015	20,839	221,693
2016	5,274	56,103
2017	773	8,226
2018	10,648	113,279
2019 and thereafter	196	2,077
Total	¥42,629	$453,498

The annual maturities of lease liabilities as of March 31, 2013 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
For the year ending March 31		
2014	¥ 662	$ 7,047
2015	302	3,217
2016	299	3,182
2017	257	2,729
2018	133	1,413
2019 and thereafter	20	213
Total	¥1,673	$17,801

6. RETIREMENT BENEFITS

(1) Outline of retirement benefit plans

The Company and certain domestic subsidiaries have defined contribution pension plans, prepaid retirement plans.

Certain foreign subsidiaries mainly adopted lump-sum retirement benefit plans.

(2) The liability (asset) for retirement benefit plans for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Projected benefits obligation	¥2,323	¥2,661	¥4,741	$24,716
Fair value of pension assets	978	924	1,223	10,404
Unrecognized past service liabilities	142	—	—	1,514
Unrecognized actuarial differences	66	141	168	703
Net liability for severance and retirement benefits	1,137	1,596	3,350	12,095
Prepaid pension costs	126	64	50	1,346
Accrued retirement benefits for employees	¥1,263	¥1,660	¥3,400	$13,441

(3) Retirement benefit costs for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Service cost	¥ 434	¥ 484	¥ 569	$ 4,621
Interest cost	101	132	176	1,079
Expected return on plan assets	(39)	(62)	(58)	(419)
Amortization of prior service costs	9	2	—	93
Amortization of actuarial differences	(7)	—	—	(79)
Other	1,184	1,099	1,006	12,598
Net periodic benefit costs	¥1,682	¥1,655	¥1,693	$17,893

Retirement benefit costs incurred by the domestic consolidated subsidiaries that adopted the simplification method or benefit formula were recorded as service cost.

“Other” for the years ended March 31, 2013, 2012 and 2011 mainly includes contribution to defined contribution pension plans.

The discount rates of foreign companies were from 3.67% to 4.00% for the year ended March 31, 2013.

The rates of expected return on plan assets of foreign companies are 4.50% for the year ended March 31, 2013.

The estimated amounts of all retirement benefits to be paid at the future retirement dates are allocated to each service year using the benefit formula or equally using the estimated number of total service years.

Consolidated overseas subsidiaries have adopted the corridor approach for the amortization of actuarial differences.

7. NET ASSETS

Under the Companies Act of Japan ("the Act"), in cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital and legal earnings reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act. Appropriations are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

8. INCOME TAXES

Income taxes in Japan applicable to the Company and domestic subsidiaries for the years ended March 31, 2013, 2012 and 2011 were comprised of (1) a corporation tax at the rates of 28%, 30% and 30%, on taxable income, (2) enterprise tax of approximately 7%, 7% and 7% on taxable income and (3) prefectural and residence taxes of approximately 19%, 21% and 21% of the amount of the corporation tax, respectively. Enterprise tax is deductible for income tax purposes when paid.

Income taxes of foreign subsidiaries are generally based on tax rates applicable in the country of incorporation.

Significant components of the deferred tax assets and liabilities as of March 31, 2013, 2012 and 2011 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Deferred tax assets				
Inventories	¥ 346	¥ 162	¥ 263	$ 3,683
Retirement benefits	2,682	3,893	3,513	28,536
Enterprise tax payables	57	14	69	606
Accrued bonuses	1,052	587	935	11,195
Excess depreciation	1,743	2,049	2,657	18,538
Allowance for doubtful receivables	150	87	393	1,598
Unused tax losses	19,171	16,732	11,224	203,942
Other	2,840	2,894	2,177	30,211
Offset	(268)	(213)	(1,811)	(2,851)
Subtotal	27,773	26,205	19,420	295,458
Valuation allowance	(26,397)	(25,220)	(14,020)	(280,825)
Total deferred tax assets	¥ 1,376	¥ 985	¥ 5,400	$ 14,633
Deferred tax liabilities				
Allowance for doubtful receivables	—	¥ 22	¥ 33	—
Undistributed earnings of foreign subsidiaries	¥ 2,426	1,878	1,874	$ 25,811
Inventories	632	585	448	6,724
Reserves	890	932	1,062	9,469
Unrealized holding gains on investment securities	143	118	93	1,526
Other	1,253	944	1,086	13,316
Offset	(268)	(213)	(1,811)	(2,852)
Total deferred tax liabilities	¥ 5,076	¥ 4,266	¥ 2,785	$ 53,994

Main items of the reconciliations of the normal income tax rate to the effective income tax rates are as follows:

	2013
Statutory tax rate	37.8%
(Reconciliations)	
Differences in statutory tax rates of foreign subsidiaries	(35.5)
Undistributed earnings of foreign subsidiaries	13.6
Valuation allowance	16.7
Foreign tax	3.4
Unrealized profit included in inventories	9.5
Amortization of goodwill	5.4
Others — net	(0.8)
Effective income tax rate	50.1%

Reconciliations of statutory and effective income tax rate for 2012 and 2011 are omitted because of loss before income taxes and minority interests.

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 37.75% for years beginning on or after April 1, 2012 and 35.38% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 37.75% and 35.38%, respectively, as of March 31, 2012. These changes in statutory income tax rates had no material impact on the consolidated financial statement for the year ended March 31, 2012.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Summary of net assets (liabilities) and net payment for the sales of investments excluded from consolidation is as follows:

March 31, 2013

Tsukiyono Denshi Co., Ltd.	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 62	$ 655
Non-current assets	0	1
Current liabilities	(48)	(512)
Loss on sales of investments	(4)	(38)
Sales price of investments	10	106
Cash and cash equivalents of alienated company	(54)	(577)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	¥(44)	$(471)

10. LEASE TRANSACTIONS

(1) Finance Lease

As described in Note 2, finance lease contracts commencing after April 1, 2008 are capitalized. Information of finance lease contracts commencing prior to March 31, 2008, which are accounted for in the same manner as operating leases, was as follows:

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2012 and 2011 were as follows:

	Millions of Yen	
	2012	2011
The amount corresponding to acquisition cost	¥638	¥1,660
The amount corresponding to accumulated depreciation	559	1,350
The amount corresponding to net book value	¥ 79	¥ 310

The amounts of outstanding future lease payments due at March 31, 2012 and 2011 were as follows:

	Millions of Yen	
	2012	2011
Future lease payments		
Within one year	¥65	¥229
Over one year	14	81
Total	¥79	¥310

Lease payments and the amounts corresponding to depreciation for the year ended March 31, 2012 and 2011 were summarized as follows:

	Millions of Yen	
	2012	2011
Lease payments	¥228	¥333
The amount corresponding to depreciation expense	228	333

The imputed interest expense portion is included in the above future lease payments under finance leases.

