

TAIYO YUDEN

TAIYO YUDEN CO., LTD.

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

¥50,000,000,000

Zero Coupon Convertible Bonds due 2030

OFFER PRICE: 105.0 PER CENT.

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2030 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuen-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in 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 yoyakuen*) (the "Stock Acquisition Rights") exercisable on or after 6 November 2023 up to, and including, 4 October 2030, 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 ¥4,360 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 4 October 2023, was ¥3,963 per Share.

Unless previously redeemed or purchased and cancelled or become due and repayable, the Bonds will be redeemed at 100 per cent. of their principal amount on 18 October 2030.

On or after 20 October 2026 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 130 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.

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.

The Bonds will be evidenced by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depository for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 20 October 2023 (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 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 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. For a summary of certain restrictions on offers and sales of Bonds and Shares issuable upon exercise of the Stock Acquisition Rights, see "Subscription and Sale".

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

Sole Bookrunner and Lead Manager

SMBC NIKKO

Co-Lead Manager

Daiwa Capital Markets Europe

Co-Manager

Nomura

The date of this Offering Circular is 4 October 2023.

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 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 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 The Law Debenture Trust Corporation p.l.c. (the "Trustee") to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise 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 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 (or their respective affiliates), the Trustee, the Principal Agent, the Registrar, the Custodian nor the Custodian's Agent (each as defined herein) accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made on their behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Managers, the Trustee, the Principal Agent, the Registrar, the Custodian and the Custodian's Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

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

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights 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.

Potential investors should note that prior notification under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (the "FEFTA") may be required in the case of the acquisition of a certain proportion of the total issued shares of the Company upon exercise of Stock Acquisition Rights. Potential investors should consult their own legal and other advisers on the consequences of the acquisition of Shares (including any Shares to be acquired upon exercise of the Stock Acquisition Rights), including

specifically the applicable notification, reporting and other procedures and any available exemptions therefrom under the FEFTA and related cabinet orders and ministerial ordinances.

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights 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 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".

UK MiFIR product governance / Professional investors and ECPs only target market: *Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.*

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

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

Singapore Securities and Futures Act Product Classification: *Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the "SFA"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).*

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

IN CONNECTION WITH THE ISSUE OF THE BONDS, SMBC NIKKO CAPITAL MARKETS 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 STABILISATION MAY NOT NECESSARILY OCCUR. ANY

STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "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 down to the nearest one million. 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 respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and International Financial Reporting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations — Considerations Relating to the Company's Financial Information — Differences in Generally Accepted Accounting Principles".

This Offering Circular contains the audited consolidated financial statements of the Company, prepared and presented in accordance with Japanese GAAP, as of and for the fiscal years ended 31 March 2021, 2022 and 2023, which have been audited by the Company's independent auditor as indicated in the audit reports with respect thereto included herein at page F-3 and F-51. This Offering Circular also contains the unaudited quarterly consolidated financial statements of the Company as of 30 June 2023 and for the three-month periods ended 30 June 2022 and 2023, which have not been audited, but have been reviewed by the Company's independent auditor in accordance with the quarterly review standards generally accepted in Japan as indicated in the quarterly review report with respect thereto included herein at page Q-3. Such unaudited quarterly consolidated financial statements have been prepared and presented in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

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. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words "issue", "issued", "issuance" and "issuable" shall be construed accordingly, except where the context otherwise requires. In addition, references to the word "acquired" used in conjunction with the Shares 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.

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SUMMARY INFORMATION

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

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 was established to develop and commercialise titanium-oxide porcelain capacitors, and was founded on the philosophy 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 multilayer ceramic capacitors ("MLCCs"), inductors, FBAR/SAW devices for mobile communications, circuit modules and aluminium electrolytic capacitors. The Group's products have applications in a variety of fields, and are integrated into various devices such as smartphones and other communication equipment, automobiles, IT infrastructure/industrial equipment (including base station communication equipment and servers), information equipment such as PCs and tablet devices and consumer products such as TVs, game consoles and smart watches.

The Group operates in a single business segment of electronic components. Its products can be broken down into four principal classifications:

- *Capacitors.* The Group undertakes the manufacture and sale of MLCCs. Capacitors are fitted to leading-edge electronic devices including smartphones and automobiles, to store electricity on a temporary basis and remove electronic noise. The Group's strength lies in producing small, high-capacitance, highly reliable MLCCs that are optimal for cutting-edge electronic devices including smartphones and automobiles. The Group's products are used in large quantities in most electronic products, including smartphones, automobiles, tablets and IT infrastructure/industrial equipment (including base station communication equipment and servers). For the fiscal year ended 31 March 2023, sales of capacitors accounted for 65.1 per cent. of consolidated net sales for the period.
- *Inductors.* The Group's offering of inductors includes those with metal and multi-layer structures, as well as wire-wound configurations to address customer need. Notably such products include metal power inductor MCOIL™ line of products which use metallic magnetic materials. In 2020, the Group undertook the world's first commercialisation of automotive multilayer metal power inductors. For the fiscal year ended 31 March 2023, sales of inductors accounted for 16.5 per cent. of consolidated net sales for the period.
- *Integrated Modules & Devices.* The Integrated Modules & Devices product classification primarily includes FBAR/SAW devices for mobile communications, which are used primarily in smartphones to enable high-speed and high-quality data communications, and also includes circuit modules. For the fiscal year ended 31 March 2023, sales of integrated modules & devices accounted for 10.2 per cent. of consolidated net sales for the period.
- *Others.* Products under the Others classification primarily include aluminium electrolytic capacitors. For the fiscal year ended 31 March 2023, sales of other products accounted for 8.1 per cent. of consolidated net sales for the period.

As of 30 June 2023, the Group consisted of the Company, its 31 consolidated subsidiaries and one affiliate. The Company's consolidated net sales, operating profit (loss) and profit attributable to owners of parent for the fiscal year ended 31 March 2023 amounted to ¥319,504 million, ¥31,980 million and ¥23,216 million, respectively and for the three-month period ended 30 June 2023 amounted to ¥72,612 million, ¥(577) million and ¥903 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 Kyobashi East Bldg., 7-19, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031, Japan. The Shares are listed on the Prime Market 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 4 October 2023 was approximately ¥516,056 million.

THE OFFERING

Issuer	TAIYO YUDEN CO., LTD.
Securities Offered	¥50,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2030 (bonds with stock acquisition rights, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>).
Issue Price	102.5 per cent.
Offer Price	105.0 per cent.
Closing Date	On or about 20 October 2023.
Delivery	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
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 ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST.
Lock-up	<p>In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement (as defined in "Subscription and Sale") and ending on the date 180 calendar days after the Closing Date:</p> <ul style="list-style-type: none">(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 depository receipt facility; or(d) publicly announce any intention to do any of the above, <p>without the prior written consent of SMBC Nikko Capital Markets Limited (on behalf of the Managers), other than:</p>

- (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 or executive officers of the Company pursuant to its stock option plans and the issue or transfer of Shares upon exercise of such stock options or stock acquisition rights;
- (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 ¥51.1 billion, and are expected to be used by the Company by the end of March 2025, primarily as part of the growth strategy contained in the Group's medium-term business plan, and with the aim of establishing a production system to respond to increasing demand for electronic components, to finance capital investment for the purpose of increasing production capacity for certain products with the potential for high demand growth, such as ultra-compact, thin, high-capacity, high-reliability MLCCs, high-current, high-efficiency, high-heat-resistant metal-based power inductors, and conductive polymer hybrid aluminium electrolytic capacitors.

See "Use of Proceeds".

THE BONDS

Form and Denomination	The Bonds are issued in registered form in the denomination of ¥10,000,000 each.
Initial Conversion Price	¥4,360 per Share, subject to adjustment in certain events. See Condition 5.
Coupon	Zero.
Exercise of Stock Acquisition Rights	<p>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 6 November 2023 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 4 October 2030 (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5.</p> <p>The Conditions provide, among others, that the Stock Acquisition Right may not be exercised during such period whereby the relevant Stock Acquisition Date (as defined in Condition 5.9.4) (or, if the Stock Acquisition Date would not be a Tokyo Business Day (as defined in Condition 3.1), the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4).</p>
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 <i>pari passu</i> 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 18 October 2030.
Early Redemption — Redemption at the Option of the Company upon Increased Share Prices	The Company may, on or after 20 October 2026, 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 130 per cent. of the Conversion Price in effect on each such Trading Day. See Condition 7.2.

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 7.3.

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 4 October 2023, 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 7.4.

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 7.5 and in accordance with the provisions of Condition 7.5 on the Corporate Event Redemption Date (as defined in Condition 7.5) 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 7.5.

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 7.6.1) where, <i>inter alia</i> , 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 7.5, subject to the provisions of Condition 7.6. See Condition 7.6.
Early Redemption — Squeezeout Event	Upon the occurrence of a Squeezeout Event (as defined in Condition 7.7.1), 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 7.5, subject to the provisions of Condition 7.7. See Condition 7.7.
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")..... XS2700269660.

Common Code 270026966.

Legal Entity Identifier ("LEI")..... 353800V9G3X5PLB9AD43.

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

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

Custodian's Agent in Japan Mizuho Bank, Ltd.

GLOSSARY

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

5G	5G is the fifth generation technology standard for wireless broadband cellular networks, offering higher upload and download speeds, more consistent connections, and improved capacity than previous networks.
ADAS	Advanced driver-assistance system. An advanced driver-assistance system includes technologies that assist drivers with the safe operation of a vehicle.
AI.....	Artificial intelligence.
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.
Chip	An electronic component in a shape with no lead lines.
Choke coils.....	See the definition of "Inductors".
EIA size.....	An indication of size pursuant to the EIA standards set by the Electronic Components Industry Association.
ESG.....	Environmental, social, and corporate governance.
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.
μH.....	Microhenry. Henry is a unit of electrical inductance and "micro" means one-millionth.
HPDP	High Power Durable Package. HPDP is a thin and highly reliable packaging technology developed by the Group. An HPDP includes SAW, FBAR, and/or other filter elements that are metal-sealed.
High-Q	See the definition of "Q-factor".
IoT	Internet of Things. The Internet of Things describes devices with sensors, processing ability, software and other technologies that connect and exchange data with other devices and systems over the internet or other communications networks.
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.

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, 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.
MLCC.....	Multilayer ceramic capacitors. Capacitors that temporarily charge and discharge electricity, regulates a current's flow in a circuit and prevents electromagnetic interference between components.
μF	Microfarad. Farad is a unit of capacitance and "micro" means one-millionth.
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.
TLSAW™	Trapped Leaky Surface Acoustic Wave. In conventional SAW devices, pseudo surface acoustic waves generated by bulk waves (waves that propagate inside, not on the surface) cause a loss, but TLSAW technology enables the reflection of the waves to be controlled and the energy to be efficiently contained. Compared to conventional SAW devices, TLSAW-based devices are capable of handling wider bandwidths. TLSAW is a registered trademark or a trademark of the Company in Japan and other countries.
Tablets.....	Tablet PCs.
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. In respect of products manufactured by the Group's customers, products sold in markets which are undergoing rapid changes in functionality, such as automobiles and smartphones. The Group's customers' demands for its products also fluctuate as a result of changes in general economic activity or other general economic events beyond the Group's control (see "— Global Economic and Other Conditions"). It can be difficult for the Group to forecast customers' demands for its products in terms of type of product, volume and timing. During periods of increased demand for their products, for example, the Group's customers typically seek to increase their inventory of the Group's products to avoid production hold-ups, and if the Group is not able to meet its customers' demands in terms of volume and timing of products supplied, then this may cause them to use other suppliers. As production lines for such products, especially for high-end products, typically need to be customised to the customer's requirements, once a customer has started using a competitor's product in respect of a model, the customer may be reluctant to use similar products offered by the Group until the model changes. On the other hand, when demand for the customer's products peaks and begins to decline, orders for the Group's products may rapidly decrease while accumulated inventory is being used. In addition, where customer demand or competitive pressures require, the Group may need to quickly change its priorities in respect of research and development ("R&D") or production, which may not be easy to achieve. 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. Further, demand for the Group's products can be seasonal or otherwise change abruptly and significantly, which can have a significant impact on the Group's financial results for any period, in particular three-month periods, and such results may therefore not be indicative of the results of an annual period or any other future results.

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 cutting-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, cutting-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 R&D with respect to cutting-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 cutting-edge elemental technologies through R&D and has achieved its market share and maintained profitability by promptly introducing on the market new products incorporating those technologies. Developing and marketing new products requires start-up costs that may not be recouped if these products or production techniques are not successful. There are numerous risks inherent in product development, including the risks that the Group will be unable to anticipate the direction of technological change or that it will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. The introduction and development of new technologies by competitors may rapidly make the Group's products less attractive. Further, competitors may also develop product or service innovations that could put the Group's products at a disadvantage. 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 Economic and Other Conditions

As a global company with clients operating in a range of businesses and industries, the Group's performance is affected by global economic conditions and the demand for products that use components manufactured by the Group in international markets. Adverse economic conditions may negatively affect ultimate customer demand for the consumer and other products sold by the Group's customers, and could result in postponed or decreased spending amidst customer concerns over unemployment or slowing demand for their products, reduced asset values, volatile energy costs, geopolitical issues, the availability and cost of credit, and the stability and solvency of financial institutions, financial markets, businesses, local and state governments, and sovereign nations. Weak or unstable global economic conditions, including those attributable to international conflicts, international trade protection measures and disputes, such as those between the United States and China, or public health issues could also harm the Group's business by contributing to product shortages or delays, supply chain disruptions, insolvency of key suppliers, customer and counterparty insolvencies, increased product and materials costs and associated price increases, reduced global sales, reduced sales prices, and other adverse effects on the Group's operations. Any such effects could have a negative impact on the Group's business, results of operations and financial condition.

In particular, whilst the direct impact of the conflict between Russia and Ukraine on the Group was limited (the Group does not have sales or production bases in Russia or Ukraine), there were certain indirect specific consequences for the Group. These included resultant decrease in demand for automobiles and other weakness in the automobile market, increases in the prices of raw materials and high logistics costs as a result of high crude oil prices and the re-routing of air transport. In addition, the Group's business was significantly affected by the COVID-19 pandemic, as restrained economic activity slowed the global economy and supply chains were disrupted. Any resurgence in COVID-19 infections or any other global public health crisis could have a similar or more significant impact on the Group's results of operations.

Global Operations

The Group's overseas production ratio for the fiscal year ended 31 March 2023 was 64.7 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 or changes in tax policies in the jurisdictions in which the Group operates;
- exposure to different legal standards;
- trade restrictions and changes in tariffs;
- fluctuations in foreign currency exchange rates;
- impositions or increases of investment and other restrictions by foreign governments;
- the requirements of, and possible changes in, a wide variety of foreign laws;
- political and economic instability or slowdown and social turmoil;
- acts of terrorism, war, natural disasters, adverse weather conditions and epidemics;
- changes in the political and/or economic relationship between Japan and the countries in which the Group or its customers operate;
- changes in raw material prices and demand due to fluctuating exchange rates or other factors;
- unexpected events and accidents caused in particular by less developed infrastructure (such as power failures);
- 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, one of the world's primary economic powers. In addition, many of the Group's customers also operate production bases in China and the growth strategies of some of such customers are dependent on economic growth in China. The impact of economic reforms and other policies implemented by the Chinese government can be unpredictable and may have unforeseen results. In addition to the risks described in "— Global Operations" above, in the event that unexpected events occur due to political factors such as changes in laws, regulations and policies, economic factors such as weaknesses or defaults in major industry sectors (such as the real estate sector weakness currently being experienced), a slowdown in economic growth, trade tensions between China and the United States, 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, changes in sentiment towards Japanese companies such as the Group as a result of reaction to political events such as the release of ALPS (Advanced Liquid Processing System) treated water into the Pacific Ocean by Japan following the Fukushima Daiichi nuclear disaster, 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 currently account for approximately 90 per cent. 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, the Group may not be able to fully insulate itself from the effects of foreign currency exchange rate fluctuations. In particular, a weak Japanese yen against the U.S. dollar tends to have a favourable effect on the Group's results of operations and financial condition, as the Group's sales, which are often denominated in U.S. dollars, are translated into Japanese yen for recording in its consolidated financial statements. While the Japanese yen has recently undergone a period of sustained weakness against the U.S. dollar, depending on future changes in monetary policy by central banks, particularly in the United States and/or Japan, or changes in levels of inflation or other economic indicators in various economies, the Japanese yen can become stronger than has been the case recently. A rapid strengthening of the Japanese yen can have a material adverse effect on the Group's results of operations and financial condition.