The amount corresponding to depreciation expense was calculated by the straight-line method over the lease term with no residual value.

The amounts corresponding to acquisition cost, accumulated depreciation, and net book value at March 31, 2013 are not shown as they are immaterial.

(2) Operating Lease

The amounts of noncancellable future lease payments as of March 31, 2013, 2012 and 2011 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
Future lease payments				
Within one year	¥284	¥281	¥190	$3,026
Over one year	251	525	570	2,668
Total	¥535	¥806	¥760	$5,694

11. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

The Companies categorize their business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan or low profitability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss on property, plant and equipment.

For the years ended March 31, 2013, 2012 and 2011, the Companies recognized impairment loss on property, plant and equipment as follows:

For the year ended March 31, 2013

Classification	Description	Location	Millions of Yen	Thousands of U.S. Dollars
Machinery and Equipment, Others	Idle assets	Tamamura, Gunma Haruna, Gunma Nakanojo, Gunma Date, Fukushima Minakami, Gunma Others	¥346	$3,679

For the year ended March 31, 2012

Classification	Description	Location	Millions of Yen
Machinery and Equipment, Others	Idle assets	Haruna, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma Tianjin, China Others	¥268

For the year ended March 31, 2011

Classification	Description	Location	Millions of Yen
Machinery and Equipment, Buildings and Land, Others	Recording media products production facilities, Others	Date, Fukushima	¥7,035
Machinery and Equipment, Tools, Furniture and Fixtures, Others	Idle assets	Haruna, Gunma Nakanojo, Gunma Tamamura, Gunma Yawatabara, Gunma Tianjin, China Others	300
Intangible assets	Telephone subscription rights	Shinyokohama, Kanagawa Suzaka, Nagano	8

12. CONTINGENT LIABILITIES

At March 31, 2013, 2012 and 2011, the Companies had the following contingent liabilities:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	2013
As guarantor of bank loans and indebtedness	¥3	¥4	¥6	$29

13. DERIVATIVE TRANSACTIONS

The fair values of derivatives held by the Companies as of March 31, 2013, 2012 and 2011 are summarized as follows. Fair value is computed based on quotes and others by financial institutions and others.

(1) Derivative transactions for which hedge accounting is not applied

	Millions of Yen			
	2013			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Selling: U.S. Dollar	¥ 12,091	—	¥ (597)	¥ (597)
Foreign exchange forward contracts:				
Buying: U.S. Dollar	¥ 1,865	—	¥ 15	¥ 15

	Millions of Yen			
	2012			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Selling: U.S. Dollar	¥ 11,624	—	¥ (695)	¥ (695)

	Millions of Yen			
	2011			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Selling: U.S. Dollar	¥ 16,927	—	¥ (109)	¥ (109)
Foreign exchange forward contracts:				
Buying: U.S. Dollar	¥ 1,651	—	¥ 12	¥ 12

	Thousands of U.S. Dollars			
	2013			
	Contract amount	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Selling: U.S. Dollar	$128,631	—	$(6,354)	$(6,354)
Foreign exchange forward contracts:				
Buying: U.S. Dollar	$ 19,838	—	$ 160	$ 160

(2) Derivative transactions for which hedge accounting is applied

		Millions of Yen		
		2013		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts:				
Selling: U.S. Dollar	Future transaction	¥ 5,207	—	¥ 40
Foreign exchange forward contracts:				
Buying: U.S. Dollar	Future transaction	¥ 1,896	—	¥(16)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	¥18,550	¥17,050	—

		Millions of Yen		
		2012		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥4,528	—	¥ 13
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥ 825	—	¥ (4)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	¥9,000	¥750	—

		Millions of Yen		
		2011		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	¥6,535	—	¥(110)
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	¥1,637	—	¥ 26
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	¥6,000	¥3,000	—

		Thousands of U.S. Dollars		
		2013		
		Contract amount	Due after one year	Fair value
Foreign exchange forward contracts: Selling: U.S. Dollar	Future transaction	$ 55,396	—	$ 422
Foreign exchange forward contracts: Buying: U.S. Dollar	Future transaction	$ 20,169	—	$(175)
Interest-rate swaps Fixed interest payment and floating interest receipt	Long-term borrowings	$197,340	$181,383	—

For the specific treatment of interest-rate swaps, because they are account for in combination with the hedged long-term borrowings, their fair value is included in the fair value of the long-term borrowings.

14. STOCK OPTION PLAN

The Company grants stock options to its directors in line with resolutions of the board of directors meetings.

Expenses for stock options amounting to ¥28 million ($299 thousand), ¥41 million and ¥40 million were recognized in selling, general and administrative expenses in 2013, 2012 and 2011, respectively.

For the years ended March 31, 2013 and 2012, a standard option pricing model (i.e., Black-Scholes) was used to measure the fair value of stock options granted to its directors.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with risk-free interest rates of 0.15% in 2013 and 0.34% in 2012, dividends per share of ¥5 ($0.05) in 2013 and ¥10 in 2012, and volatility factor of the expected market value of the Company’s common stock of 54.5% in 2013 and 50.7% in 2012, determined by weekly historical price for the past four years and three months and expected life of the option of 3.6 years in 2013 and 4.3 years in 2012.

A summary of the Company's stock options outstanding at March 31, 2013 is as follows:

Date of resolution	June 29, 2005	June 29, 2006	June 28, 2007	June 28, 2007
Date of grant	June 29, 2005	August 23, 2006	July 13, 2007	July 13, 2007
Number of options	26,000 shares of Common stock	29,000 shares of Common stock	32,000 shares of Common stock	46,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From June 30, 2005 to July 31, 2025	From August 24, 2006 to August 23, 2026	From July 14, 2007 to July 13, 2027	From July 14, 2007 to July 13, 2027
Fair value (per share)	¥—	¥1,511	¥2,761	¥2,761
Options outstanding at March 31, 2012	8,000 shares	17,000 shares	23,000 shares	34,000 shares
Granted	—	—	—	—
Exercised	—	4,000 shares	6,000 shares	9,000 shares
Forfeited/Expired	—	—	—	—
Options outstanding at March 31, 2013	8,000 shares	13,000 shares	17,000 shares	25,000 shares

Date of resolution	June 27, 2008	May 25, 2009	June 29, 2010	June 29, 2011
Date of grant	July 14, 2008	June 9, 2009	July 21, 2010	July 14, 2011
Number of options	46,000 shares of Common stock	37,000 shares of Common stock	39,000 shares of Common stock	44,000 shares of Common stock
Exercise price	¥1	¥1	¥1	¥1
Exercise period	From July 15, 2008 to July 14, 2028	From June 10, 2009 to June 9, 2029	From July 22, 2010 to July 21, 2030	From July 14, 2011 to July 13, 2031
Fair value (per share)	¥966	¥947	¥1,013	¥948
Options outstanding at March 31, 2012	34,000 shares	34,000 shares	39,000 shares	44,000 shares
Granted	—	—	—	—
Exercised	9,000 shares	9,000 shares	9,000 shares	8,000 shares
Forfeited/Expired	—	—	—	—
Options outstanding at March 31, 2013	25,000 shares	25,000 shares	30,000 shares	36,000 shares

Date of resolution	April 25, 2012
Date of grant	May 11, 2012
Number of options	38,000 shares of Common stock
Exercise price	¥1
Exercise period	From May 11, 2012 to May 10, 2032
Fair value (per share)	¥739
Options outstanding at March 31, 2012	—
Granted	38,000 shares
Exercised	2,000 shares
Forfeited/Expired	—
Options outstanding at March 31, 2013	36,000 shares

15. COMPREHENSIVE INCOME

Reclassification and income tax effects attributable to other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized holding gains (losses) on securities:			
Gains (losses) arising during the year	¥ (41)	¥ 520	$ (437)
Reclassifications and adjustments	195	(443)	2,071
Before income tax effects	154	77	1,634
Income tax effects	(26)	(25)	(267)
Net unrealized holding gains (losses) on securities	128	52	1,367
Deferred gains (losses) on hedges:			
Gains (losses) arising during the year	(176)	(8)	(1,871)
Reclassifications and adjustments	190	100	2,023
Before income tax effects	14	92	152
Income tax effects	(5)	(37)	(57)
Deferred gains (losses) on hedges	9	55	95
Foreign currency translation adjustments:			
Adjustments arising during the year	10,291	(662)	109,475
Total other comprehensive income	¥10,428	¥(555)	$110,937

The corresponding information for the year ended March 31, 2011 was not required to be provided under the accounting standards for presentation of comprehensive income due to a first year exemption applicable to companies adopting such standard. Thus such information is not disclosed herein.

16. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

The Companies recorded costs for business structure improvement of ¥254 million ($2,707 thousand) and ¥4,277 million for the year ended March 31, 2013 and 2012 respectively.

This includes special extra retirement payment incurred in connection with the structural reform.

17. LOSS ON DISASTER

Loss on disaster for the year ended March 31, 2011 consists of the following:

	Millions of Yen
	2011
Loss on disposal of property, plant and equipment due to disaster	¥ 850
Loss on disposal of inventories due to disaster	241
Fixed costs during shutdown of facilities due to disaster	183
Repair costs for disaster-affected assets	85
Other	51
Total	¥1,410

18. SEGMENT INFORMATION

For the years ended March 31, 2011

Effective from the fiscal year ended March 31, 2011, the Companies adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, issued on March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008).

(a) General information about reportable segments

The Companies' reportable segments are those for which separately financial information is available and regular evaluation by the Company's Board of Directors is being performed in order to decide how resources are allocated among the Companies.

The Companies consist of two segments identified by the nature of the business, including "Electronic Components" and "Optical media and others".

"Electronic Components" consists of "Capacitors", "Ferrite and Applied Products", "Integrated Modules and Devices", and "Other Electronic Components".

"Optical media and others" mainly provides recording-media products and implementation business of subsidiaries.

(b) Basis of measurement about reportable segment income or loss, segment assets and other material items

The accounting policies of each reportable segment are consistent to those disclosed in Note "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

Income by reportable segments is based on operating income. Liabilities are not disclosed because they are not provided to the highest decision-making body periodically.

(c) Information about reportable segment income or loss, segment assets, segment liabilities and other material items

	Millions of Yen			
	2013			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥170,926	¥21,978	—	¥192,904
Intersegment sales or transfers	—	—	—	—
Total sales	170,926	21,978	—	192,904
Segment income (loss)	¥ 5,218	¥ (225)	—	¥ 4,993
Segment assets	¥169,337	¥12,914	¥43,676	¥225,927
Other items:				
Depreciation and amortization	¥ 18,734	¥ 1,099	—	¥ 19,833
Increase in property, plant and equipment and intangible assets	20,475	396	—	20,871

	Millions of Yen			
	2012			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥160,852	¥22,943	—	¥183,795
Intersegment sales or transfers	—	—	—	—
Total sales	160,852	22,943	—	183,795
Segment income (loss)	¥ (6,689)	¥ (1,322)	—	¥ (8,011)
Segment assets	¥159,074	¥13,617	¥35,770	¥208,461
Other items:				
Depreciation and amortization	¥ 17,984	¥ 1,266	—	¥ 19,250
Increase in property, plant and equipment and intangible assets	26,152	612	—	26,764

	Millions of Yen			
	2011			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	¥179,870	¥30,532	—	¥210,402
Intersegment sales or transfers	—	—	—	—
Total sales	179,870	30,532	—	210,402
Segment income (loss)	¥ 12,279	¥ (3,487)	—	¥ 8,792
Segment assets	¥155,391	¥13,461	¥52,421	¥221,273
Other items:				
Depreciation and amortization	¥ 16,536	¥ 2,774	—	¥ 19,310
Increase in property, plant and equipment and intangible assets	23,593	1,481	—	25,074

	Thousands of U.S. Dollars			
	2013			
	Electronic Components	Optical media and others	Adjustments	Total
Sales:				
Sales to external customers	$1,818,358	$233,811	—	$2,052,169
Intersegment sales or transfers	—	—	—	—
Total sales	1,818,358	233,811	—	2,052,169
Segment income (loss)	$ 55,510	$ (2,391)	—	$ 53,119
Segment assets	$1,801,460	$137,380	$464,640	$2,403,480
Other items:				
Depreciation and amortization	$ 199,295	$ 11,694	—	$ 210,989
Increase in property, plant and equipment and intangible assets	217,824	4,213	—	222,037

(d) Reconciliation of published figures and aggregates of reportable operating segments

Total amounts of Sales, Segment income (loss), Segment assets, and Other items in the reportable segment above match with those in the consolidated financial statements.