Interest Rate Risk

As of 30 June 2023, the balance of the Group's interest-bearing debt (being the sum of short-term borrowings, current portion of long-term borrowings and long-term borrowings) amounted to ¥133,386 million. Most of such loans are yen-denominated. The current level of interest rates charged on yen-denominated loans are low, but the outlook for yen interest rates is uncertain and interest rates may increase in the future. In addition, increases in prevailing interest rates may increase the refinancing cost on maturity of the Group's debts. Further, if the Group's credit ratings were to change (which may occur not necessarily due to changes in the Group's financial condition but may, for example, be due to changes in the relevant rating agent's policies), the Group's funding costs (whether for borrowings from financial institutions or for bond issues) may also change, or its access to funds may in some circumstances (including due to increased interest rates) become more restricted or more expensive. Any such events may adversely affect the Group's results of operations and financial condition.

Provision of Credit to Business Customers

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

Capital Investments

The Group makes, and expects to continue to make, capital investments in fixed assets, primarily with regard to production and manufacturing facilities both in Japan and overseas, including in particular China and Malaysia where it is building large-scale manufacturing facilities. Such investments carry certain specific risks, including delays in the construction and development of the Group's facilities, difficulty in obtaining necessary land and lease related rights, approvals and authorisations, increased development and/or running costs as a result of increases in labour or material costs, changes in foreign exchange or interest rates, or other factors, and the unavailability of sufficient labour supply for operating such new facilities at reasonable capacities due to local market trends or macro-events such as the COVID-19 pandemic or regulatory restrictions on use of foreign labour. Further, macro-economic or industry trends may result in the demand for the Group's products manufactured at such new facilities to be substantially below the Group's expectations, which may result in the Group being required to operate such facilities at capacities below the level it had expected to operate. Such factors are outside of the Group's control and could result in reductions (or less than expected increases) in the Group's production capacity and/or operational efficiency, increased costs for the Group, inability to obtain sufficient return on its investments, or impairments, which may adversely affect the Group's business, results of operations and financial condition.

Raw Material Procurement

The Group's operations depend on obtaining raw materials, at adequate quality and quantity in a timely manner. As the Group uses specific suppliers with which it has long-term supply contracts, it may be difficult for the Group to substitute one supplier for another or increase the number of suppliers in a timely manner or at all due to the shortage or interruption of supply caused by, among other factors, natural disasters, accidents, the bankruptcy of suppliers, export restrictions, or increased industry demand. Any of these factors may adversely affect the Group's operations. In addition, the prices of raw materials, which are critical to many of the Group's products, may increase due to factors including changes in demand and supply conditions and foreign exchange rates. The Group's production and sales activities may be adversely and significantly affected by any or all of the above factors. In particular, certain of the Group's products require particular rare earth metals that are currently only sourced from limited suppliers in China. China has at times imposed export restrictions on rare earth metals (most recently on gallium and germanium in July 2023), either generally, or specifically on exports to Japan (as was the case in 2010). While the current export restrictions with regard to gallium and germanium do not currently impact the Group's business, given the scarcity of the availability of such rare earth metals globally, the Group may in the future face difficulties in procuring the rare earth metals needed for its production activities on reasonable terms, or the terms of supply (including prices) could be changed in a manner unfavourable to the Group; the Group may also face difficulties in obtaining such raw materials from its current limited suppliers in sufficient quantities or at all, or in finding alternative suppliers. Any of these developments may materially adversely affect the Group's business, results of operations and financial condition.

Regulations and Internal Control

The Group's business activities are subject to the regulatory regimes of each country where the Group operates, relating to corporate governance and compliance, trade, antitrust, patent, product liability, environment 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, as well as laws and regulations relating to sanctions, anti-money laundering and anti-corruption. 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. For example, ELNA CO., LTD., a consolidated subsidiary of the Company, has continued to record certain losses as a result of actions regarding prior anti-competitive behaviour (at a time before it became a subsidiary of the Company), including an extraordinary loss of ¥2,927 million in the fiscal year ended 31 March 2023 in respect of the settlement of a related civil suit against ELNA CO., LTD. It is also possible that further related extraordinary losses may be recorded in respect of such actions as certain claims remain outstanding. Any violation of the relevant regulations could result in a mandatory suspension from certain business activities or fines, as well as litigation, and could also harm the Group's reputation. In addition, the regulatory environment in which the Group operates is subject to change and such change may lead to the Company having to bear increased compliance costs. The Group's costs and its business generally may be adversely affected as a result of new or revised laws or regulations or by changes in the interpretation or enforcement of existing laws and regulations. Any of these factors could have a materially adverse effect on the results of operations and financial condition of the Group.

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

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 and Knowhow

Patents and other intellectual property rights are an important competitive factor because of the emphasis on innovation of products and processes in the market in which the Group operates, which is subject to frequent innovations in technology. The Group largely relies on the technologies it has developed for its business, and it seeks to protect such technologies through a combination of patents and other intellectual property rights. However, 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 or are difficult to protect or enforce effectively, 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. In addition, other parties, including competitors, may independently develop or acquire similar or more advanced technology than those of the Group protected by its intellectual property rights; or the Group may not be successful in obtaining patents or other intellectual property protection, or such patents or other intellectual property rights may be invalidated, circumvented or challenged. In addition, the Group could be accused of infringing the intellectual property rights of other companies with respect to the products or technologies of the Group.

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.

Further, certain technological knowhow possessed by the Group may not be patentable or may be subject to imitation or industrial espionage; and while the Group attempts to protect such knowhow through confidentiality agreements, they may be leaked to competitors, particularly if former employees of the Group were to join such competitors, causing the Group to lose its competitive edge.

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, or the leakage of its knowhow, and any such dispute or leakage may have a negative impact on the Group's business, results of operations and financial condition.

Climate Change

Many governments, regulators, investors, employees, customers, and other stakeholders are increasingly focused on environmental considerations relating to businesses, including climate change and greenhouse gas emissions. The Group aims to contribute to the achievement of the international environmental goals set forth in the United Nations Sustainable Development Goals and the Paris Agreement and is making efforts to reduce the environmental impact of its operations (see "Business — Environment"). However, such efforts involve risks and uncertainties, require capital investments, and depend in part on third-party performance or data that is outside of the Group's control. The Group cannot guarantee that it will achieve its announced ESG goals and initiatives. In addition, some stakeholders may disagree with the Group's goals and initiatives. Any failure, or perceived failure, by the Groups to achieve its goals, further its initiatives, adhere to its public statements, comply with applicable laws and regulations, or meet evolving and varied stakeholder expectations and standards, could result in legal or regulatory proceedings against the Group, and materially adversely affect the Group's business, reputation, results of operations, and financial condition.

Recruitment and Retention of Personnel

The Group's success depends upon the continued contributions of its executive officers and certain other employees, many of whom have many years of experience with the Group and would be 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.

Cybersecurity

The Group relies significantly on information technology systems to conduct its business and also retains a variety of confidential information (such as information on business partners, personal information and intellectual property). Whilst, the Group makes significant investments in the security and functionality of its systems and the education of its employees, its systems may experience service interruptions or degradation because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, ransomware, malware, or other events. The Group's systems may also be subject to break-ins, sabotage, theft and intentional acts of vandalism, including by the Group's employees. Some of the Group's systems are not fully redundant and its disaster recovery planning may not be sufficient for all eventualities. The Group's business interruption insurance may not be sufficient to cover all of its losses that may result from interruptions in service as a result of systems failures and similar events. The Group cannot make any assurance that failures of systems will not occur, and in addition to the loss of revenue that may result from any such failure, the Group may also suffer reputational damage which could lead to a decrease in the demand for the Group's products.

Natural Disasters, Uncontrollable Events and Accidents

Japan and other parts of the world where the Group operates have historically experienced, and the Group's operations are vulnerable to, earthquakes and other natural disasters, including volcanic eruptions, tidal waves, typhoons, floods, landslides, hurricanes and other extreme weather conditions, fires, infectious diseases, pandemics and epidemics. In addition, other events outside the Group's control (such as deliberate acts of sabotage) or 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 particular, the Group is seeking to expand its sales in certain focus markets (being automotive and IT infrastructure/industrial equipment). See "Business — Strategy". Failure to make progress according to plan, inability to obtain the expected benefits and results, or the occurrence of unforeseen problems in connection with the implementation of these measures may affect the Group's business performance, results of operations and financial condition.

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

Acquisitions and Alliances

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, tie-ups, joint ventures and alliances with other companies. However, there can be no assurance that such activities will achieve the desired results, or that the Group will be able to recoup the value of the investments made by the Group. Where the Group has acquired subsidiaries, it may record goodwill in its financial statements based on the amount by which the consideration paid for the acquisition exceeds the fair value of net assets acquired of such subsidiaries. However, if such subsidiaries are not able to generate the expected profits, the Group may need to record impairments in respect of that goodwill. If the Group fails to successfully manage any acquired business, or otherwise fails to achieve the intended results of such activities, the Group's business, results of operations and financial condition may be adversely affected. Further, if the Group decides that a particular business, alliance or other relationship with a third party is not beneficial to the Group's business, it may divest, rationalise or end such business or relationship. 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.

Considerations Relating to the Company's Financial Information

Differences in Generally Accepted Accounting Principles

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

Unaudited Quarterly Financial Statements

This Offering Circular contains unaudited quarterly consolidated financial statements as of 30 June 2023 and for the three-month periods ended 30 June 2022 and 2023, which are not required to be, and have not been, audited by the Company's independent auditor. The unaudited quarterly consolidated financial statements of the Company as of 30 June 2023 and for the three-month periods ended 30 June 2022 and 2023 included in this Offering Circular have been reviewed by the Company's independent auditor in accordance with the quarterly review standards generally accepted in Japan.

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

Considerations Relating to the Bonds and the Shares

Limitations on the Timing of Exercise of Stock Acquisition Rights

Under the current rules and practices of 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, 31 March and 30 September in each year).

No Cash Amounts in respect of Non-unit Shares

Since the coming into effect of the Act on Book-Entry Transfer of Corporate Bonds and Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one 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.

The Bonds are Unsecured

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

Daily Price Range Limitations under Japanese Stock Exchange Rules

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

Rights of Shareholders under Japanese law

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

Future Changes in Japanese law

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

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

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

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

As the Company is engaged in certain businesses designated by the FEFTA and its related cabinet orders and ministerial ordinances (collectively, the "Foreign Exchange Regulations"), if a foreign investor intends to acquire Shares in circumstances that constitute an "inward direct investment" under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance and any other competent Ministers (the "Ministers"). "Inward direct investment" includes an acquisition of Shares as a result of which such foreign investor, in combination with any existing holdings, directly or indirectly holds 1 per cent. or more of the total number of issued Shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. Where such prior notification is filed, the proposed acquisition may not be consummated until a prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order a modification or rejection of such acquisition. In addition, if certain conditions including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of Shares acquired or take other measures. Consequently, any foreign investor seeking to acquire Shares in a transaction that constitutes an "inward direct investment" may not be able consummate such acquisition within an expected time frame, in accordance with an intended plan, or at all.

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

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

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, global economic and other conditions, developments in the Chinese market, fluctuations in foreign currency exchange rates, interest rate

changes, supply chain issues, regulatory and environmental issues, disputes over intellectual property or other similar rights, and the Group's success in implementing its strategies and plans (including capital investment plans). The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

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

The ¥50,000,000,000 Zero Coupon Convertible Bonds due 2030 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by TAIYO YUDEN CO., LTD. (the "Company") are constituted by a trust deed (the "Trust Deed") dated 20 October 2023 made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include all persons for the time being 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 20 October 2023 relating to the Bonds among, *inter alios*, the Company, the Trustee, Mizuho Trust & Banking (Luxembourg) S.A. as principal agent (the "Principal Agent") and as registrar (the "Registrar"), and the other agents referred to therein, are available for inspection by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom, or electronically upon request to and subject to providing satisfactory proof of holding to the Trustee, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include any Agent appointed by the Company in the Agency Agreement (including, where the context permits, the Principal Agent) at their respective specified offices named as paying, transfer and conversion agents in connection with the Bonds for the purposes of, *inter alia*, making payments and transfers, the acceptance of Conversion Notices and the Certificates for the purposes of the exercise of the Stock Acquisition Rights, and the acceptance of Tax Redemption Exercise Notices (as defined in the Agency Agreement), or such other or further agents for the Bonds as may from time to time be appointed, or at such other or further specified offices as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 (but excluding the Registrar and Custodian).

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

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

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

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) (the "Issue Price") is 102.5 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 named thereof).

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

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

1.3 **Status**

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

1.4 **Transfers of Bonds**

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

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

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

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

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

Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the 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); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

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

- (i) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 7.1, 7.5, 7.6 or 7.7;
- (ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn); or
- (iii) after a notice of redemption has been given pursuant to Condition 7.2, 7.3 or 7.4 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.4).

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

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

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

2. **Negative Pledge**

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

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

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

3. Definitions and Construction of References

3.1 Definitions

In these Conditions (unless the context otherwise requires):

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

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

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

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

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

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

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

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

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

"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 that company within the meaning of the Companies Act; provided that, if any individual director is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company's articles of incorporation and other internal regulations, any reference to the

Board of Directors of such company shall be deemed to mean such director, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director;

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

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

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

"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 7.3;

"Closed Period" has the meaning provided in Condition 7.10;

"Closing Date" means 20 October 2023;

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

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

"Company's Territory" has the meaning provided in Condition 12.2;

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

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

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

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

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

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

"Corporate Event Redemption Date" has the meaning provided in Condition 7.5;

"Corporate Event Redemption Price" has the meaning provided in Condition 7.5;

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

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

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

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

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

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

"Delisting Redemption Date" has the meaning provided in Condition 7.6.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Deposit Time" has the meaning provided in Condition 5.9.4;

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

"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 (i) 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, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

"FATCA withholding" has the meaning provided in Condition 9;

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

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

"Holding Company" has the meaning provided in the definition of Holding Company Event;

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

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

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

"Listing" has the meaning provided in Condition 6.4.2;

"Maturity Date" has the meaning provided in Condition 7.1;

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

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

"New Obligor" has the meaning provided in Condition 6.1;

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

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

"New Territory" has the meaning provided in Condition 12.2;

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

"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 7.6.1;

"Optional Redemption Notice" has the meaning provided in Condition 7.2;

"Payment Business Day" has the meaning provided in Condition 8.3;

"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 7.5, 7.6 and 7.7;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

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

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

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

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

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

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

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

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

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

"Squeezeout Effective Date" has the meaning provided in Condition 7.7.1;

"Squeezeout Event" has the meaning provided in Condition 7.7.1;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.7.1;

"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 7.4;

"Tax Redemption Notice" has the meaning provided in Condition 7.4;

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

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

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

"Transfer Business Day" has the meaning provided in Condition 1.4.3; 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, and references to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

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

4. **Default Interest**

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

5. Exercise of Stock Acquisition Rights

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

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

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

For the avoidance of doubt, if a Bondholder would receive a number of Shares ("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. Under the book-entry transfer system established pursuant to the Book-Entry Act, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may generally require the Company to purchase such Shares through the relevant Account Management Institution.

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 ¥4,360 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 at any time during the period from, and including, 6 November 2023 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 4 October 2030, or:

- (i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2, 7.3 or 7.4, 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 7.4, the relevant Bondholder has elected that such Bond shall not be redeemed);
- (ii) if the relevant Bond shall become due to be redeemed pursuant to Condition 7.5, 7.6 or 7.7, 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;
- (iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.8 and cancelled by the Company pursuant to Condition 7.9, then up to the time when such Bond is so cancelled; or

- (iv) 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 4 October 2030;
- (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, 7.5 and 7.6); and
- (c) the Stock Acquisition Right 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(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

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

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

The Company shall give the Trustee (unless the Trustee is also the Principal Agent) and the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination and period referred to in Condition 5.1.4(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 the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least three Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September. By way of example, in respect of the Record Date falling on 31 March 2024, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 27 March 2024 to (and including) 1 April 2024.

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

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

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

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

- (i) the Record Date for the allotment, grant or 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 grant, issue or transfer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an

adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

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

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

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

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

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

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

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

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

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

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

If, in connection with an allotment, grant or issue 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:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director 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.

<u>Annual Fiscal Period ending on 31 March</u>	<u>Percentage</u>
2024	110
2025	121
2026	133
2027	146
2028	161
2029	177
2030	195
2031	214

"Base Dividend" means ¥206,370.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥90.