(e) Due to the revised useful lives for property, plant and equipment stated at accompanying Note 2, the operating profit in Electronic Components increased by ¥321 million ($3,413 thousand) and the operating loss in Optical media and others decreased by ¥8 million ($80 thousand) for the year ended March 31, 2013.

(f) Related information

Information about geographical areas

(i) Sales

Millions of Yen				
2013				
Japan	China	South Korea	Other areas	Total
¥41,646	¥ 58,872	¥ 19,732	¥ 72,654	¥ 192,904

Millions of Yen				
2012				
Japan	China	South Korea	Other areas	Total
¥44,825	¥ 54,876	¥ 21,002	¥ 63,092	¥ 183,795

Millions of Yen				
2011				
Japan	China	South Korea	Other areas	Total
¥48,241	¥ 56,935	¥ 29,942	¥ 75,284	¥ 210,402

Thousands of U.S. dollars				
2013				
Japan	China	South Korea	Other areas	Total
$443,046	$626,293	$209,913	$772,917	$2,052,169

(ii) Property, plant and equipment

Millions of Yen				
2013				
Japan	China	Malaysia	Other areas	Total
¥56,928	¥ 14,962	¥ 12,824	¥ 14,061	¥ 98,775

Millions of Yen				
2012				
Japan	China	Malaysia	Other areas	Total
¥58,605	¥ 11,712	¥ 11,043	¥ 12,661	¥ 94,021

Millions of Yen			
2011			
Japan	Malaysia	Other areas	Total
¥56,439	¥ 10,229	¥ 20,935	¥ 87,603

Thousands of U.S. dollars				
2013				
Japan	China	Malaysia	Other areas	Total
$605,620	$159,175	$136,422	$149,578	$1,050,795

(g) Information about impairment loss on property, plant and equipment by reportable segments

	Millions of Yen			
	2013			
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥210	¥136	—	¥346

	Millions of Yen			
	2012			
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥268	—	—	¥268

	Millions of Yen			
	2011			
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	¥289	¥7,054	—	¥7,343

	Thousands of U.S. dollars			
	2013			
	Electronic Components	Optical media and others	Adjustments	Total
Impairment loss	$2,228	$1,451	—	$3,679

(h) Information about amortization and the balance of (negative) goodwill by reportable segments

	Millions of Yen			
	2013			
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥ 601	—	—	¥ 601
Balance	¥1,201	—	—	¥1,201
(Negative goodwill)				
Amortization	—	¥ 21	—	¥ 21
Balance	—	¥ 10	—	¥ 10

	Millions of Yen			
	2012			
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥ 844	—	—	¥ 844
Balance	¥1,802	—	—	¥1,802
(Negative goodwill)				
Amortization	—	¥ 21	—	¥ 21
Balance	—	¥ 31	—	¥ 31

	Millions of Yen			
	2011			
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	¥ 844	—	—	¥ 844
Balance	¥2,646	—	—	¥2,646
(Negative goodwill)				
Amortization	—	¥ 21	—	¥ 21
Balance	—	¥ 52	—	¥ 52

	Thousands of U.S. dollars			
	2013			
	Electronic Components	Optical media and others	Adjustments	Total
(Goodwill)				
Amortization	$ 6,389	—	—	$ 6,389
Balance	$12,778	—	—	$12,778
(Negative goodwill)				
Amortization	—	$220	—	$ 220
Balance	—	$110	—	$ 110

(i) Information about gain on negative goodwill by reportable segments

The Companies recognized a gain on negative goodwill of ¥12 million. It was accrued from the acquisition of the stock of Chuki Seiki Co., Ltd. whose business belongs to "Electronic Components".

19. EARNINGS PER SHARE

Reconciliation of the basic and diluted earnings per share ("EPS") for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Earnings	Weighted Average Shares	EPS	
For the year ended March 31, 2013				
Basic EPS				
Earnings allocated to common shareholders	¥ 2,000	117,615	¥ 17.01	$0.18
Effect of dilutive securities				
Convertible bonds	—	—	—	—
Convertible bonds with stock acquisition rights	—	—	—	—
Stock acquisition rights	—	212	—	—
Diluted EPS				
Earnings for computation	¥ 2,000	117,827	¥ 16.98	$0.18
For the year ended March 31, 2012				
Basic EPS				
Earnings allocated to common shareholders	¥(21,600)	117,584	¥(183.70)	
For the year ended March 31, 2011				
Basic EPS				
Earnings allocated to common shareholders	¥ (5,506)	117,600	¥ (46.82)	

Although diluted shares exist for the year ended March 31, 2012 and 2011, diluted earnings per share is not disclosed since there is net loss per share for the period.

20. SUBSEQUENT EVENT

(1) The following appropriations of retained earnings at March 31, 2013 were approved at the Company's shareholders' meeting held on June 27, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividend, ¥5.00 ($0.05) per share	¥588	$6,257

(2) Implement of structural reform at a subsidiary company

In addition to implementing employee transfers within the group companies, the subsidiary has reduced its workforce by 167 by the end of September 2013.

This reduction in the force has been done through utilization of special redeployment support network.

The cost associated with aforementioned structural reform incurred ¥863 million ($9,181 thousand).

This amount will be stated as extraordinary loss in the consolidated accounts for the year ending March 31, 2014.

CONSOLIDATED SUBSIDIARIES and AFFILIATE

CONSOLIDATED SUBSIDIARIES

Domestic (Japan)	Ownership
Taiyo Chemical Industry Co., Ltd.	100.0%
Akagi Electronics Co., Ltd.	100.0%
Sun Vertex Co., Ltd.	100.0%
That's Fukushima Co., Ltd.	100.0%
Kankyo Assist Co., Ltd.	100.0%
Bifrostec Inc.	57.1%
Niigata Taiyo Yuden Co., Ltd.	100.0%
TAIYO YUDEN ENERGY DEVICE CO., LTD.	100.0%
Chuki Seiki Co., Ltd.	100.0%
Victor Advanced Media Co., Ltd.	65.0%
TAIYO YUDEN Mobile Technology Co., Ltd.	100.0%

Overseas	Ownership
TAIWAN TAIYO YUDEN CO., LTD.	100.0%
KOREA TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SINGAPORE) PTE. LTD.	100.0%
HONG KONG TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (U.S.A.) INC.	100.0%
TAIYO YUDEN EUROPE GmbH	100.0%
KOREA TONG YANG YUJUN CO., LTD.	100.0%
TAIYO YUDEN (PHILIPPINES), INC.	100.0%
TAIYO YUDEN ENTERPRISES COMPANY LIMITED	100.0%
DONGGUAN TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SARAWAK) SDN. BHD.	100.0%
TAIYO YUDEN (MALAYSIA) SDN. BHD.	100.0%
TAIYO YUDEN (GUANGDONG) CO., LTD.	100.0%
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	100.0%
TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD.	100.0%
TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD.	100.0%
TAIYO YUDEN (CHINA) CO., LTD.	100.0%
TAIYO YUDEN (SUZHOU) CO., LTD.	100.0%
JVC ADVANCED MEDIA U.S.A. INC.	65.0%
JVC Advanced Media EUROPE GmbH	65.0%
JVC Advanced Media (Tianjin) Co., Ltd.	65.0%
TAIYO YUDEN TRADING (THAILAND) CO., LTD.	49.0%

AFFILIATE

Domestic (Japan)	Ownership
START Lab Inc.	49.9%

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INDEX TO UNAUDITED SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

TAIYO YUDEN CO., LTD. and Subsidiaries

Unaudited Semi-annual Consolidated Balance Sheets
As of September 30, 2013 and March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2013	March 31, 2013	September 30, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 40,226	¥ 33,281	$ 410,469
Time deposits	2,644	2,076	26,983
Receivables:			
Trade notes and accounts receivable	43,103	41,656	439,824
Allowance for doubtful receivables	(311)	(271)	(3,177)
Inventories:			
Merchandise and finished products	15,349	15,023	156,618
Work in process	12,354	11,087	126,060
Raw materials and supplies	10,608	9,833	108,240
Other	5,467	4,647	55,794
Total current assets	129,440	117,332	1,320,811
Property, plant and equipment (Note 3):			
Land	7,693	7,689	78,503
Buildings and structures	68,963	68,215	703,701
Machinery and equipment	215,045	212,367	2,194,336
Tools, furniture and fixtures	19,604	19,262	200,046
Construction in progress	8,251	9,358	84,192
Total	319,556	316,891	3,260,778
Accumulated depreciation	(223,686)	(218,116)	(2,282,517)
Net property, plant and equipment	95,870	98,775	978,261
Investments and other assets:			
Investment securities	4,741	4,360	48,381
Goodwill	901	1,201	9,193
Other	4,358	4,559	44,475
Allowance for doubtful receivables	(310)	(282)	(3,164)
Total investments and other assets	9,690	9,838	98,885
Total assets	¥ 235,000	¥ 225,945	$ 2,397,957

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Unaudited Semi-annual Consolidated Balance Sheets — (Continued)
As of September 30, 2013 and March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2013	March 31, 2013	September 30, 2013
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings	¥ 20,201	¥ 20,242	$ 206,129
Current portion of long-term borrowings	14,223	4,899	145,135
Current portion of convertible bonds with stock acquisition rights	365	—	3,724
Trade notes and accounts payable	19,166	17,950	195,568
Income taxes payable	1,639	1,049	16,729
Accrued bonuses for employees	3,160	2,981	32,241
Accrued bonuses for directors	60	75	610
Other	14,620	17,248	149,191
Total current liabilities	73,434	64,444	749,327
Long-term liabilities:			
Bonds payable	8,000	8,000	81,633
Convertible bonds with stock acquisition rights	—	365	—
Long-term borrowings	22,505	29,365	229,641
Accrued retirement benefits for employees	1,624	1,416	16,573
Accrued retirement benefits for directors	110	126	1,120
Negative goodwill	—	10	—
Other	6,497	6,393	66,297
Total long-term liabilities	38,736	45,675	395,264
Total liabilities	112,170	110,119	1,144,591
Commitment and contingent liabilities (Note 5):			
Net assets (Note 4)			
Shareholders' equity:			
Common stock			
Authorized — 300,000,000 shares			
Issued — 120,481,395 shares as of September 30, 2013 and March 31, 2013	23,557	23,557	240,380
Capital surplus	41,495	41,484	423,420
Retained earnings (Note 9)	71,476	67,803	729,349
Treasury stock, at cost — 2,732,482 shares as of September 30, 2013 and 2,855,179 shares as of March 31, 2013	(3,411)	(3,564)	(34,810)
Total shareholders' equity	133,117	129,280	1,358,339
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	925	562	9,438
Deferred gains (losses) on hedges	43	15	443
Foreign currency translation adjustments	(11,444)	(14,347)	(116,782)
Total accumulated other comprehensive income	(10,476)	(13,770)	(106,901)
Stock acquisition rights (Note 6):	171	275	1,743
Minority interests:	18	41	185
Total net assets	122,830	115,826	1,253,366
Total liabilities and net assets	¥235,000	¥225,945	$2,397,957

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Unaudited Semi-annual Consolidated Statements of Operations
For the six months ended September 30, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six months ended September 30,		Six months ended September 30,
	2013	2012	2013
NET SALES (Note 7)	¥105,550	¥95,443	$1,077,041
COST OF SALES	80,296	77,807	819,349
Gross profit	25,254	17,636	257,692
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,057	16,179	184,258
Operating income (Note 7)	7,197	1,457	73,434
OTHER INCOME (EXPENSES):			
Interest and dividend income	185	144	1,888
Interest expense	(268)	(275)	(2,733)
Interest on bonds	(37)	(37)	(376)
Equity in earnings of affiliate	(3)	25	(31)
Gain (loss) on foreign exchange	558	(1,105)	5,698
Depreciation of inactive noncurrent assets	(240)	(141)	(2,448)
Gain on sales of property, plant and equipment	19	8	198
Loss on disposal and sales of property, plant and equipment	(106)	(77)	(1,086)
Impairment loss on property, plant and equipment	(548)	(151)	(5,594)
Loss on valuation of investment securities	(129)	(427)	(1,320)
Subsidy income	33	24	335
Business structure improvement expenses	(863)	(273)	(8,806)
Other	(32)	36	(320)
Other income (expense) — net	(1,431)	(2,249)	(14,595)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	5,766	(792)	58,839
INCOME TAXES			
Current	1,432	374	14,610
Deferred	96	(530)	983
Total income taxes	1,528	(156)	15,593
INCOME (LOSS) BEFORE MINORITY INTERESTS	4,238	(636)	43,246
MINORITY INTERESTS	(23)	(10)	(230)
NET INCOME (LOSS)	¥ 4,261	¥ (626)	$ 43,476