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

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

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of 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 (a) merges into the Company upon such merger, (b) becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), or (c) becomes a subsidiary of the Company by partial share exchange (*kabushiki-kofu*), in proportion to their shareholding in such corporation immediately prior to such merger or such share exchange (in the case of such merger or such share exchange) or in accordance with the plan of such partial share exchange (in the case of such partial share exchange), or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

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

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

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

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

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

then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the 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 grant or issue of such rights or warrants;

5.2.8 *Combined Adjustment:* if the Company shall grant, 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:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

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

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

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

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

- (i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;
- (ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;
- (iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the grant, issue or transfer 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 allotment, grant, issue or transfer 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, directors or officers (including directors or officers holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 *Minimum Adjustments*

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

5.7 *Calculations*

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified hereon, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth of a yen. None of the Trustee, the Custodian, the Custodian's Agent, 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 none of them will be responsible or liable in any respect to Bondholders or any other person for any loss arising from any failure by it to do so or any erroneous calculation.

5.8 *Notification of Adjustments*

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Registrar, the Custodian 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 30 days' prior written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall

the Custodian have any obligation to perform those functions should the Custodian's Agent fail to do so.

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

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

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

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

- 5.9.4 *Deposit Date and Stock Acquisition Date:*

- (i) The time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date" applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;
- (ii) The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the relevant Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar

day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);

- (iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and
- (iv) If delivery of the Conversion Notice is made on a day which is not a Business Day or after 16:00 hours in the place of the specified office of the Agent, such 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 Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its time of deposit. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bonds the Stock Acquisition Rights incorporated in which have been exercised and the Register shall be amended accordingly.

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

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

- (i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution, in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and
- (ii) as soon as practicable, the Company shall deliver to the Custodian's Agent, securities (other than the Shares) required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:
 - (a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than the Shares) required

to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or

- (b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than the Shares) required to be delivered 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.

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

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

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

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

the following provisions of this Condition 6 shall apply.

6.2 *Notice of Proposal*

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall

specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

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

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

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

6.4.1 *Transfer*: If a Corporate Event occurs and

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

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

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

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.5(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 the New Obligor by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

- (i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or
- (ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest to be determined by the Company as that which would have been received by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

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

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

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof:* Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights:* The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

- 6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights:* No New Stock Acquisition Right may be exercised in part;
- 6.5.7 *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
- 6.5.8 *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, Purchase and Cancellation**

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed 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 18 October 2030 (the "Maturity Date"). The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

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

At any time on or after 20 October 2026, the Company may (subject to Condition 7.11), 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 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 Optional Redemption Notice, 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 130 per cent. of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price).

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

The Company may (subject to Condition 7.11), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon

which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.4 **Redemption for Taxation Reasons**

The Company may (subject to Condition 7.11), 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 4 October 2023, 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 bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

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

7.5 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.11) 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 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 7.5 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

- (i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or
- (ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or
- (iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or
- (iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.5 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 7.5(iii) or 7.5(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 4 October 2030, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)											
	70.00	80.00	90.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00
20 October 2023	97.82	101.93	106.88	112.63	119.12	126.27	134.02	142.30	151.07	160.29	170.00	180.00
20 October 2024	97.63	101.54	106.33	111.95	118.37	125.51	133.30	141.69	150.63	160.07	170.00	180.00
20 October 2025	97.76	101.44	106.00	111.41	117.66	124.72	132.54	141.07	150.25	160.00	170.00	180.00
20 October 2026	97.94	101.37	105.75	110.99	117.03	123.81	131.43	140.21	150.00	160.00	170.00	180.00
20 October 2027	98.11	101.22	105.38	110.54	116.60	123.49	131.26	140.17	150.00	160.00	170.00	180.00
20 October 2028	98.29	100.84	104.63	109.64	115.78	122.89	130.95	140.09	150.00	160.00	170.00	180.00
20 October 2029	98.59	100.11	103.08	107.74	114.02	121.66	130.40	140.00	150.00	160.00	170.00	180.00
4 October 2030	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00

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 7.5, 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 7.5, is more than 180.00 per cent., the Corporate Event Redemption Price shall be 180.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 5 October 2030 to (but excluding) the Maturity Date, the Corporate Event Redemption Price shall be 100.00 per cent.

7.6 ***Redemption on Delisting of the Shares***

7.6.1 *Offers and Redemption: If:*

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

then the Company shall (subject to Condition 7.11) give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days

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

- 7.6.2 *Redemption Price:* The redemption price applicable to the redemption under this Condition 7.6 shall be calculated in the same manner as provided in Condition 7.5, 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 7.5 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

- 7.6.3 *Offer Followed by Corporate Event or Squeezeout Event:* Notwithstanding the above provisions of this Condition 7.6, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.6 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and Condition 7.5 or 7.7, as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding at the redemption price set out in Condition 7.6.2 (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 7.6.1 without being subject to the provisions of this Condition 7.6.3), 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).
- 7.6.4 *Irrevocable Notice:* 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.
- 7.6.5 *Notice to Bondholders:* Upon the occurrence of:
- (a) any of the events set out in (i) through (iv) of Condition 7.6.1; or
 - (b) any of the events set out in Condition 7.6.3 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.

- 7.6.6 *Condition:* If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.6 and either Condition 7.5 or 7.7, the procedure pursuant to Condition 7.5 or 7.7, as the case may be, shall apply.

7.7 *Squeezeout Redemption*

- 7.7.1 *Redemption:* Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.11) give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with Condition 7.7.2, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be, provided, however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, such as (but not limited to) for the purpose of making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing.

- 7.7.2 *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 7.5, 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 7.5 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

7.8 ***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 or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.9 ***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 7.8 shall be forwarded to the Principal Agent for cancellation.

7.10 ***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 7.2, 7.3 or 7.4 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.

7.11 ***Priorities Among Redemption Provisions***

If any notice of redemption is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6 or 7.7, no other notice may be, or as the case may be, required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.6.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.5 or 7.7, or (b) the events set out in (i) to (iv) of Condition 7.6.1 occur, then a notice pursuant to Condition 7.2, 7.3 or 7.4 may not subsequently be given.

7.12 ***Calculations***

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

8. **Payments**

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds

evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, such payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

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

8.2 *Agents*

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to (in respect of the Principal Agent, the Registrar and any other Agent only) the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar 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; and (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed. 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 Payment Business Days*

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

9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.4, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

- (i) to a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with 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; or

- (ii) in respect of which the relevant Certificate is presented for payment more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.4.

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

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

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

10. **Events of Default**

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

10.1 ***Non-payment***

The Company defaults in the payment of the principal of any of the Bonds under Condition 7.4 as and when the same shall become due and payable, and such default is not remedied within seven days; or

10.2 ***Breach of Obligations***

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 ***Cross Default on Indebtedness***

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

10.4 ***Cross Default on Guarantee/Indemnity***

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥500,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 ***Initiation of Insolvency Proceedings***

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 ***Decree of Insolvency/Dissolution***

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

- (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or
- (b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a

receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 ***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 all of its business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds are to be redeemed pursuant to Condition 7.5, 7.6 or 7.7 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or (in the opinion of the Trustee) any material part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or (in the opinion of the Trustee) any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4 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 or required or contemplated by this Condition 10, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders 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 Additional Amounts, if any, premium, if any, and default interest, if any) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

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

- 11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be delivered upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;
- 11.1.2 *Transfers*: not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, if any, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;
- 11.1.3 *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 or the maintenance of such listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the Bondholders would not be thereby materially prejudiced, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that:
- (i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;
 - (ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.5 or Condition 7.6 (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 7.5(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.6.1); and
 - (iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among

other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition or consolidation of Shares pursuant to a Squeezeout Event);

- 11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);
- 11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;
- 11.1.7 *Limitation on the Reduction of the Conversion Price*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;
- 11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds are to be redeemed pursuant to Condition 7.5 or 7.6); and
- 11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

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

11.2 **Charges**

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

12. **Substitution**

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

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such

amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) the satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

When determining, pursuant to this Condition 12.1, whether 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 such expert advice as it considers appropriate and relying thereon without any responsibility or liability to the Bondholders or any other person for delay occasioned for so doing.

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

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

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

- (i) under such supplemental trust deed, the New Obligor agrees, in form, manner and substance satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;
- (ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director or an Authorised Officer of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term, unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt (and which certificate the Trustee shall be entitled to rely upon without further investigation and without incurring any liability to any person for doing so). In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;
- (iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to

the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.4 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);

- (iv) a Representative Director or an Authorised Officer of the New Obligor certifies that the New Obligor will be solvent immediately after such substitution, 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 the New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

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

12.4 ***Deemed Amendment***

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

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

13. **Prescription**

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

14. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the 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, 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, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default or Potential Event of Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, determination or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.5 and/or 7.7 or (ii) the FIEA which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to the Trustee of independent legal counsel of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.6, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative Director or an Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining such expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

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

15.4 ***Authority to the Trustee***

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

16. **Enforcement**

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

17. **Indemnification of the Trustee**

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

The Trustee may rely without liability to Bondholders or any other person on any certificate or report prepared by the Auditors or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors, 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, in the absence of manifest error, any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

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

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

19. **Notices**

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

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

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

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

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

21.1 ***Governing Law***

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

21.2 ***Jurisdiction***

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

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

The Company has irrevocably appointed Law Debenture Corporate Services Limited, whose office is at present at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture 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 its identity.

Exercise of Stock Acquisition Rights

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

Payments

Payments in respect of Bonds evidenced by the Global Certificate shall be made against presentation of or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, 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.

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

Notices

So long as the Bonds are evidenced by 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 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, and treat such accountholders, as if such accountholders were the holder of the relevant Bonds in respect of which the Global Certificate is issued.

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.

Early Redemption by the Company

The options and obligations of the Company to redeem the Bonds prior to maturity provided for in Conditions 7.2, 7.3, 7.4, 7.5, 7.6 and 7.7 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 7.4 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be) in the form acceptable thereto from time to time.

Enforcement

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

Electronic Consent

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

by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥51.1 billion, and are expected to be used by the Company by the end of March 2025, primarily as part of the growth strategy contained in the Group's medium-term business plan, and with the aim of establishing a production system to respond to increasing demand for electronic components, to finance capital investment for the purpose of increasing production capacity for certain products with the potential for high demand growth, such as ultra-compact, thin, high-capacity, high-reliability MLCCs, high-current, high-efficiency, high-heat-resistant metal-based power inductors, and conductive polymer hybrid aluminium electrolytic capacitors.

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
	<i>(Yen)</i>
31 March 2019.....	¥11.00
30 September 2019	11.00
31 March 2020.....	15.00
30 September 2020	15.00
31 March 2021.....	25.00
30 September 2021	40.00
31 March 2022.....	40.00
30 September 2022	45.00
31 March 2023.....	45.00

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. The Company intends to achieve a stable dividend payout ratio of 30 per cent. in addition to acquiring treasury stock as necessary.

Changes in Issued Share Capital

The Company has an authorised share capital of 300,000,000 Shares, of which 130,218,481 Shares were in issue as at 30 June 2023. 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
31 March 2018.....	—	—	120,481,395
1 April 2018 to 31 March 2019	Exercise of stock acquisition rights	9,737,086	130,218,481

As of 30 June 2023, there has been no change in issued share capital of the Company since 31 March 2019.

Japanese Stock Market and Price Range of the Shares

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

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

Calendar Year	Price per Share		Nikkei Stock Average		TSE Prime Market Index		TOPIX	
	High	Low	High	Low	High	Low	High	Low
	<i>(Yen)</i>		<i>(Yen)</i>		<i>(Points)</i>		<i>(Points)</i>	
2018.....	¥3,695	¥1,558	¥24,270.62	¥19,155.74	—	—	1,911.07	1,415.55
2019.....	3,395	1,407	24,066.12	19,561.96	—	—	1,747.20	1,471.16
2020 ⁽¹⁾	4,890	2,278	27,568.15	16,552.83	—	—	1,819.18	1,236.34
2021.....	7,710	4,405	30,670.10	27,013.25	—	—	2,118.87	1,791.22
2022:								
First quarter.....	7,050	4,545	29,332.16	24,717.53	—	—	2,039.27	1,758.89
Second quarter.....	5,830	4,605	28,246.53	25,748.72	1,013.53	935.78	1,969.98	1,818.94
Third quarter.....	4,910	3,695	29,222.77	25,935.62	1,032.75	944.64	2,006.99	1,835.94
Fourth quarter.....	4,680	3,640	28,383.09	26,093.67	1,038.78	950.61	2,018.80	1,847.58
2023:								
First quarter.....	4,625	3,735	28,623.15	25,716.86	1,065.73	961.23	2,071.09	1,868.15
Second quarter.....	4,615	3,955	33,706.08	27,472.63	1,183.76	1,009.17	2,300.36	1,961.28
Third quarter.....	4,447	3,786	33,753.33	31,450.76	1,250.79	1,143.20	2,430.30	2,221.48
Fourth quarter (up to 4 October).....	4,152	3,923	31,759.88	30,526.88	1,191.08	1,141.87	2,314.44	2,218.89

Note:

- (1) With regard to data for 1 October 2020, on which trading on the Tokyo Stock Exchange was suspended throughout the day, the closing Nikkei Stock Average and the closing level of TOPIX have been deemed to be same levels as of 30 September 2020, while no reported prices of the Shares are treated as being available.

On 4 October 2023, the last reported closing price of the Shares on the Tokyo Stock Exchange was ¥3,963 per Share. The closing Nikkei Stock Average, TSE Prime Market Index and TOPIX on the same date were ¥30,526.88, 1,141.87 and 2,218.89, respectively.

Principal Shareholders and Distribution of Shares

As of 31 March 2023, the Company had 27,441 shareholders of record. As of 31 March 2023, the 10 largest shareholders of record and the number and percentage of Shares held by them were as follows:

Shareholder	Number of Shares held	Percentage of total Shares in issue
	<i>(Thousands of Shares)</i>	<i>(Per cent.)</i>
The Master Trust Bank of Japan, Ltd. (trust account).....	38,205	30.66%
Custody Bank of Japan, Ltd. (trust account)	17,667	14.17
The Iyo Bank, Ltd. (standing proxy: Custody Bank of Japan, Ltd.)	2,000	1.60
Sumitomo Mitsui Banking Corporation	2,000	1.60
Satou Koutsu Iji Fukushikikin Public Interest Incorporated Foundation.....	1,916	1.53
SSBTC CLIENT OMNIBUS ACCOUNT (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department).....	1,868	1.49
STATE STREET BANK WEST CLIENT – TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1,827	1.46
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	1,666	1.33
JP MORGAN CHASE BANK 385781	1,638	1.31
The Nomura Trust and Banking Co., Ltd. (securities investment trust account)	1,618	1.29
Total.....	<u>70,409</u>	<u>56.50%</u>

Notes:

- (1) Percentage of total Shares in issue is calculated based on the total Shares in issue excluding treasury stock held by the Company.
- (2) 26,186 thousand shares out of shares owned by The Master Trust Bank of Japan, Ltd. (trust account) relate to the custody business.
- (3) 14,242 thousand shares out of shares owned by Custody Bank of Japan, Ltd. (trust account) relate to the custody business.
- (4) 1,618 thousand shares out of shares owned by The Nomura Trust and Banking Co., Ltd. (securities investment trust account) relate to the custody business.
- (5) As of 31 March 2023, the Company held treasury stock amounting to 5,610,298 shares.
- (6) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total issued voting Shares to file a report concerning such shareholdings with the director general of a competent Local Finance Bureau, and also requires such person to file a similar report concerning one per cent. or more changes in such substantial shareholdings or any changes

in material matters set out in the reports previously filed (see "Description of the Shares and Certain Regulations — Reporting of Substantial Shareholders"). 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 7 November 2022 by Sumitomo Mitsui Trust Asset Management Co., Ltd. and one joint holder, informing of the ownership of 11,201 thousand Shares as of 31 October 2022. 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 22 November 2022 by Nomura Securities Co., Ltd. and one joint holder, informing of the ownership of 20,224 thousand Shares as of 16 November 2022. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.

As of 4 October 2023, the Company has received the following reports since 31 March 2023. Where multiple reports have been filed by the same entity, only the most recent report is mentioned below. Further, reports relating to technical amendments only are not mentioned below:

- A report relating to a change in shareholding filed on 2 August 2023 by Nomura Securities Co., Ltd. and two joint holders, informing of the ownership of 21,601,941 Shares as of 27 July 2023.
- A report relating to a change in shareholding filed on 2 October 2023 by Mitsubishi UFJ Financial Group, Inc. with respect to three holders within its group, informing of the ownership of 7,758,722 Shares as of 25 September 2023.