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 8, 9):			
Basic earnings	¥ 36.21	¥ (5.32)	$ 0.37
Diluted earnings	36.15	—	0.37
Cash dividends applicable to the six months	5.00	5.00	0.05

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Unaudited Semi-annual Consolidated Statements of Comprehensive Income
For the six months ended September 30, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six months ended September 30,		Six months ended September 30,
	2013	2012	2013
INCOME (LOSS) BEFORE MINORITY INTERESTS	¥4,238	¥ (636)	$43,246
OTHER COMPREHENSIVE INCOME:			
Net unrealized holding gains (losses) on securities	363	(507)	3,701
Deferred gains (losses) on hedges	29	14	295
Foreign currency translation adjustments	2,901	(3,099)	29,607
Total other comprehensive income	3,293	(3,592)	33,603
COMPREHENSIVE INCOME	¥7,531	¥(4,228)	$76,849
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥7,554	¥(4,218)	$77,079
Minority interests	(23)	(10)	(230)

See accompanying Notes to Consolidated Financial Statements.

TAIYO YUDEN CO., LTD. and Subsidiaries

Unaudited Semi-annual Consolidated Statements of Cash Flows
For the six months ended September 30, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six months ended September 30,		Six months ended September 30,
	2013	2012	2013
Operating activities:			
Income (loss) before income taxes and minority interests	¥ 5,766	¥ (792)	$ 58,839
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	9,921	9,300	101,236
Impairment loss on property, plant and equipment	548	151	5,594
Business structure improvement expenses	863	273	8,806
Amortization of goodwill	300	300	3,064
Amortization of negative goodwill	(10)	(10)	(106)
Increase (decrease) in allowance for doubtful receivables	56	(26)	567
Increase (decrease) in accrued bonuses for employees	179	1,216	1,828
Increase (decrease) in accrued bonuses for directors	(16)	—	(160)
Increase (decrease) in accrued retirement benefits for directors	(17)	9	(175)
Interest and dividend income	(185)	(144)	(1,888)
Interest expense	268	275	2,733
Interest on bonds	37	37	376
Equity in earnings of affiliate	3	(25)	31
Gain (loss) on disposal and sales of property, plant and equipment	87	69	887
Loss on devaluation of investment securities	129	427	1,320
Changes in operating assets and liabilities:			
Trade receivables	299	(651)	3,048
Inventories	(1,648)	(2,921)	(16,817)
Trade payables	(97)	5,032	(988)
Other	(1,106)	(1,496)	(11,284)
Subtotal	15,377	11,024	156,911
Interest and dividends received	179	205	1,820
Interest paid	(292)	(243)	(2,979)
Payments for business structure improvement expenses	—	(3,293)	—
Income taxes paid	(652)	(630)	(6,653)
Net cash provided by operating activities	14,612	7,063	149,099
Investing activities:			
Purchases of property, plant and equipment	(9,857)	(11,203)	(100,580)
Proceeds from sales of property, plant and equipment	149	16	1,520
Decrease (increase) in time deposits	(452)	(308)	(4,608)
Proceeds from sales of investment securities	25	10	255
Other	40	464	403
Net cash used in investing activities	(10,095)	(11,021)	(103,010)
Financing activities:			
Net increase (decrease) in short-term borrowings	(166)	14,651	(1,696)
Proceeds from long-term borrowings	5,000	14,653	51,020
Repayments of long-term borrowings	(2,536)	(2,213)	(25,875)
Redemption of convertible bonds with acquisition rights	—	(19,635)	—
Payments of cash dividends	(587)	(297)	(5,985)
Purchases of treasury stock	(2)	(5)	(18)
Repayments of lease obligations	(330)	(384)	(3,370)
Other	0	—	1
Net cash provided by financing activities	1,379	6,770	14,077
Effect of exchange rate changes on cash and cash equivalents	1,049	(829)	10,705
Net increase (decrease) in cash and cash equivalents	6,945	1,983	70,871
Cash and cash equivalents, beginning of the six months	33,281	26,672	339,598
Cash and cash equivalents, end of the six months	¥ 40,226	¥ 28,655	$ 410,469

See accompanying Notes to Consolidated Financial Statements.

Notes to Unaudited Semi-annual Consolidated Financial Statements

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan (the "FIEA") and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accounts of consolidated overseas subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles, and partially reflect the adjustments which are necessary to conform with Japanese GAAP.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the FIEA. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at September 30, 2013, which was ¥98 to U.S.$1. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation Policies

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (together the "Companies"). The Japanese accounting standards for consolidation requires the control or influence concept for the consolidation scope of subsidiaries and affiliates.

TAIYO YUDEN Mobile Technology Products Co., Ltd. was merged with TAIYO YUDEN Mobile Technology Co., Ltd. and thus a consolidated subsidiary decreased in the period ended September 30, 2012.

Significant intercompany accounts, transactions and unrealized profits have been eliminated in consolidation.

The difference between cost of the Company's investment securities in subsidiaries and its equity in their net assets at the dates of acquisition ("goodwill" or "negative goodwill" acquired on or before March 2010) is being amortized over the subsequent five-year periods. Investment in affiliate is accounted for by the equity method. Net income (loss) includes the equity in the current net earnings (losses) of such company after the elimination of unrealized intercompany profit.

(2) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit, and short-term investments with original maturities of three months or less, that are readily convertible into known amount of cash and are so near maturity that they present negligible risk of changes in value.

(3) Foreign Currency Transactions

Short-term and long-term foreign currency monetary items are translated into Japanese yen at appropriate period-end current rates. The resulting net gains (losses) are shown as "Gain (Loss) on foreign exchange" in the accompanying consolidated statements of operations.

(4) Foreign Currency Financial Statements

In translating the financial statements of foreign subsidiaries for the purpose of consolidation, all assets and liabilities are translated into Japanese yen at appropriate period-end current rates while net assets accounts are translated at historical rates.

Revenue and expense items are translated at the average rates during the period. The resulting translation differences are shown as "Foreign currency translation adjustments" in net assets at September 30, 2013 and March 31, 2013 in the accompanying consolidated balance sheets.

(5) Debt and Equity Securities

The Companies classify debt and equity securities, depending on management's intent, as follows:

(i) Held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost.

(ii) Available-for-sale securities represent securities not classified as either trading securities or held-to-maturity debt securities. Available-for-sale securities, which have fair value, are reported at fair value with unrealized gains and losses, net of applicable taxes at September 30, 2012 and March 31, 2012, respectively.

Available-for-sale securities, which do not have fair value, are stated at cost using the moving-average method. Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the FIEA) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by partnership agreements.

(6) Inventories

Inventories are stated primarily at cost, determined by the average method for merchandise, finished products and work in process and by the first-in, first-out (FIFO) method for raw materials and supplies, modified by the writing down below cost to net realizable value.

(7) Property, Plant and Equipment (Except for the leased assets)

Property, plant and equipment are stated at cost. For the Company and domestic consolidated subsidiaries, depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets, except that the straight-line method is applied to building acquired on and after April 1, 1998. Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the corporate tax law in Japan. For foreign subsidiaries, depreciation is principally computed by straight-line method.

(8) Leased Assets

(i) Leased assets, ownership of which is considered to be transferred to the lessee, are depreciated in the same manner as property, plant and equipment.

(ii) Leased assets, ownership of which is not considered to be transferred to the lessee, are depreciated over the leased term by the straight-line method with no residual value, except for finance leases commencing on or before March 31, 2008, which are accounted for in the same manner as operating leases.

(9) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the percentage of actual bad debt losses against the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record the allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

(10) Accrued Retirement Benefits for Employees

Accrued retirement benefits for employees at certain consolidated subsidiaries are provided at the amount incurred during the current period, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the period. Also, certain consolidated subsidiaries provide allowance for accrued pension and severance costs.

(11) Accrued Retirement Benefits for Directors

Certain subsidiaries of the Company provide lump-sum severance benefits for directors. The accrued retirement benefits for directors are provided at the amount which would be required based on their internal regulations if all directors retired at the balance sheet date.

(12) Accrued Bonuses for Employees

Accrued bonuses for employees are provided by the estimated amounts, which are obligated to pay to employees after the period-end, based on services provided during the current period.

(13) Accrued Bonuses for Directors

Accrued bonuses for directors are provided by the estimated amounts, which are obligated to pay to directors after the period-end, based on services provided during the current period.

(14) Provision for business structure improvement

Provision for business structure improvement for certain subsidiary is provided by the estimated amounts to be incurred on business structure improvement.

(15) Income Taxes

The provision for income taxes is computed based on the pretax income for the financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets if it is not probable that deferred tax assets will be realized in the future.

(16) Research and Development Costs

Expenditures by the Company and certain subsidiaries for development of specified new products are charged to income as incurred and were ¥3,554 million ($36,270 thousand) and ¥3,293 million for the six months ended September, 2013 and 2012, respectively.

(17) Derivative and Hedging Activities

Companies are required to state derivative instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative instruments are used for hedging purposes.

The Company defers recognition of gains or losses resulting from changes in fair value of derivative instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts was executed.

The derivative transactions are executed and managed by the finance and accounting division in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

(18) Per Share Information

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Basic earnings per share for the six months ended September 30, 2013 and 2012 are computed in accordance with Japanese accounting standards.

Diluted earnings per share reflects the potential dilution that could occur if stock acquisition rights were exercised or convertible bonds are converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Although diluted shares exist for the six months ended September 30, 2012, diluted earnings per share is not disclosed since there is net loss per share for the periods.

Cash dividends per share consist of interim dividends and are accounted for in the period they are declared rather than in the period in which they are actually paid.

(19) Certain Reclassifications

Certain reclassifications of prior period's amounts have been made to conform to the presentation for 2013.

(20) Changes in Accounting Policies

(i) Changes in accounting policy attributed to changes in accounting standards

International Accounting Standards 19 "Employee Benefits" (revised June 16, 2011) has been applied to the Company's consolidated financial statements of the fiscal year started on and after January 1, 2013. This accounting standard has been applied to certain foreign subsidiaries beginning with this fiscal year. As a result, the Company has modified the way to recognize actuarial gains and losses, the net amount of past service costs, and net interest related to defined benefit liability.

This change in accounting policy is applied retroactively, and the consolidated financial statements for the six months ended September 30, 2012 and for the year ended March 31, 2013 reflect this retroactive application. The effect that retroactive application of this accounting policy change had on the results for the six months ended September 30, 2012 is immaterial. The cumulative effect that this change had on the Company's net assets at the beginning of the previous fiscal year is also immaterial, but the balance of retained earnings at March 31, 2013 decreased by ¥135 million.

(ii) Changes in Depreciation Method

The Company and its consolidated domestic subsidiaries have changed the depreciation method used for property, plant and equipment acquired on or after April 1, 2012 based on revisions made to Japan's Corporation Tax Act. This change has taken effect beginning with the first quarter of this fiscal year.

This change resulted in an increase in operating income of ¥94 million and a decrease in loss before income taxes and minority interests of ¥95 million for the six months ended September 30, 2012.

3. ADOPTION OF SIMPLIFIED ACCOUNTING METHODS

For fixed assets that are depreciated using the declining-balance method, the depreciation expense is computed by the proportional distribution of the depreciation expense for the fiscal year.

4. NET ASSETS

Under the Companies Act of Japan ("the Act"), in cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital and legal earnings reserve is included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act. Appropriations are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained. Interim dividend may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the Company so stipulate.