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

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

Category	Number of Shareholders	Number of Shares held <i>(Units of 100 Shares)</i>	Percentage of total Shares in issue <i>(Per cent.)</i>
Japanese financial institutions.....	54	672,728	51.71%
Japanese financial instruments and exchange operators	48	58,390	4.49
Other Japanese corporations	350	34,457	2.65
Foreign corporations and others (including foreign individuals) .	410	337,242	25.93
Japanese individuals and others ⁽¹⁾	26,579	198,110	15.22
Total	27,441	1,300,927	100.00%

Note:

(1) Includes 56,102 units of Shares of treasury stock held by the Company.

As of 31 March 2023, the current Directors and Audit & Supervisory Board Members of the Company together held 57,100 Shares, or 0.04 per cent. of the total issued and outstanding Shares.

As of 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

No bonds with stock acquisition rights issued by the Company were outstanding as of 31 March 2023.

Stock Acquisition Rights

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

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Company's capitalisation and indebtedness as at 30 June 2023, which has been extracted without material adjustment from the Company's unaudited quarterly consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	As of 30 June 2023	
	<u>Actual</u>	<u>As adjusted</u>
	<i>(Millions of yen)</i>	
Short-term debt⁽²⁾:		
Short-term borrowings.....	¥30,200	¥30,200
Current portion of long-term borrowings.....	18,958	18,958
Total short-term debt	<u>49,158</u>	<u>49,158</u>
Long-term debt⁽²⁾:		
Long-term borrowings.....	84,227	84,227
The Bonds now being issued	—	50,000
Total long-term debt	<u>84,227</u>	<u>134,227</u>
Net assets:		
Shareholders' equity:		
Share capital, no par value:		
Authorised: 300,000,000 Shares		
Issued: 130,218,481 Shares ⁽⁴⁾	33,575	33,575
Capital surplus	49,908	49,908
Retained earnings.....	229,098	229,098
Less: Treasury shares, at cost (5,610,298 Shares).....	<u>(13,457)</u>	<u>(13,457)</u>
Total shareholders' equity	<u>299,124</u>	<u>299,124</u>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	654	654
Deferred gains or losses on hedges	(70)	(70)
Foreign currency translation adjustments	21,225	21,225
Remeasurements of defined benefit plans	<u>(3)</u>	<u>(3)</u>
Total accumulated other comprehensive income	<u>21,806</u>	<u>21,806</u>
Share acquisition rights.....	<u>979</u>	<u>979</u>
Total net assets.....	<u>321,910</u>	<u>321,910</u>
Total capitalisation and indebtedness⁽⁵⁾.....	<u><u>¥455,296</u></u>	<u><u>¥505,296</u></u>

Notes:

- (1) The above table should be read in conjunction with the unaudited quarterly consolidated financial statements of the Company as of and for the three-month period ended 30 June 2023 contained elsewhere in this Offering Circular.
- (2) As of 30 June 2023, none of the Company's consolidated short-term debt or the Company's consolidated long-term debt were secured and/or guaranteed.
- (3) As of 30 June 2023, the Group had no contingent liabilities.
- (4) All of the issued Shares are fully-paid and non-assessable.
- (5) Total capitalisation and indebtedness is the total of total short-term debt, total long-term debt and total net assets.
- (6) There has been no material change in the Company's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 30 June 2023.

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 was established to develop and commercialise titanium-oxide porcelain capacitors, and was founded on the philosophy 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 MLCCs, inductors, FBAR/SAW devices for mobile communications, circuit modules and aluminium electrolytic capacitors. The Group's products have applications in a variety of fields, and are integrated into various devices such as smartphones and other communication equipment, automobiles, IT infrastructure/industrial equipment (including base station communication equipment and servers), information equipment such as PCs and tablet devices and consumer products such as TVs, game consoles and smart watches.

The Group operates in a single business segment of electronic components. Its products can be broken down into four principal classifications:

- *Capacitors.* The Group undertakes the manufacture and sale of MLCCs. Capacitors are fitted to leading-edge electronic devices including smartphones and automobiles, to store electricity on a temporary basis and remove electronic noise. The Group's strength lies in producing small, high-capacitance, highly reliable MLCCs that are optimal for cutting-edge electronic devices including smartphones and automobiles. The Group's products are used in large quantities in most electronic products, including smartphones, automobiles, tablets and IT infrastructure/industrial equipment (including base station communication equipment and servers). For the fiscal year ended 31 March 2023, sales of capacitors accounted for 65.1 per cent. of consolidated net sales for the period.
- *Inductors.* The Group's offering of inductors includes those with metal and multi-layer structures, as well as wire-wound configurations to address customer need. Notably such products include metal power inductor MCOIL™ line of products which use metallic magnetic materials. In 2020, the Group undertook the world's first commercialisation of automotive multilayer metal power inductors. For the fiscal year ended 31 March 2023, sales of inductors accounted for 16.5 per cent. of consolidated net sales for the period.
- *Integrated Modules & Devices.* The Integrated Modules & Devices product classification primarily includes FBAR/SAW devices for mobile communications, which are used primarily in smartphones to enable high-speed and high-quality data communications, and also includes circuit modules. For the fiscal year ended 31 March 2023, sales of integrated modules & devices accounted for 10.2 per cent. of consolidated net sales for the period.
- *Others.* Products under the Others classification primarily include aluminium electrolytic capacitors. For the fiscal year ended 31 March 2023, sales of other products accounted for 8.1 per cent. of consolidated net sales for the period.

As of 30 June 2023, the Group consisted of the Company, its 31 consolidated subsidiaries and one affiliate. The Company's consolidated net sales, operating profit (loss) and profit attributable to owners of parent for the fiscal year ended 31 March 2023 amounted to ¥319,504 million, ¥31,980 million and ¥23,216 million, respectively and for the three-month period ended 30 June 2023 amounted to ¥72,612 million, ¥(577) million and ¥903 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 Kyobashi East Bldg., 7-19, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031, Japan. The Shares are listed on the Prime Market 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 4 October 2023 was approximately ¥516,056 million.

Selected Financial Data

The following selected consolidated financial information should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited quarterly consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statements of operations data and cash flow data for the fiscal years ended 31 March 2021, 2022 and 2023 and the consolidated balance sheet data as of 31 March 2021, 2022 and 2023 have been extracted without material adjustment from the Group's audited annual consolidated financial statements as of and for the fiscal years ended 31 March 2021, 2022 and 2023 included elsewhere in this Offering Circular. The consolidated statements of operations data for the three-month periods ended 30 June 2022 and 2023 and the consolidated balance sheet data as of 30 June 2023 have been extracted without material adjustment from the Group's unaudited quarterly consolidated financial statements as of 30 June 2023 and for the three-month periods ended 30 June 2022 and 2023 included elsewhere in this Offering Circular.

	Year ended/As at 31 March			Three-month Period ended/As of 30 June	
	2021	2022	2023	2022	2023
<i>(Millions of yen, except per Share data and ratios)</i>					
Statements of Operations Data:					
Net sales	¥300,920	¥349,636	¥319,504	¥81,740	¥72,612
Operating profit (loss)	40,766	68,218	31,980	13,142	(577)
Ordinary profit	41,247	72,191	34,832	17,204	1,159
Profit before income taxes	37,010	71,872	31,102	17,004	1,251
Profit attributable to owners of parent	28,615	54,361	23,216	12,236	903
Balance Sheet Data:					
Total assets	404,642	474,522	503,462	—	551,810
Total liabilities	160,701	174,235	184,984	—	229,900
Net assets	243,941	300,286	318,478	—	321,910
Cash Flow Data:					
Cash flows from operating activities ...	52,882	67,315	39,460	—	—
Cash flows from investing activities ...	(42,218)	(50,622)	(60,438)	—	—
Cash flows from financing activities ...	12,604	(14,711)	14,485	—	—
Cash and cash equivalents at the end of the period	81,785	88,609	84,124	—	—
Other Data for the Period:					
R&D expenses	12,550	13,099	12,678	3,112	3,169
Capital investment ⁽¹⁾	49,699	34,023	50,489	—	—
Depreciation	29,256	31,287	34,903	7,856	8,850
Per Share Data (Yen):					
Net assets per Share	1,937.86	2,403.20	2,548.15	—	—
Basic earnings per Share	227.99	433.46	186.32	98.20	7.25
Diluted earnings per Share	227.32	432.19	185.71	97.92	7.22
Cash dividends per Share	40.00	80.00	90.00	—	—
Financial Ratios (Per cent.):					
Equity ratio ⁽²⁾	60.1%	63.1%	63.1%	63.6%	58.2%
Return on equity (ROE) ⁽³⁾	12.6	20.0	7.5	—	—
Return on assets (ROA) ⁽⁴⁾	11.0	16.4	7.1	—	—

Notes:

- (1) Capital investment = increase in fixed assets from prior period + increase in intangible fixed assets from a prior period.
- (2) Equity ratio = own capital (average of the beginning and the end of the period) / total assets × 100. Own capital = net assets – share acquisition rights.
- (3) ROE = profit attributable to owners of parent / own capital (average of the beginning and the end of the period) × 100.
- (4) ROA = ordinary profit / total assets (average of the beginning and the end of the period) × 100.

RECENT BUSINESS

Consolidated Results for the Fiscal Year Ended 31 March 2023

Overview

During the fiscal year ended 31 March 2023, the business environment surrounding the Group experienced rising raw material and logistics costs due to increased geopolitical risk and other factors, and there was a period of stagnation in social and economic activities owing to large-scale lockdowns in some regions as a countermeasure to COVID-19, although there were some signs of a moderate recovery in the global economy.

The Group is aiming to increase the proportion of sales in focus markets, primarily automotive and IT infrastructure/industrial equipment, to 50 per cent. to achieve the targets set out in medium-term management plan 2025. Moreover, the Group will work to produce high value-added electronic components with a focus on high-end and high reliability products to achieve further growth in multilayer ceramic capacitors, the Group's core business, in addition to strengthening inductor and communication device products to establish them as core businesses. Under its medium-term management plan, the Group has planned a total capital investment of ¥300.0 billion over the five years comprising such plan, to continuously expand capacity to meet increase in demand as well as to implement proactive initiatives in the areas of environmental measures and upgrading of IT.

The average foreign currency exchange rate for the fiscal year ended 31 March 2023 was U.S.\$1: ¥134.20; this was a depreciation of ¥22.64 as compared to the average realised in the previous fiscal year of U.S.\$1: ¥111.56.

Results

Net Sales

In the fiscal year ended 31 March 2023, consolidated net sales amounted to ¥319,504 million, a decrease of ¥30,132 million, or 8.6 per cent., compared with the fiscal year ended 31 March 2022. Net sales (as well as operating profit and profit attributable to owners of parent) declined due to lockdowns enforced in relation to the COVID-19 pandemic in some regions and a decrease in production volume and inventory adjustments, primarily in the PC, smartphone, and data centre sectors, stemming from concerns over a global economic slowdown.

Cost of Sales

Cost of sales for the fiscal year ended 31 March 2023 amounted to ¥232,085 million, an increase of ¥7,430 million, or 3.3 per cent., compared with the previous fiscal year. This principally reflected increases in depreciation and electricity costs, as well as the impact of inventory reduction on operating efficiency.

Gross Profit

As a result of the above, gross profit for the fiscal year ended 31 March 2023 amounted to ¥87,419 million, a decrease of ¥37,562 million, or 30.1 per cent., compared with the fiscal year ended 31 March 2022. Gross profit margin worsened from 35.7 per cent. for the year ended 31 March 2022 to 27.4 per cent. for the fiscal year ended 31 March 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were ¥55,438 million for the fiscal year ended 31 March 2023, a decrease of ¥1,324 million, or 2.3 per cent., from the previous fiscal year. The contributors to the decrease were decreases in transportation costs and research and development costs.

Operating Profit

As a result of the above, operating profit was ¥31,980 million for the fiscal year ended 31 March 2023, a decrease of ¥36,238 million, or 53.1 per cent., from the previous fiscal year.

Non-Operating Income (Expenses)

In the fiscal year ended 31 March 2023, the Group's total non-operating income amounted to ¥3,769 million, a decrease of ¥824 million, or 18.0 per cent., from the previous fiscal year. This principally reflected a decrease in foreign exchange gains.

Total non-operating expenses for the fiscal year ended 31 March 2023 amounted to ¥916 million, an increase of ¥296 million, or 47.8 per cent., compared with the previous fiscal year. This principally reflected an increase in compensation expenses in relation to the Group's products.

Extraordinary Income (Expenses)

In the fiscal year ended 31 March 2023, the Group's total extraordinary income amounted to ¥171 million, a decrease of ¥517 million, or 75.1 per cent., from the previous fiscal year. This principally reflected a decrease in gain on sale of investment securities.

Total extraordinary losses for the fiscal year ended 31 March 2023 amounted to ¥3,902 million, an increase of ¥2,894 million, or 287.1 per cent., compared with the previous fiscal year. This principally reflected the recording of ¥2,927 million in antitrust-related losses of ELNA CO., LTD., a consolidated subsidiary of the Company, in the fiscal year ended 31 March 2023.

Profit Before Income Taxes

As a result of the above, profit before income taxes was ¥31,102 million for the fiscal year ended 31 March 2023, a decrease of ¥40,769 million, or 56.7 per cent., from the previous fiscal year.

Income Taxes

Total income taxes for the fiscal year ended 31 March 2023 amounted to ¥7,886 million, a decrease of ¥9,624 million, or 55.0 per cent., from the previous fiscal year. This principally reflected the decrease in taxable income.

Profit Attributable to Owners of Parent

As a result of above factors, profit attributable to owners of parent was ¥23,216 million for the fiscal year ended 31 March 2023, a decrease of ¥31,145 million, or 57.3 per cent., from the previous fiscal year.

Results by Product Classification

Capacitors

For the fiscal year ended 31 March 2023, while product sales for use in automobiles increased year-on-year, sales for use in consumer products, information equipment, communication equipment and IT infrastructure/industrial equipment declined year-on-year. As a result, net sales in this product classification decreased by 9.7 per cent. year-on-year, to ¥208,115 million for the fiscal year ended 31 March 2023.

Inductors

Product sales for use in IT infrastructure/industrial equipment were lower in the fiscal year ended 31 March 2023 as compared to the previous fiscal year, while sales for use in consumer products, information equipment, communication equipment, and automobiles were higher. As a result, net sales in this product classification amounted to ¥52,866 million, an increase of 8.1 per cent. compared to the previous fiscal year.

Integrated Modules & Devices

Sales of FBAR/SAW devices for mobile communications and circuit modules decreased in the fiscal year ended 31 March 2023, resulting in a 33.2 per cent. decrease in net sales for this product classification compared to the previous fiscal year, to ¥32,581 million for the fiscal year ended 31 March 2023.

Other Products

Sales of aluminium electrolytic capacitors, mainly for use in automobiles, increased in the fiscal year ended 31 March 2023, resulting in a 20.5 per cent. increase in net sales for this product classification compared to the previous fiscal year, to ¥25,941 million for the fiscal year ended 31 March 2023.

Consolidated Results for the Three-Month Period Ended 30 June 2023

Overview

During the three-month period ended 30 June 2023, the business conditions surrounding the Group experienced a trend of moderate recovery although the uncertainty in the global economy continued.

The average foreign currency exchange rate for the three-month period ended 30 June 2023 was U.S.\$1: ¥134.93; this was a depreciation of ¥10.48 as compared to the average realised in the corresponding period of the previous fiscal year of U.S.\$1: ¥124.45.

Results

Net Sales

In the three-month period ended 30 June 2023, consolidated net sales amounted to ¥72,612 million, a decrease of ¥9,127 million, or 11.2 per cent., compared with the three-month period ended 30 June 2022. Net sales as well as operating profit and profit attributable to owners of parent declined due to a decrease in production volume and inventory adjustments, primarily in the information equipment and IT infrastructure/industrial equipment.

Cost of Sales

Cost of sales for the three-month period ended 30 June 2023 amounted to ¥59,853 million, an increase of ¥5,136 million, or 9.4 per cent., compared with the three-month period ended 30 June 2022. This principally reflected increases in depreciation and electricity costs, as well as the impact of inventory reduction on operating efficiency.

Gross Profit

As a result of the above, gross profit for the three-month period ended 30 June 2023 amounted to ¥12,759 million, a decrease of ¥14,263 million, or 52.8 per cent., compared with the three-month period ended 30 June 2022. Gross profit margin worsened from 33.1 per cent. for the three-month period ended 30 June 2022 to 17.6 per cent. for the three-month period ended 30 June 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were ¥13,337 million for the three-month period ended 30 June 2023, a decrease of ¥543 million, or 3.9 per cent., from the three-month period ended 30 June 2022. This principally reflected a reduction in transportation costs.

Operating Profit (Loss)

As a result of the above, the Group recorded an operating loss of ¥577 million for the three-month period ended 30 June 2023, compared to an operating income of ¥13,142 million for the three-month period ended 30 June 2022.

Non-Operating Income (Expenses)

In the three-month period ended 30 June 2023, the Group's total non-operating income amounted to ¥2,610 million, a decrease of ¥1,586 million, or 37.8 per cent., from the three-month period ended 30 June 2022. This principally reflected a decrease in foreign exchange gains.

Total non-operating expenses for the three-month period ended 30 June 2023 amounted to ¥873 million, an increase of ¥737 million, or 542.7 per cent., compared with the three-month period ended 30 June 2022. This principally reflected the recording in the three-month period ended 30 June 2023 of compensation expenses of ¥706 million in relation to product defects, whereas no such compensation expenses were recorded in the three-month period ended 30 June 2022.

Extraordinary Income (Expenses)

In the three-month period ended 30 June 2023, the Group's total extraordinary income amounted to ¥181 million compared to ¥4 million recorded in the three-month period ended 30 June 2022. This principally reflected an increase in gain on sale of investment securities.

Total extraordinary losses for the three-month period ended 30 June 2023 amounted to ¥89 million, a decrease of ¥114 million, or 55.9 per cent., compared with the three-month period ended 30 June 2022. This principally reflected a decrease in loss on sale and retirement of non-current assets.

Profit Before Income Taxes

As a result of the above, profit before income taxes was ¥1,251 million for the three-month period ended 30 June 2023, a decrease of ¥15,753 million, or 92.6 per cent., compared with the three-month period ended 30 June 2022.

Income Taxes

Total income taxes for the three-month period ended 30 June 2023 amounted to ¥348 million, a decrease of ¥4,419 million, or 92.7 per cent., from the three-month period ended 30 June 2022. This principally reflected the decrease in taxable income.

Profit Attributable to Owners of Parent

As a result of above factors, profit attributable to owners of parent was ¥903 million for the three-month period ended 30 June 2023, a decrease of ¥11,333 million, or 92.6 per cent., from the three-month period ended 30 June 2022.

Results by Product Classification

Capacitors

While product sales for use in communication equipment and automobiles increased in the three-month period ended 30 June 2023 compared to the corresponding period of the previous fiscal year, sales for use in consumer products, information equipment, and IT infrastructure/industrial equipment declined in the three-month period ended 30 June 2023. As a result, net sales in this product classification for the three-month period ended 30 June 2023 amounted to ¥47,133 million, a decrease of 13.6 per cent. compared to the corresponding period in the previous fiscal year.

Inductors

In the three-month period ended 30 June 2023, product sales for use in information equipment, communication equipment, and automobiles were higher as compared to the corresponding period of the previous fiscal year while sales for use in consumer products and IT infrastructure/industrial equipment were lower. As a result, net sales in this product classification for the three-month period ended 30 June 2023 amounted to ¥10,976 million, which is a decrease of 6.6 per cent. compared to the corresponding period in the previous fiscal year.

Integrated Modules and Devices

For the three-month period ended 30 June 2023, sales of FBAR/SAW devices for mobile communications increased compared to the corresponding period in the previous fiscal year, but sales of circuit modules decreased. This resulted in a 10.7 per cent. decrease in sales for this product classification compared to the corresponding period in the previous fiscal year to ¥8,182 million for the three-month period ended 30 June 2023.

Other Products

For the three-month period ended 30 June 2023, sales of aluminium electrolytic capacitors, mainly for use in automobiles, increased compared to the corresponding period in the previous fiscal year. This resulted in a 1.1 per cent. increase in sales for this product classification compared to the corresponding period in the previous fiscal year to ¥6,320 million for the three-month period ended 30 June 2023.

Financial Condition

Consolidated Balance Sheet as of 31 March 2023 Compared to Consolidated Balance Sheet as of 31 March 2022

Total assets as of 31 March 2023 amounted to ¥503,462 million, an increase of ¥28,940 million compared with the amount at 31 March 2022. Current assets as of 31 March 2023 amounted to ¥274,396 million, a decrease of ¥8,211 million as compared to the amount at 31 March 2022. This decrease in current assets principally reflected decreases in notes and accounts receivable – trade of ¥16,212 million and cash and deposits of ¥5,373 million, set off to a certain extent by increases in merchandise and finished goods of ¥5,191 million and work in process of ¥2,642 million. Non-current assets as of 31 March 2023 amounted to ¥229,066 million, an increase of ¥37,151 million as compared to the amount at 31 March 2022, principally reflecting an increase in property, plant and equipment of ¥35,653 million.

Total liabilities as of 31 March 2023 amounted to ¥184,984 million, an increase of ¥10,748 million compared to the amount as of 31 March 2022. This principally reflected increases in current portion of long-term borrowings of ¥13,922 million, short-term borrowings of ¥10,000 million and accrued amounts payable of ¥9,122 million, set off to a certain extent by decreases in income taxes payable of ¥12,416 million and notes and accounts payable – trade of ¥9,815 million.

Total net assets as of 31 March 2023 amounted to ¥318,478 million, an increase of ¥18,192 million as compared to the amount as of 31 March 2022. The main factors for the increase were an increase in retained earnings of ¥12,624 million (reflecting profit attributable to owners of parent of ¥23,216 million and dividends of surplus of ¥10,591 million), in addition to an increase of ¥4,840 million in foreign currency translation adjustment due to the impact of exchange rates, including the depreciation in the value of the yen.

Consolidated Balance Sheet as of 30 June 2023 Compared to Consolidated Balance Sheet as of 31 March 2023

Total assets as of 30 June 2023 increased by ¥48,347 million compared with the balance as of 31 March 2023 to ¥551,810 million. Current assets as of 30 June 2023 increased by ¥30,501 million compared with the balance as of 31 March 2023 to ¥304,898 million, mainly due to increases in cash and deposits of ¥26,310 million and notes and accounts receivable – trade of ¥1,763 million. Non-current assets as of 30 June 2023 increased by ¥17,845 million compared with the balance as of 31 March 2023 to ¥246,911 million, principally due to an increase in property, plant and equipment of ¥19,617 million.

Total liabilities as of 30 June 2023 amounted to ¥229,900 million, an increase of ¥44,915 million as compared to the balance at 31 March 2023. This principally reflected increases in long-term borrowings of ¥33,450 million and notes and accounts payable – trade of ¥2,550 million.

Net assets as of 30 June 2023 amounted to ¥321,910 million, an increase of ¥3,431 million compared with the balance as of 31 March 2023. This principally reflected an increase of ¥8,139 million in foreign currency translation adjustment due to the impact of exchange rates, including the depreciation in the value of the yen, set off to a certain extent by a decrease in retained earnings of ¥4,704 million (reflecting profit attributable to owners of parent of ¥903 million and dividends of surplus of ¥5,607 million).

Liquidity and Capital Resources

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

Net cash provided by operating activities for the fiscal year ended 31 March 2023 amounted to ¥39,460 million, a decrease of 41.4 per cent. compared with the previous fiscal year. The contributing factors were: profit before income taxes of ¥31,102 million; adjustment for depreciation of ¥34,903 million; decrease in trade receivables of ¥19,556 million, and income taxes (paid) of ¥23,061 million.

Net cash used in investing activities for the fiscal year ended 31 March 2023 amounted to ¥60,438 million, an increase of 19.4 per cent. compared with the previous fiscal year. The largest cash outflow was ¥63,338 million paid for purchase of non-current assets.

Net cash provided by financing activities for the fiscal year ended 31 March 2023 amounted to ¥14,485 million (compared to net cash used of ¥14,711 million for the fiscal year ended 31 March 2022). The main factors were an increase in short-term borrowings of ¥10,000 million, proceeds from long-term borrowings of ¥20,000 million, repayments of long-term borrowings of ¥4,049 million and payments of cash dividends of ¥10,573 million.

As a result of the above, cash and cash equivalent as of 31 March 2023 decreased ¥4,485 million from the end of the previous fiscal year, to ¥84,124 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 of 31 March 2023 consisted of the following items: (i) short-term borrowings of ¥30,200 million, (ii) the current portion of long-term borrowings of ¥17,958 million, (iii) long-term borrowings of ¥50,777 million, (iv) current portion of lease liabilities of ¥724 million, and (v) lease liabilities of ¥2,909 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 ¥30,000 million effective for three years to ensure financial stability. The Company renewed this commitment line in May 2023 with the intention of having these funds available for any events that may severely impact cash flow. As of 30 June, the Company has not used any of this commitment line. The commitment line has certain financial covenants relating to the level of consolidated ordinary income and depreciation and the level of shareholders' equity, with which the Company is currently in compliance.

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 was established to develop and commercialise titanium-oxide porcelain capacitors and was founded on the philosophy 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 MLCCs, inductors, FBAR/SAW devices for mobile communications, circuit modules and aluminium electrolytic capacitors. The Group's products have applications in a variety of fields and are integrated into various devices such as smartphones and other communication equipment, automobiles, IT infrastructure/industrial equipment (including base station communication equipment and servers), information equipment such as PCs and tablet devices and consumer products such as TVs, game consoles and smart watches.

As of 30 June 2023, the Group consisted of the Company, its 31 consolidated subsidiaries and one affiliate. The Company's consolidated net sales, operating profit (loss) and profit attributable to owners of parent for the fiscal year ended 31 March 2023 amounted to ¥319,504 million, ¥31,980 million and ¥23,216 million, respectively and for the three-month period ended 30 June 2023 amounted to ¥72,612 million, ¥(577) million and ¥903 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 Kyobashi East Bldg., 7-19, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031, Japan. The Shares are listed on the Prime Market of the Tokyo Stock Exchange.

History

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

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 (now a sales base). Since then, the Group has actively expanded its overseas operations, including opening manufacturing bases in South Korea in 1972 (now a sales base) and 1999, in Singapore in 1978 (now a sales base), in the Philippines in 1988, in Malaysia in 1994 and in China in 1999 and 2019, as well as sales bases in Hong Kong in 1974, in the United States in 1977, in Germany in 1979, in China in 2002 and 2004 and in Thailand in 2011. In Japan, the Group also established manufacturing bases at its Tamamura factory (Gunma prefecture) in 1977 and Yawatabara factory (Gunma prefecture) in 1986, as well as, through the Company's subsidiaries, Fujioka (Gunma prefecture) in 1970, Fukushima in 1989, Niigata in 2007 and Wakayama in 2007.

The Group has been involved in a number of "world's first" inventions, including inventing the world's first axial-lead-type ceramic capacitors in 1976, the world's first nickel-electrode large-capacity multilayer ceramic capacitors in 1984 and the world's first recordable compact disk in 1988.

In 2018, the Company acquired further shares of ELNA CO., LTD, which had previously been an equity method affiliate, to make it a subsidiary, and in 2019 it became a wholly-owned subsidiary of the Company.

In 1970, the Shares were listed on the Second Section of the Tokyo Stock Exchange, and in 1973, the Shares were designated to be traded on the First Section of the Tokyo Stock Exchange. Since the change in market segmentation by the Tokyo Stock Exchange in 2022, the Shares have been listed on the Prime Market of the Tokyo Stock Exchange.

Mission, Management Philosophy and Vision

The Group's mission statement is "Stronger and more socially aware through the wonders of science". In addition to specific knowledge and experience, the Group believes "the wonders of science" bring exciting experiences, unexpected discoveries, and surprises. The Group supports the evolution of electronic technology that supports people's safe, secure, comfortable and convenient lives. 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's vision is to be an excellent company that enjoys the trust and highest regard from all 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.

Strategy

The Group believes that, in the medium- to long-term, demand for electronic parts in the automotive and IT infrastructure/industrial equipment (including base station communication equipment and servers) markets will increase, and that high quality, large-scale, reliable products, such as those manufactured by the Group, will be in ever greater demand. Accordingly, the Group intends to target those growing markets, such that they constitute an increasing proportion of the Group's net sales.

In the market for smartphones and other communications equipment, the development of high-functionality, high-performance equipment and high-density mounting of electronic components, together with advanced communication methods, have led to the great advances in the products that use the components manufactured by the Group. On that basis, the Group considers that there will be significant demand for high volumes of small, thin and high-quality electronic components, and will also target this market.

To service these markets, the Group is seeking to develop cutting-edge products with competitive advantages that can contribute to the technological evolution of the products that use components manufactured by the Group.

In order to meet what the Group believes will be increasing demand in these markets (notwithstanding recent reductions in demand due to negative global economic conditions), the Group intends to increase its production capacity, both inside and outside Japan, in order to ensure it can maintain stable supply. In addition, the Group is focussed on improving its manufacturing capabilities, establishing a distributed production system, and improving production efficiency by utilising AI and other technologies.

Medium-Term Management Plan

The Group has formulated and initiated a medium-term management plan for the five fiscal years ending 31 March 2026. In this medium-term management plan, the Group aims to enhance corporate value through the combination of economic and social value. To this end, the Group is implementing the following priority measures:

Product Strategy

The Group intends to further grow its MLCC business and strengthen its inductor and communication device products businesses such that they constitute core businesses of the Group. In addition, the Group intends to create high value-added electronic components intended to be used in high-end and highly reliable products.

Market Strategy

The Group is striving to increase its sales in the automotive and IT infrastructure/industrial equipment markets (see "— Strategy" above).

Financial Strategy

The Group intends to continuously expand its production capacity to meet the increase in demand for electronic components and also to increase returns to shareholders (see "— Return to Shareholders" below).

ESG Initiatives

The Group has set out a number of numerical targets to increase the Group's social value, including in particular to provide a response to the challenges posed by global climate change, to pursue work style reforms and maintain a safe and secure workplace and make improvements in management.

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 expects that demand for highly reliable and large-sized products will increase (in particular in comparison to demand for consumer and small products) and so intends to increase supply capacity for these products specifically. The Group intends to increase the appeal of highly reliable MLCCs and develop products that meet the needs of automobiles and IT infrastructure/industrial equipment through the application of elemental technologies which the Group has developed in its high-end products.

Inductors

The Group intends to increase its competitive advantage in power inductors and improve profitability through improving its product mix. The Group intends to develop an extensive range of power inductors built on advanced elemental technologies and diversify its markets and customer base by expanding into the smartphone, IoT, automotive, and IT infrastructure/industrial equipment markets. The product offering will focus on metal (MCOIL™), smaller, multilayer inductors for use in smartphones, smartwatches, PCs and tablets, with potential expansion into automobiles (including advanced driver assistance systems ("ADAS")), as well as metal and ferrite wire-wound inductors.

Integrated Modules & Devices

The Group intends to increase sales of communication devices (such as FBAR/SAW and multilayer ceramic filters) for use in communication devices and automobiles. To achieve this aim, the Group will focus on the reliability of its products with elemental technology. The Group will also work to meet the needs for high level technologies that are required for 5G evolution, including TLSAW™ and HPDP. The Group also intends to diversify its sales channels by expanding into module applications in addition to discrete sales to set makers. In respect of circuit modules, the Group will focus on its most successful products, such as the system it has developed to be mounted on electric-assisted bicycles. The Group intends to dispose of its wireless module business and scale down its power modules business to allow for the reallocation and concentration of resources.

Other

The Group is working to expand its sales of aluminium electrolytic capacitors by providing a wide range of reliable, large current, high capacity, low noise products, with a particular emphasis on meeting demand in the automotive market. The Group also intends to build an efficient integrated domestic system from product development and production to increase related production capacity.

Management

In the furtherance of its strategies, the Company has appointed Katsuya Sase, who has a wealth of experience in the capacitor business gained over many years in that business, as its new Representative Director, President and CEO from June 2023. The former President, Shoichi Tosaka, who continues to take part in management (as Chairperson and Director), has progressed a number of strategic initiatives during his tenure as President, such as the withdrawal from the unprofitable recording media business in 2015, focusing capital investments into MLCC (in particular, for the automobile industry), making ELNA CO., LTD. into a wholly-owned subsidiary in 2019, and the disposal of the wireless communication module business in 2022. With the new management team, and with a more focused product mix, the Group is working towards an accelerated growth of its capacitors business as well as further developing its inductors and integrated modules & devices businesses.