5. CONTINGENT LIABILITIES

At September 30, 2013 and March 31, 2013, the Companies had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2013	March 31, 2013	September 30, 2013
As guarantor of bank loans and indebtedness	¥2	¥3	$20

6. STOCK OPTION PLAN

The Company grants stock options to its directors in line with resolutions of the board of directors meetings. Expenses for stock options amounting to ¥62 million ($633 thousand) and ¥28 million were recognized in selling, general and administrative expenses for the six months ended September 30, 2013 and 2012, respectively. Summaries of the Company's stock options granted during the six months ended September 30, 2013 and 2012 were as follows:

For the six months ended September 30, 2013

Date of grant	May 24, 2013	June 27, 2013
Number of options	10,000 shares of common stock	31,000 shares of common stock
Exercise price	¥1($0.01)	¥1($0.01)
Exercise period	From June 10, 2013 to June 9, 2033	From July 12, 2013 to July 11, 2033
Fair value (per share)	¥1,625 ($16.58)	¥1,476 ($15.06)
Past years to determine weekly historical prices	3.3	8.1
Expected life of the option (years)	3.3	8.1

For the six months ended September 30, 2012

Date of grant	May 11, 2012
Number of options	38,000 shares of common stock
Exercise price	¥1
Exercise period	From May 11, 2012 to May 10, 2032
Fair value (per share)	¥739
Past years to determine weekly historical prices	3.6
Expected life of the option (years)	3.6

The fair value for stock options was estimated at the date of grant using a standard option pricing model (i.e., Black-Scholes) with risk-free interest rate, dividends per share, volatility factor of the expected market value of the Company's common stock which was determined by weekly historical prices for past years and an expected life of the option of years shown above.

7. SEGMENT INFORMATION

(a) General information about reportable segments

The Companies' reportable segments are those for which separately financial information is available and regular evaluation by the Company's Board of Directors is being performed in order to decide how resources are allocated among the Companies.

The Companies consist of two segments identified by the nature of the business including "Electronic Components" and "Optical media and others".

"Electronic Components" consists of "Capacitors", "Ferrite and Applied Products", "Integrated Modules and Devices" and "Other Electronic Components".

"Optical media and others" mainly provides recording-media products and implementation business of subsidiaries.

(b) Basis of measurement about reportable segment income (loss)

The accounting policies of each reportable segment are consistent to those disclosed in Note 2. "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES". Income (loss) by reportable segments is based on operating income (loss).

(c) Information about reportable segment income (loss)

For the six months ended September 30, 2013

	Millions of Yen			Thousands of U.S. Dollars		
	Electronic components	Optical media and others	Total	Electronic components	Optical media and others	Total
Sales:						
Sales to external customers	¥94,724	¥10,826	¥105,550	$966,570	$110,471	$1,077,041
Intersegment sales or transfers	—	—	—	—	—	—
Total sales	94,724	10,826	105,550	966,570	110,471	1,077,041
Segment income (loss)	7,406	(209)	7,197	75,569	(2,135)	73,434

Significant impairment loss was not recognized for the six months ended September 30, 2013.

For the six months ended September 30, 2012

	Millions of Yen		
	Electronic components	Optical media and others	Total
Sales:			
Sales to external customers	¥84,852	¥10,591	¥95,443
Intersegment sales or transfers	—	—	—
Total sales	84,852	10,591	95,443
Segment income (loss)	1,793	(336)	1,457

8. EARNINGS PER SHARE

Reconciliation of the basic and diluted earnings per share ("EPS") for the six months ended September 30, 2013 and 2012 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Earnings	Weighted Average Shares	EPS	
For the six months ended September 30, 2013				
Basic EPS				
Earnings allocated to common shareholders	¥4,261	117,679	¥36.21	$0.37
Effect of dilutive securities				
Convertible bonds	—	—	—	—
Convertible bonds with stock acquisition rights	—	—	—	—
Stock acquisition rights	—	175	—	—
Diluted EPS				
Earnings for computation	¥4,261	117,854	¥36.15	$0.37
For the six months ended September 30, 2012				
Basic EPS				
Earnings allocated to common shareholders	¥ (626)	117,604	¥ (5.32)	

Although diluted shares exist for the six months ended September 30, 2012, diluted EPS is not disclosed since there is net loss per share for the period.

9. SUBSEQUENT EVENT

The following appropriations of retained earnings at September 30, 2013 were approved at the Company's board of directors' meeting held on November 11, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividend, ¥5.00 ($0.05) per share	¥589	$6,008

CONSOLIDATED SUBSIDIARIES and AFFILIATE

CONSOLIDATED SUBSIDIARIES

Domestic (Japan)	Ownership
Taiyo Chemical Industry Co., Ltd.	100.0%
Akagi Electronics Co., Ltd.	100.0%
Sun Vertex Co., Ltd.	100.0%
That's Fukushima Co., Ltd.	100.0%
Kankyo Assist Co., Ltd.	100.0%
Bifrostec Inc.	57.1%
Niigata Taiyo Yuden Co., Ltd.	100.0%
TAIYO YUDEN ENERGY DEVICE CO., LTD.	100.0%
Chuki Seiki Co., Ltd.	100.0%
Victor Advanced Media Co., Ltd.	65.0%
TAIYO YUDEN Mobile Technology Co., Ltd.	100.0%

Overseas	Ownership
TAIWAN TAIYO YUDEN CO., LTD.	100.0%
KOREA TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SINGAPORE) PTE. LTD.	100.0%
HONG KONG TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (U.S.A.) INC.	100.0%
TAIYO YUDEN EUROPE GmbH	100.0%
KOREA TONG YANG YUJUN CO., LTD.	100.0%
TAIYO YUDEN (PHILIPPINES), INC.	100.0%
TAIYO YUDEN ENTERPRISES COMPANY LIMITED	100.0%
DONGGUAN TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SARAWAK) SDN. BHD.	100.0%
TAIYO YUDEN (MALAYSIA) SDN. BHD.	100.0%
TAIYO YUDEN (GUANGDONG) CO., LTD.	100.0%
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	100.0%
TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	100.0%
TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD.	100.0%
TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD.	100.0%
TAIYO YUDEN (CHINA) CO., LTD.	100.0%
TAIYO YUDEN (SUZHOU) CO., LTD.	100.0%
JVC ADVANCED MEDIA U.S.A. INC.	65.0%
JVC Advanced Media EUROPE GmbH	65.0%
JVC Advanced Media (Tianjin) Co., Ltd.	65.0%
TAIYO YUDEN TRADING (THAILAND) CO., LTD.	49.0%

AFFILIATE

Domestic (Japan)	Ownership
START Lab Inc.	49.9%

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