Return to Shareholders

The Company recognises that enhancing the return of profits to its shareholders is one of management's most important responsibilities and will strive to increase dividends steadily. The Company's current dividend policy is to achieve a stable dividend pay-out ratio of 30 per cent. (calculated by dividing dividends paid by net income) in addition to acquiring treasury stock as necessary.

Operations

General

The Group currently engages in the research, development, manufacture and sales of products that include multilayer ceramic capacitors, inductors, FBAR/SAW devices for mobile communications, circuit modules and aluminium electrolytic capacitors. The Group's products have applications in a variety of fields and are integrated into various devices such as smartphones and other communication equipment, automobiles, IT infrastructure/industrial equipment (including base station communication equipment and servers), information equipment such as PCs and tablet devices and consumer products such as TVs, game consoles and smart watches.

The Group' operates as a single electronics parts business, and so does not report information in business segments. However, the Group records its sales by product classification, assessing the following four product classifications: (i) capacitors (including MLCCs); (ii) inductors (including wound inductors and laminated inductors); (iii) integrated modules & devices (including FBAR/SAW devices for mobile communications and circuit modules); and (iv) other products (including aluminium electrolytic capacitors).

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 product classification:

	Year ended 31 March					
	2021		2022		2023	
	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
	<i>(Millions of yen)</i>	<i>(Per cent.)</i>	<i>(Millions of yen)</i>	<i>(Per cent.)</i>	<i>(Millions of yen)</i>	<i>(Per cent.)</i>
Capacitors	¥195,198	64.9%	¥230,383	65.9%	¥208,115	65.1%
Inductors	41,564	13.8	48,925	14.0	52,866	16.5
Integrated Modules and Devices	46,930	15.6	48,799	14.0	32,581	10.2
Other Products	17,227	5.7	21,527	6.2	25,941	8.1
Total Net Sales	¥300,920	100.0%	¥349,636	100.0%	¥319,504	100.0%

	Three-month period ended 30 June			
	2022		2023	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	<i>(Millions of yen)</i>	<i>(Per cent.)</i>	<i>(Millions of yen)</i>	<i>(Per cent.)</i>
Capacitors	¥54,583	66.8%	¥47,133	64.9%
Inductors	11,748	14.4	10,976	15.1
Integrated Modules and Devices	9,159	11.2	8,182	11.3
Other Products	6,248	7.6	6,320	8.7
Total Net Sales	¥81,740	100.0%	¥72,612	100.0%

Capacitors

The manufacture and sale of capacitors is the Group's core business. The Group has focused on capacitors since its inception and has a rich history in respect of this product. Most recently, the Group developed the world's first MLCC with a capacitance of 1,000µF in 2018. The Group undertakes the manufacture and sale of small, high-capacitance, highly reliable MLCCs. Capacitors are fitted to cutting-edge electronic devices including smartphones and automobiles, to store electricity on a temporary basis and remove electronic noise. The Group's strength lies in producing small, high-capacitance, highly reliable MLCCs that are optimal for cutting-edge electronic devices including smartphones and automobiles. The Group's products are used in large quantities in most electronic products, including smartphones, automobiles, tablets and IT infrastructure/industrial equipment (including base station communication equipment and servers).

Multilayer and material technology is the Group's flagship technology. Its MLCCs are renowned for their compactness and high capacitance. The Group produces MLCCs of various sizes and capacitance. In addition, the Group is continuing the development of cutting-edge MLCCs by advancing its dielectric materials technologies, thin-film and high-capacitance technologies, and ultra-small capacitor production technologies.

Inductors

In its pioneering early years, the Group was engaged in development and production of ferrite products, which gave birth to its inductors business. Over time and through its development operations, the Group expanded its offering of inductors to include metal and multi-layer structures, as well as wire-wound configurations to address customer need. Notably such products include metal power inductor MCOIL™ line of products which use metallic magnetic materials. In 2020, the Group undertook the world's first commercialisation of automotive multilayer metal power 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 and multilayer chip inductors. The Group's inductor products are widely used in telecommunications equipment such as smartphones, automobiles, IT infrastructure/industrial equipment (including base station communication equipment and servers), information equipment such as PCs and tablet devices, electronics products such as consumer products including TVs, game consoles and smart watches.

The Group manufactures and sells a wide variety of inductors. In addition to small, thin inductors with high current, the Group is working on the development of large, high-reliability inductors targeted at automotive and IT infrastructure applications. The Group is also bringing even greater sophistication to its development of metal materials and other materials, as well as in its wire-winding and multilayer process technologies.

Integrated Modules & Devices

The Integrated Modules & Devices product classification primarily includes FBAR/SAW devices for mobile communications, which are used primarily in smartphones to enable high-speed and high-quality data communications, and also includes circuit modules. These devices are fitted to smartphones for the purpose of achieving high-speed data communications and high-quality communications. Principal products include FBAR/SAW devices for mobile communications, multilayer ceramic filters and regenerative electric assist systems for electrically assisted bicycles.

In FBAR/SAW devices for mobile communications, technology has become a key element in the devices that support the smartphone market, and the Group strives to continue to develop products. The Group has worked to develop communication devices for wide-bandwidth applications and next-generation products suitable for higher frequencies.

Others

The Others classification primarily includes aluminium electrolytic capacitors (being one of the main products of ELNA CO., LTD.) that are ideal for mounting on modern automobiles that are increasingly electricised. The demand for aluminium electrolytic capacitors is increasing rapidly, in particular in the automobile business and in relation to the improvement of ADAS.

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 oxide which form the basis of barium titanate, which is an ingredient used for MLCCs. The Group has an ability to synthesise ingredients such as barium titanate and to produce different types of ceramic capacitor ingredients, particularly suitable for high-end products in accordance with its varying needs. The Group also purchases as raw materials, ferrite oxide for inductors.

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.

Manufacturing

As of 31 March 2023, the Group had 18 production plants where it manufactures its products. In addition, the Group is currently working to establish new production bases in China and Malaysia. All of the Group's domestic and overseas plants in operation 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 new factories.

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.

With the goal of increasing MLCC production capacity, the Group launched the "smart.E" project for productivity improvement in 2016 and, since then, has continued working to improve yield by eliminating inconsistencies in equipment and workforce. The Group's goal is to achieve zero defects, so that customers can use the Group's products with peace of mind at all times. To this end, the Group uses enlisted AI to continually monitor what the Group refers to as the "3Ms" (man, machine, and material) for abnormalities during production, and to prompt facility managers to carry out maintenance before abnormalities occur. The progress of "smart.E" activities

has led to improvements in manufacturing at the Group's plants around the world, and the Group is moving closer to a truly borderless production system.

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 31 March					
	2021		2022		2023	
	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
	<i>(Millions of yen)</i>	<i>(Per cent.)</i>	<i>(Millions of yen)</i>	<i>(Per cent.)</i>	<i>(Millions of yen)</i>	<i>(Per cent.)</i>
Japan.....	¥29,297	9.7%	¥34,318	9.8%	¥32,893	10.3%
China.....	115,821	38.5	126,437	36.2	114,948	36.0
Hong Kong	48,128	16.0	49,529	14.2	38,875	12.2
Other countries and regions ⁽¹⁾	107,673	35.8	139,351	39.9	132,787	41.6
Total Net Sales.....	¥300,920	100.0%	¥349,636	100.0%	¥319,504	100.0%

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

	Year ended 31 March		
	2021	2022	2023
	Percentage of Consolidated Net Sales		
	<i>(Per cent.)</i>		
Automobiles ⁽¹⁾	19%	22%	28%
IT Infrastructure / Industrial Equipment ⁽²⁾	24	24	24
Communication Equipment ⁽³⁾	32	29	25
Information Equipment ⁽⁴⁾	15	16	15
Consumer Products ⁽⁵⁾	10	9	8
Total Consolidated Net Sales	100%	100%	100%

Notes:

- (1) Includes ADAS, meter clusters and electronic control units.
- (2) Includes base station communication equipment, servers and security cameras.
- (3) Includes smartphones.
- (4) Includes tablet devices, personal computers and HDD/SSD.
- (5) Includes TVs, game consoles and smart watches.

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 MLCCs, inductors and FBAR/SAW devices for mobile communications are other electronic component manufacturers in Japan, South Korea, Taiwan, China and the United States.

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, which are markets with high barriers to entry.

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 31 March		
	2021	2022	2023
	<i>(Millions of yen)</i>		
Total capital expenditure.....	¥43,908	¥51,551	¥63,338
Percentage of net sales	14.6%	14.7%	19.8%

In each of the fiscal years ended 31 March 2021, 2022 and 2023, capital expenditure principally related to the increase in production capacity for MLCCs, which continued to have strong demand for uses in automobiles, IT infrastructure and smartphones, among other factors. In the future, the Company intends to make capital expenditures mainly in respect of domestic capacitor manufacturing facilities, R&D facilities and new factories overseas in order to expand production capacity in the medium to long-term to be able to cater to the expected increased demand for electronic devices. On that basis, despite decreased net sales in the fiscal year ended 31 March 2023 (due principally to demand adjustments by customers), the Group increased capital expenditure compared to the previous fiscal year to prepare to meet expected future manufacturing capacity needs. The Group believes that its ability to demonstrate a reliable and sufficient manufacturing capacity in diverse locations is important in its relationships with customers, and helps to allay customers' supply chain continuity concerns. See also "Use of Proceeds" for the Company's plans regarding capital expenditures using the proceeds of the issue of the Bonds.

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.

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 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 31 March			Three-month period ended 30 June	
	2021	2022	2023	2022	2023
	<i>(Millions of yen / Per cent.)</i>				
Total R&D expenses.....	¥12,550	¥13,099	¥12,678	¥3,112	¥3,169
Percentage of net sales	4.2%	3.7%	4.0%	3.8%	4.4%

The Group is focusing on the automotive and IT infrastructure/industrial equipment markets and is therefore focusing on the development of highly reliable products for those markets such as large-scale and highly voltage-tolerant products for use in automobiles (where computerisation and electrification are increasing) and in base station communication equipment and data centres (where performance is rapidly increasing). In addition, in the field of communications equipment, the Group is promoting the development of cutting-edge products that are mainly used in high-end models of smartphones, contributing to improved functionality and performance of devices and higher density mounting of electronic components.

In respect of capacitors, the Group is focusing on the development of compact, thin, high-capacity, high-reliability MLCCs. The Group continues to develop the latest multilayer ceramic conductors by making advances in dielectric material technology, thin-layer and high-capacity technologies, and ultra-compact product production technology.

In respect of inductors, in addition to small, thin, and high-current products, large-scale products targeting automobiles and information infrastructure are also a focus of the Group. The Group's focus in this area is the development of highly reliable products, developing materials such as metal-based magnetic materials, and upgrading the Group's winding-multilayer process technology.

In respect of integrated modules & devices, the Group is promoting the development of communication devices for wide-bandwidth applications and next-generation products suitable for higher frequencies.

In addition, the Group is focusing on the development of products for aluminium electrolytic capacitors for the automotive and IT infrastructure/industrial equipment markets.

Intellectual Property Rights

The Group considers intellectual property to be an important part of the success of its businesses. The Group seeks to protect its intellectual property by applying for patents in the relevant jurisdictions or, in the case of certain proprietary knowhow which the Group thinks could be at risk of being imitated if made public, by deliberately avoiding patent applications to keep such knowhow confidential. The Group's intellectual property and R&D departments work together on the patents process and related product roadmap, to allow the Group to amass intellectual property as efficiently as possible.

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 31 March 2023:

Name of Property	Location	Description of the Property	Book Value				Total
			Buildings and Structures	Machinery and Equipment	Land ⁽¹⁾	Others ⁽²⁾	
					<i>(Millions of yen)</i>		
Haruna factory	Gunma, Japan	Manufacturing facilities, principally for capacitors	¥1,217	¥1,633	¥85 (74,790) [14,598]	¥190	¥3,127
Tamamura factory	Gunma, Japan	Manufacturing facilities, principally for capacitors	2,450	7,335	535 (60,649) [34,000]	7,728	18,049
Yawatabara factory	Gunma, Japan	Manufacturing facilities, principally for capacitors and integrated module & devices	5,845	6,128	1,646 (81,892)	1,235	14,855
R&D Centre	Gunma, Japan	R&D facilities	1,378	422	1,117 (90,722)	1,669	4,588

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) "Others" comprise the aggregate book value of tools, instruments, equipment and construction in progress.
- (3) 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 31 March 2023:

Name of Subsidiary	Location	Description of the Property	Book Value				Total
			Buildings and Structures	Machinery and Equipment	Land ⁽¹⁾	Others ⁽²⁾	
<i>(Millions of yen)</i>							
TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD.	Gunma, Japan	Manufacturing facilities, principally for electronic components	¥4,769	¥2,503	¥631 (23,479) [24,231]	¥1,327	¥9,232
FUKUSHIMA TAIYO YUDEN CO., LTD.	Fukushima, Japan	Manufacturing facilities, principally for inductors	862	1,955	648 (110,733) [1,720]	919	4,385
WAKAYAMA TAIYO YUDEN CO., LTD.	Wakayama, Japan	Manufacturing facilities, principally for inductors	2,102	2,191	186 (22,261) [6,306]	276	4,758
NIIGATA TAIYO YUDEN CO., LTD.	Niigata, Japan	Manufacturing facilities, principally for capacitors	22,327	20,574	2,721 (201,752)	704	46,326
TAIYO YUDEN Mobile Technology Co., Ltd.	Tokyo, Japan	Manufacturing facilities, principally for integrated module & devices	2,976	2,312	1,731 (63,231) [4,026]	489	7,510

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) "Others" comprise the aggregate book value of tools, instruments, equipment and construction in progress.
- (3) 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 31 March 2023:

Name of Subsidiary	Location	Description of the Property	Book Value				Total
			Buildings and Structures	Machinery and Equipment	Land ⁽¹⁾	Others ⁽²⁾	
<i>(Millions of yen)</i>							
TAIYO YUDEN (SARAWAK) SDN. BHD.	Malaysia	Manufacturing facilities, principally for capacitors	¥6,002	¥17,355	¥1,899 (493,900)	¥17,888	¥43,135
TAIYO YUDEN (GUANGDONG) CO., LTD.	China	Manufacturing facilities, principally for capacitors	1,863	12,459	— [73,454]	3,657	17,980
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	South Korea	Manufacturing facilities, principally for capacitors	4,509	7,028	46 (11,327) [171,649]	1,699	13,283
TAIYO YUDEN (CHANGZHOU) CO., LTD.	China	Manufacturing facilities, principally for capacitors	—	5	1,836 (217,403)	12,603	14,445

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) "Others" comprise the aggregate book value of tools, instruments, equipment and construction in progress.
- (3) The Group does not have any material unused properties.

In addition to the above, in June 2023, the Group completed the building of new MLCC manufacturing and related facilities (with a total floor area of approximately 80,000 square metres and a construction area of approximately 28,500 square metres) in Changzhou, China. While the land owned in respect of such new manufacturing facilities has been included in the above table, the book value of buildings and structures and machinery and equipment have not been included in the above table as they were not complete as of 31 March 2023.

Further, the Group is in the process of completing certain new MLCC manufacturing and related facilities (with a total floor area of approximately 68,900 square metres, a construction area of approximately 36,500 square metres and construction scheduled to be completed in October 2023) in Malaysia. While the land leased in respect of such new manufacturing facilities has been included in the above table, the book value of buildings and structures and machinery and equipment have not been included in the above table as they were not complete as of 31 March 2023.

Environment

The Group aims to fulfil what it views as its corporate social responsibility. The Group recognises that tackling environmental issues represents one of the most important social responsibilities that the Group must uphold. Accordingly, the Group is working to reduce its environmental impact from a global perspective.

The electronic components produced by the Group do not have a significant environmental impact during use, but there is an environmental impact during production, primarily arising from energy and water consumption, emissions (including CO₂), waste and wastewater. The Group is striving to improve its environmental impact by first identifying and analysing this environmental impact in detail and then taking measures to minimise resources applied and conserving other energy by improving production processes. The Group is also striving to remove hazardous substances from its products.

The Group has established and operates a framework for promoting its Safety and Environmental Management system, the overall responsibility for which lies with the officer in charge of safety and environmental affairs appointed by the President. In 2021, the Group established a Sustainability Committee with the aim of promoting company-wide efforts on sustainability issues through business activities. The Sustainability Committee, which is chaired by the President and Chief Executive Officer, reports to the Board of Directors and sets key issues and deliberates measures designed to resolve them.

In addition to conducting reviews of production processes of core products in order to improve efficiency and reduce emissions, the Group's specific efforts to address climate change include the following:

Smart Product Development System

The Group proactively promotes the development of "Smart Products" that reduce environmental impact by eliminating what are known in Japanese as the "three Ms" – *muda* (wastefulness), *mura* (inconsistency), and *muri* (overburden). Building on the Group's management systems for occupational health and safety, quality, environment and other aspects, the Group uses "smart" production processes and product manufacturing to increase economic and social value.

Use of Renewable Energy

The Group has been installing solar panels as part of its efforts to combat global warming. After establishing the Group's first power-generating site, Hongo Photovoltaic Power Plant, in 2013, other such plants have been constructed and the Group currently holds eight power-generating sites in Japan and overseas.

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 Internal Control" and "Investment Considerations — Environmental Liabilities".

Insurance

The Group maintains a range of insurance policies which cover certain risks including personal injury, death and property damage, errors and omissions, product liability, product recall and damages caused by business suspension. As is typical in Japan, the Group's insurance policies do not cover earthquake. 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 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 Executive 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 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 audit 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, an independent audit firm as its Independent 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 Independent 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
Katsuya Sase	Representative Director, President and CEO
Shoichi Tosaka	Chairperson and Director
Shinji Masuyama	Director, Executive Vice President
Tomomitsu Fukuda	Director, Executive Operating Officer
Masashi Hiraiwa ⁽¹⁾	Director
Seiichi Koike ⁽¹⁾	Director
Emiko Hamada ⁽¹⁾	Director
Kazuyuki Oshima	Audit & Supervisory Board Member
Toshimitsu Honda	Audit & Supervisory Board Member
Hajime Yoshitake ⁽²⁾	Audit & Supervisory Board Member
Tomomi Fujita ⁽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 Shoichi Tosaka and 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 Kyobashi East Bldg., 7-19, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031, Japan.

For the fiscal year ended 31 March 2023, the aggregate remuneration paid to the Directors was ¥322 million (of which ¥38 million was paid to the outside Directors), and the aggregate remuneration paid to the Audit & Supervisory Board Members was ¥88 million (of which ¥36 million was paid to the outside Audit & Supervisory Board Members). The aggregate remuneration paid to Directors (other than outside Directors) include, in addition to basic remuneration, certain financial results-related remuneration as well as stock options.

As of 31 March 2023, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As of 31 March 2023, there were no outstanding loans granted by any company of the Group to the Company's Directors nor any guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

Employees

The Group had 22,852, 22,312 and 21,819 full-time employees as of 31 March 2021, 2022 and 2023, respectively.

As of 31 March 2023, 9,280 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) and executive officers with options to acquire Shares from the Company. The following table sets out a summary of the Company's stock option plans as of 31 March 2023:

Date of board/shareholders' meeting	Exercise period	Exercise price per Share	Number of Shares to be issued upon exercise of options outstanding
28 June 2007.....	14 July 2007 to 13 July 2027	¥1	3,000
28 June 2007.....	14 July 2007 to 13 July 2027	¥1	6,000
27 June 2008.....	15 July 2008 to 14 July 2028	¥1	6,000
25 May 2009.....	10 June 2009 to 9 June 2029	¥1	6,000
29 June 2010.....	22 July 2010 to 21 July 2030	¥1	6,000
29 June 2011.....	14 July 2011 to 13 July 2031	¥1	6,000
25 April 2012.....	11 May 2012 to 10 May 2032	¥1	5,000
24 May 2013.....	10 June 2013 to 9 June 2033	¥1	1,000
27 June 2013.....	12 July 2013 to 11 July 2033	¥1	9,000
27 June 2014.....	14 July 2014 to 13 July 2034	¥1	19,000
26 June 2015.....	13 July 2015 to 12 July 2035	¥1	29,000
5 November 2015.....	20 November 2015 to 19 November 2035	¥1	1,000
29 June 2016.....	15 July 2016 to 14 July 2036	¥1	38,000
29 June 2017.....	18 July 2017 to 17 July 2037	¥1	37,000
28 June 2018.....	18 July 2018 to 17 July 2038	¥1	42,000
27 June 2019.....	18 July 2019 to 17 July 2039	¥1	46,000
26 June 2020.....	17 July 2020 to 16 July 2040	¥1	49,000
29 June 2021.....	19 July 2021 to 18 July 2041	¥1	53,000
29 June 2022.....	20 July 2022 to 19 July 2042	¥1	59,200

SUBSIDIARIES AND AFFILIATE

As of 30 June 2023, the Company had 31 consolidated subsidiaries and one affiliate (not accounted for by the equity method).

The following table sets out certain information as of 30 June 2023 with respect to the Company's principal subsidiaries:

Subsidiary	Location	Principal business	Percentage of voting rights held by the Company ⁽¹⁾ (Per cent.)	Paid-in capital ⁽²⁾
<i>Japan</i>				
TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD.	Fujioka-shi, Gunma	Manufacturing and sales of electronic components	100.0%	¥100 million
TAIYO YUDEN TECHNO SOLUTIONS CO., LTD.	Takasaki-shi, Gunma	Manufacturing and sales of electronic components	100.0	¥325 million
Sun Vertex Co., Ltd.	Takasaki-shi, Gunma	Temporary staffing and business contracting	100.0	¥45 million
FUKUSHIMA TAIYO YUDEN CO., LTD.	Date-shi, Fukushima	Manufacturing of electronic components	100.0	¥100 million
Kankyo Assist Co., Ltd.	Takasaki-shi, Gunma	Provision of environmental measurement and analysis services	100.0	¥30 million
NIIGATA TAIYO YUDEN CO., LTD.	Joetsu-shi, Niigata	Manufacturing of electronic components	100.0	¥1,000 million
TAIYO YUDEN ENERGY DEVICE CO., LTD. ⁽³⁾	Nishigo-mura, Fukushima	Manufacturing of electronic components	100.0	¥100 million
WAKAYAMA TAIYO YUDEN CO., LTD.	Inami-cho, Wakayama	Manufacturing of electronic components	100.0	¥100 million
TAIYO YUDEN Mobile Technology Co., Ltd.	Ome-shi, Tokyo	Manufacturing of electronic components	100.0	¥100 million
ELNA CO., LTD.	Chuo-ku, Tokyo	Manufacturing, development and sales of electronic components	100.0	¥100 million
<i>Overseas</i>				
TAIWAN TAIYO YUDEN CO., LTD.	Taiwan	Sales of electronic components	100.0	NT\$333 million
KOREA TAIYO YUDEN CO., LTD.	South Korea	Sales of electronic components	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 (U.S.A.) INC.	United States	Sales of electronic components	100.0	U.S.\$3,154 thousand
TAIYO YUDEN EUROPE GmbH	Germany	Sales of electronic components	100.0	EUR1,000 thousand
TAIYO YUDEN (PHILIPPINES), INC.	Philippines	Manufacturing of electronic components	100.0	P.P. 490 million
TAIYO YUDEN (SARAWAK) SDN. BHD.	Malaysia	Manufacturing of electronic components	100.0	MYR100 million
TAIYO YUDEN (MALAYSIA) SDN. BHD.	Malaysia	Sales of electronic components	100.0	MYR750 thousand
TAIYO YUDEN (GUANGDONG) CO., LTD.	China	Manufacturing of electronic components	100.0 (9.3)	U.S.\$85,550 thousand
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	South Korea	Manufacturing of electronic components	100.0	KRW61,884 million
TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	China	Sales of electronic components	100.0 (10.3)	U.S.\$223 thousand

Subsidiary	Location	Principal business	Percentage of voting rights held by the Company⁽¹⁾	Paid-in capital⁽²⁾
TAIYO YUDEN (CHINA) CO., LTD.	China	Management of subsidiaries in China	100.0	U.S.\$30,000 thousand
TAIYO YUDEN (CHANGZHOU) CO., LTD.	China	Manufacturing of electronic components	100.0 (12.5)	U.S.\$200,000 thousand
TAIYO YUDEN TRADING (THAILAND) CO., LTD.	Thailand	Sales of electronic components	100.0 (100.0)	THB24,000 thousand

Notes:

- (1) Figures in parentheses denote indirect holding.
- (2) 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, U.S.\$ stands for the U.S. dollar, EUR stands for euro, P.P. stands for Philippine peso, MYR stands for Malaysian ringgit and THB stands for the Thai baht.
- (3) TAIYO YUDEN ENERGY DEVICE CO., LTD. was dissolved on 1 October 2023, in a merger with ELNA CO., LTD, the surviving entity of which being ELNA CO., LTD.

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 5 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 management institution unless such person has an account at JASDEC. "Account management 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 management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, 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 management 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 management 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 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8241, 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 (d) below are met:

- (a) the Company's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of surplus;
- (b) the normal term of office of each Director of the Company who is not an Audit and Supervisory Committee Member terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of such Director;

- (c) the Company has (i) an independent auditor and (ii) an audit and supervisory board, or an audit and supervisory committee, or nominating committee, under the Companies Act, as the case may be; and
- (d) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

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 of 31 March of each year pursuant to a resolution of a general meeting of shareholders, an interim dividend may be distributed to shareholders of record as of 30 September of each year pursuant to a resolution of the Board of Directors. 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 interim dividends) 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 a general meeting of shareholders, 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 business day immediately 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 of 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 of 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 of 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 of 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 of 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 of 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 of 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 management 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 except for certain rights specified in the Companies Act, an ordinance of the Ministry of Justice or the Company's Articles of Incorporation, including the right to receive distributions of surplus.

Under the book-entry transfer system, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than a one unit do not comprise a trading unit and, accordingly, may not be sold on the Japanese stock exchanges, unless a different trading unit is designated by the relevant Japanese stock exchange.

Holders of Shares constituting less than one unit may at any time request the Company to purchase Shares held by them. 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. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or one per cent. of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting (provided that the Company is able to limit the number of proposals with respect to the matters proposed by each shareholder to ten). 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) transfer of the whole or a part of the shares or equity interests in the Company's subsidiary which meets certain requirements;
- (xii) taking over of the whole of the business of another company;
- (xiii) merger;
- (xiv) corporate split;
- (xv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*);
- (xvi) a partial share exchange (*kabushiki-kofu*) for the purpose of making another corporation a subsidiary of the Company;
- (xvii) consolidation; and
- (xviii) 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 (xviii) 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.

Issue of Additional Shares and Pre-emptive 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.

In the case of an issuance of Shares or a sale of existing Shares held by the Company as treasury stock or an issuance of stock acquisition rights (*shinkabu yoyakuken*) whereby any subscriber (including its subsidiaries and other companies set forth in ordinances of the Ministry of Justice) will hold more than 50 per cent. of the voting rights of all shareholders, and if shareholders who hold one-tenth or more of the voting rights of all shareholders object to such issuance or sale, an approval by a resolution of a general meeting of shareholders is generally required before the payment date pursuant to the Companies Act. In addition, in the case of an issuance of Shares or a sale of existing Shares held by the Company as treasury stock or an issuance of stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting Shares by 25 per cent. or more or cause change of the controlling shareholder, in addition to resolution of the Board of Directors, an approval by a resolution of a general meeting of shareholders or otherwise, or an affirmative opinion by a person independent of the Company's management is generally required pursuant to the rules of the relevant stock exchange.

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".

Record Date

As mentioned above, 31 March is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders, and 30 September is the record date for the payment of interim dividends.

In addition, by a resolution of the Board of Directors and after giving at least two weeks' prior public notice, the Company may at any time set a record date for determining the shareholders entitled to certain rights pertaining to Shares.

Under the JASDEC rules relating to the Japanese book-entry transfer system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors 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.

Request by a Controlling Shareholder to Sell All Shares

A shareholder holding, directly or indirectly, 90 per cent. (or such other percentage above 90 per cent. as may be provided in the Company's Articles of Incorporation) or more of the Company's voting rights has the right to request, subject to approval by the Company's Board of Directors or an individual Director to whom the authority to make such determination has been delegated by a resolution of the Board of Directors, that the other shareholders and (if the controlling shareholder so determines) all holders of stock acquisition rights of the Company (in each case, other than the Company and, if the controlling shareholder so determines, the controlling shareholder's wholly owned subsidiaries) sell to the controlling shareholder all Shares and all stock acquisition rights, as the case may be, held by them (*kabushiki tou uriwatashi seikyu*). If the approval is granted by resolution of the Company's Board of Directors, the Company will be required to give public notice thereof to all holders and registered pledgees of Shares (and stock acquisition rights, as the case may be) not later than 20 days prior to the effective date of such sales, as proposed by the controlling shareholder.

Disposal of Shares by the Company 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 issued voting shares (excluding treasury stock) amounting to 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 FOREIGN EXCHANGE CONTROLS

General

The Foreign Exchange Regulations govern certain aspects, in particular, relating to the acquisition and holding of the Shares by "exchange non-residents" and by "foreign investors" (each as defined below). However, in general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents for the purchase or sale of the Shares outside Japan using currencies other than Japanese yen.

"Exchange residents" are defined in the Foreign Exchange Regulations as:

- (i) individuals having domicile or residence within Japan; or
- (ii) corporations whose principal offices are located within Japan.

"Exchange non-residents" are defined in the Foreign Exchange Regulations as any individuals or corporations other than exchange residents.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

"Foreign investors" are defined in the Foreign Exchange Regulations as:

- (i) individuals who are exchange non-residents;
- (ii) corporations or other entities that are organized under the laws of foreign countries or whose principal offices are located outside Japan (excluding partnerships falling within (iv) below);
- (iii) corporations of which 50% or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above;
- (iv) general partnerships under the Civil Code of Japan (Act No. 89 of 1896, as amended) established to invest in corporations, limited partnerships for investment under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended), or any other similar partnerships under the laws of foreign countries, where either: (a) 50 per cent. or more of the total contributions are made by exchange non-residents or certain other foreign investors prescribed by the Foreign Exchange Regulations, or (b) a majority of the general partners who are delegated to execute the business of such general partnerships, general partners of such limited partnerships or other similar partners of the other similar partnerships are exchange non-residents or certain other foreign investors prescribed by the Foreign Exchange Regulations; or
- (v) corporations or other entities of which a majority of either: (a) directors or other officers (including those who have the same degree or more control over such corporations or such other entities as directors or other officers), or (b) directors or other officers (including those who have the same degree or more control over such corporations or such other entities as directors or other officers) having the power of representation are individuals who are exchange non-residents.

Acquisition of Shares

In general, the acquisition by an exchange non-resident of shares of a Japanese corporation, such as the Shares, is not subject to any prior filing requirements. However, in the case where such acquisition constitutes an "inward direct investment" ("IDI"), the exchange non-resident may be required to file a prior notification (see "— Prior Notification Requirements on Inward Direct Investment in Shares of Listed Corporations" below). Also, in the case where an exchange resident transfers shares of a Japanese corporation, such as the Shares, for consideration exceeding ¥100 million, to an exchange non-resident, the exchange resident who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the later of (a) the date of the transfer or (b) the date of payment for the transfer, unless (i) the transfer was made through a bank or financial instruments business operator registered under the FIEA acting as an agent or intermediary or (ii) the transfer constitutes an IDI.

Prior Notification Requirements on Inward Direct Investment in Shares of Listed Corporations

If a foreign investor acquires shares or voting rights of a Japanese corporation that is listed on a Japanese stock exchange, such as the Shares, or that is traded on an over-the-counter market in Japan and, as a result of the

acquisition, the foreign investor, in combination with any of its existing holdings of the shares or voting rights, and any shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain closely related persons of such foreign investor), directly or indirectly holds 1 per cent. or more of (i) the total issued shares or (ii) the total voting rights of the relevant Japanese corporation, then such acquisition constitutes an IDI. In general, any foreign investor intending to make an IDI in a Japanese corporation which is (whether itself or any of its subsidiaries or certain related corporation in Japan) engaged in certain business sectors designated under the Foreign Exchange Regulations and the relevant public notice (*Shitei-Gyoshu*) (in which the Group's business sectors are currently included) (the "Designated Business Sectors"), must, except where any of certain exemptions applies, file a prior notification of the acquisition with the Ministers.

If such prior notification is filed, the proposed acquisition may not be consummated until 30 days have passed from the date of the filing, although this period may be shortened up to five business days, if the proposed acquisition is determined not to raise concerns from a perspective of national security or certain other factors. On the other hand, if any concerns are recognized in the proposed acquisition from a perspective of national security or certain other factors, the Minister may extend such period up to five months to ensure the time for examination. The Ministers may recommend any modification or abandonment of the proposed acquisition and, if such recommendation is not accepted by the acquiring investor, they may order the modification or abandonment of such acquisition.

Acquisitions of shares by foreign investors by way of stock split are not subject to the prior notification requirements.

Exemption for Prior Notification Requirements

Under the Foreign Exchange Regulations, in the case of an acquisition of shares or voting rights, any foreign investors which fall under the definition of foreign financial institutions (the "Foreign Financial Institutions"), will be exempted from the prior notification requirements without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they comply with the following exemption conditions (the "Common Exemption Conditions").

In general, "Common Exemption Conditions" are set out in the relevant public notice as follows:

- (i) foreign investors or their related persons are not to become directors or audit and supervisory board members of the investee corporation or its certain related corporation;
- (ii) foreign investors will not propose by themselves or through other shareholders to the general meeting of shareholders certain matters such as the transfer or disposition of the investee corporation's business activities in the Designated Business Sectors; and
- (iii) foreign investors will not access non-public information about the investee corporation's or its certain related corporation's technology in relation to business activities in the Designated Business Sectors.

Under the Foreign Exchange Regulations, any foreign investors (other than the Foreign Financial Institutions), excluding disqualified investors such as those with a record of sanctions for violation of the FEFTA and state-owned enterprises (except those who are accredited by the authorities)("Eligible Foreign Investors"), will also be exempted from the prior notification requirements without any upper limit on the number of shares or voting rights to be acquired or held, on condition that they comply with the Common Exemption Conditions, unless the investment intended to be conducted by them constitutes an IDI in a Japanese corporation engaging, or a Japanese corporation which subsidiary or certain related corporation is engaging, in certain types of the Designated Business Sectors designated under the Foreign Exchange Regulations and the relevant public notice as being a substantial threat to national security (*Core-Gyoshu*) (in which the Group's business sectors are currently included) (the "Core Sectors"). On the other hand, Eligible Foreign Investors who intend to invest in a Japanese corporation engaging, or a Japanese corporation which subsidiary or certain related corporation is engaging, in the Core Sectors, such as the Company, will be exempted from the prior notification requirements, on condition that they comply with the following additional exemption conditions (the "Additional Exemption Conditions"), as well as the Common Exemption Conditions, unless and until such investment results in holdings of 10% or more of the total issued shares or the total voting rights of the relevant Japanese corporation.

In general, "Additional Exemption Conditions" are set out in the relevant public notice as follows:

- (i) regarding business activities in the Core Sectors, foreign investors will not attend or cause their designated persons to attend the board of directors, executive board or other committees of the

investee corporation or its certain related corporation that make important decisions on these activities; and

- (ii) regarding business activities in the Core Sectors, foreign investors will not make proposals by themselves or through their designated persons, in written form, to (a) the board of directors, executive board or other committees of the investee corporation or its certain related corporation that make important decisions on these activities or (b) the members of such board or committees, requesting responses and/or actions by certain deadlines.

Consent at General Meeting of Shareholders

In addition to the acquisition of shares or voting rights mentioned above, if a foreign investor who directly or indirectly holds 1 per cent. or more of the total voting rights of a Japanese corporation that is listed on a Japanese stock exchange and engages in the Designated Business Sectors intends to consent, at the general meeting of shareholders, to certain proposals having material influence on the management of such corporation, such as (i) election of such foreign investor or its related persons as directors or audit and supervisory board members of the investee corporation, or (ii) transfer or discontinuation of its business activities in the Designated Business Sectors, such consent also constitutes an IDI which generally requires the filing of a prior notification with the Ministers; provided, however, that in the case of proposal (ii), the prior notification is required only where such proposal is made by such foreign investor by itself or through other shareholders. In such cases, the exemptions from the prior notification requirements described in "— Exemption for Prior Notification Requirements" above are not available.

Post Investment Reports

Further to the prior notifications, under the Foreign Exchange Regulations, foreign investors conducting IDIs may be required to submit post investment reports to the Ministers within 45 days from the transaction settlement date, once the IDIs for which prior notifications have been filed are actually made, or even if such IDIs are not subject to the prior notification requirements or are exempted from such requirements. For instance, post investment reports with respect to acquisitions by Eligible Foreign Investors of shares or voting rights of corporations engaging in the Designated Business Sectors, where the prior notification requirement for such acquisition has been exempted, will generally be required when the ratio of the total number of shares or voting rights held directly or indirectly by foreign investors in combination with any of its existing holdings of the shares or voting rights, and any shares or voting rights managed by such foreign investor under discretionary investment management agreements (including those held or managed by certain closely related persons of such foreign investor) after the acquisition to the number of (i) the total issued shares or (ii) the total voting rights of the relevant corporation reaches:

- (i) 1 per cent. or more to less than 3 per cent. for the first time;
- (ii) 3 per cent. or more to less than 10 per cent. for the first time; or
- (iii) 10 per cent. or more for each transaction.

On the other hand, the Foreign Financial Institutions are only required to file post investment reports for (iii) above.

Acquisitions of shares by foreign investors by way of stock split are not subject to the post investment report requirements.

Dividends and Proceeds from Sales of Shares

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of Shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad. However, under the Foreign Exchange Regulations, certain procedures may be required for the transfer of funds out of Japan or such transfer of funds may be prohibited, depending on the location of the recipient, the purpose of such fund transfer and other factors.

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 who are non-residents of Japan 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 and interpreted by the Japanese taxation authorities as of 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, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, whether within or outside Japan by a Non-resident Holder thereof are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a Non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company. Stock splits are not subject to Japanese income tax.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a Non-resident Holder of Shares is generally 20 per cent., 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 per cent. withholding tax rate is reduced to 15 per cent. A special reconstruction surtax (2.1 per cent. of the original applicable tax rate) is added to the withholding tax rates until 31 December 2037, so that the original withholding tax rate of 20 per cent. and 15 per cent., as applicable, is effectively increased, respectively, to 20.42 per cent. and 15.315 per cent. during that period. The withholding tax under Japanese tax law mentioned above may be exempted or reduced under an applicable tax treaty between Japan and the country of tax residence of a Non-resident Holder.

Gains derived from the sale of Shares, whether within or outside Japan, by a Non-resident Holder thereof are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

SUBSCRIPTION AND SALE

SMBC Nikko Capital Markets Limited ("SMBC Nikko"), Daiwa Capital Markets Europe Limited and Nomura International plc (together with SMBC Nikko, the "Managers") have entered into a subscription agreement in respect of the Bonds with the Company dated 4 October 2023 (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 102.5 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
SMBC Nikko Capital Markets Limited.....	¥35,000,000,000
Daiwa Capital Markets Europe Limited.....	10,000,000,000
Nomura International plc	5,000,000,000
Total.....	¥50,000,000,000

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 depository receipt facility; or
- (d) publicly announce any intention to do any of the above,

without the prior written consent of SMBC Nikko (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 or executive officers of the Company pursuant to its stock option plans and the issue or transfer of Shares upon exercise of such stock options or stock acquisition rights;
- (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

The Bonds are being offered and sold outside of the United States in reliance on Regulation S of the Securities Act ("Regulation S"). The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds or the Shares issuable upon exercise 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 meaning 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.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Other United Kingdom Regulatory Restrictions

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds or the Shares to be issued upon exercise of the Stock Acquisition Rights in, from or otherwise involving the United Kingdom.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, 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, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (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 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 subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (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 of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (2) where no consideration will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or

- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds or Shares issuable upon exercise of the Stock Acquisition Rights other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds and Shares issuable upon exercise of the Stock Acquisition Rights which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

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 XS2700269660 and the Common Code is 270026966.
2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 6976. The Legal Entity Identifier (LEI) for the Company is 353800V9G3X5PLB9AD43.
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 ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST. 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 4 October 2023 of the board of directors of the Company.
5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2023.
6. Save as disclosed in this Offering Circular, neither the Company nor any of its subsidiaries is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.
7. Copies of the latest 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. The consolidated financial statements of the Company for each of the three fiscal years ended 31 March 2021, 2022 and 2023 included in this Offering Circular, have been audited by KPMG AZSA LLC, the Company's independent auditor, as stated in its audit reports appearing herein.
9. The unaudited quarterly consolidated financial statements of the Company as of 30 June 2023 and for the three-month periods ended 30 June 2022 and 2023, included in this Offering Circular, have been reviewed by KPMG AZSA LLC, the Company's independent auditor, as stated in its review report appearing herein.
10. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.
11. The Trustee is entitled under 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.

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Independent auditor's report

To the Board of Directors of TAIYO YUDEN CO., LTD.:

Opinion

We have audited the accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Company's judgment on the recoverability of deferred tax assets

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, deferred tax assets of ¥3,825 million were recognized for the current fiscal year. As described in the Note on “Tax effect accounting” to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax	The primary procedures we performed to assess the appropriateness of the Company's judgment on the recoverability of deferred tax assets included the following: (1) Internal control testing

<p>liabilities and deducting the valuation allowance amounted to ¥19,021 million.</p> <p>Deferred tax assets are recognized to the extent that tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income.</p> <p>The estimated future taxable income to be generated by the Company and its domestic consolidated subsidiaries that file a consolidated tax return, which was used to determine the recoverability of their deferred tax assets, was based on the business plan for the next fiscal year prepared by the Company's management. The capacitors market, which is the major market to which these companies belong, includes products within the telecommunication equipment industry, such as smartphones where demand fluctuates widely, and therefore projections of future revenues incorporated into the business plan involved uncertainty. Accordingly, management's judgment thereon had a significant effect on the amount of deferred tax assets recognized.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>We tested the design, implementation and operating effectiveness of certain of the Company's internal controls relevant to the Company's judgment on the recoverability of deferred tax assets.</p> <p>(2) Assessment of the reasonableness of the estimated future taxable income</p> <p>In order to evaluate the appropriateness of key assumptions adopted by management in estimating future taxable income, which was important for the Company's judgment on the recoverability of deferred tax assets of the Company and its domestic consolidated subsidiaries, we inquired of the Company's management regarding the basis on which those assumptions were developed. In addition, we:</p> <ul style="list-style-type: none"> ● assessed the appropriateness of the assumptions used to project future revenues by inspecting reports on demand forecasts for the capacitors market published by external research organizations, and by inspecting future order forecast information provided by major customers; ● analyzed the causes of differences between the past business plans and actual results and then assessed whether they were properly taken into account in estimating future taxable income; and ● evaluated, with the assistance of tax specialists, the appropriateness of the calculation of taxable income and each item of tax-return adjustments included in the calculation, as well as the appropriateness of the scheduling of deductible temporary differences and tax loss carryforwards.
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Other Information

The other information comprises the information included in the Consolidated Financial Statements with Independent Auditor's Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Shingo Iwamiya
Designated Engagement Partner
Certified Public Accountant

Hiromasa Niinaya
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
September 4, 2023

Notes to the Reader of Independent Auditor's Report:

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

(1) Consolidated financial statements

1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022		As of March 31, 2023	
Assets				
Current assets				
Cash and deposits		92,570		87,197
Notes and accounts receivable - trade	*2	86,585	*2	70,372
Merchandise and finished goods		29,504		34,695
Work in process		44,243		46,885
Raw materials and supplies		23,033		23,234
Other		6,981		12,269
Allowance for doubtful accounts		(311)		(258)
Total current assets		282,607		274,396
Non-current assets				
Property, plant and equipment				
Buildings and structures		120,596		129,144
Machinery, equipment and vehicles		335,309		363,035
Tools, furniture and fixtures		33,773		37,483
Land		15,179		15,858
Construction in progress		28,603		47,571
Accumulated depreciation		(348,527)		(372,502)
Total property, plant and equipment		184,936		220,590
Intangible assets				
Other		1,340		1,663
Total intangible assets		1,340		1,663
Investments and other assets				
Investment securities	*1	1,505	*1	1,447
Retirement benefit asset		70		71
Deferred tax assets		2,536		3,825
Other		1,525		1,561
Allowance for doubtful accounts		–		(92)
Total investments and other assets		5,637		6,812
Total non-current assets		191,914		229,066
Total assets		474,522		503,462

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	32,828	23,012
Short-term borrowings	20,200	30,200
Current portion of long-term borrowings	4,035	17,958
Accounts payable - other	15,613	24,735
Income taxes payable	13,967	1,550
Provision for bonuses	5,890	4,205
Provision for bonuses for directors	679	60
Other	*3 13,798	*3 10,416
Total current liabilities	107,013	112,140
Non-current liabilities		
Long-term borrowings	48,749	50,777
Deferred tax liabilities	3,835	7,328
Provision for retirement benefits for directors (and other officers)	31	39
Retirement benefit liability	5,315	5,666
Other	9,291	9,030
Total non-current liabilities	67,222	72,843
Total liabilities	174,235	184,984
Net assets		
Shareholders' equity		
Share capital	33,575	33,575
Capital surplus	49,908	49,908
Retained earnings	221,178	233,802
Treasury shares	(13,454)	(13,457)
Total shareholders' equity	291,207	303,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	518	631
Deferred gains or losses on hedges	(190)	(0)
Foreign currency translation adjustment	8,246	13,086
Remeasurements of defined benefit plans	(321)	(26)
Total accumulated other comprehensive income	8,252	13,690
Share acquisition rights	826	958
Total net assets	300,286	318,478
Total liabilities and net assets	474,522	503,462

2) Consolidated statements of income and consolidated statements of comprehensive income
 Consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	349,636	*1	319,504
Cost of sales	*2	224,654	*2	232,085
Gross profit		124,981		87,419
Selling, general and administrative expenses	*3, *4	56,763	*3, *4	55,438
Operating profit		68,218		31,980
Non-operating income				
Interest income		275		723
Dividend income		24		61
Foreign exchange gains		3,295		1,136
Subsidy income		568		1,591
Other		429		255
Total non-operating income		4,593		3,769
Non-operating expenses				
Interest expenses		390		463
Depreciation of inactive non-current assets		80		52
Compensation expenses		29		267
Other		119		133
Total non-operating expenses		620		916
Ordinary profit		72,191		34,832
Extraordinary income				
Gain on sale of non-current assets	*5	99	*5	171
Gain on sale of investment securities		497		–
Other		91		–
Total extraordinary income		689		171
Extraordinary losses				
Loss on sale and retirement of non-current assets	*6	506	*6	886
Impairment losses	*7	180	*7	20
Loss on disaster	*8	291		–
Loss related to anti-monopoly act		–	*9	2,927
Other		28		67
Total extraordinary losses		1,008		3,902
Profit before income taxes		71,872		31,102
Income taxes - current		17,682		5,767
Income taxes - deferred		(172)		2,118
Total income taxes		17,510		7,886
Profit		54,361		23,216
Profit attributable to owners of parent		54,361		23,216

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	54,361	23,216
Other comprehensive income		
Valuation difference on available-for-sale securities	(572)	113
Deferred gains or losses on hedges	(83)	189
Foreign currency translation adjustment	14,916	4,840
Remeasurements of defined benefit plans, net of tax	639	295
Total other comprehensive income	* 14,898	* 5,438
Comprehensive income	69,260	28,654
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	69,260	28,654

3) Consolidated statements of changes in equity
Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,903	174,977	(8,576)	249,879
Changes during period					
Dividends of surplus			(8,161)		(8,161)
Profit attributable to owners of parent			54,361		54,361
Purchase of treasury shares				(5,008)	(5,008)
Disposal of treasury shares		4		131	136
Net changes in items other than shareholders' equity					
Total changes during period	–	4	46,200	(4,877)	41,328
Balance at end of period	33,575	49,908	221,178	(13,454)	291,207

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,090	(106)	(6,669)	(960)	(6,646)	708	243,941
Changes during period							
Dividends of surplus							(8,161)
Profit attributable to owners of parent							54,361
Purchase of treasury shares							(5,008)
Disposal of treasury shares							136
Net changes in items other than shareholders' equity	(572)	(83)	14,916	639	14,898	117	15,016
Total changes during period	(572)	(83)	14,916	639	14,898	117	56,344
Balance at end of period	518	(190)	8,246	(321)	8,252	826	300,286

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,908	221,178	(13,454)	291,207
Changes during period					
Dividends of surplus			(10,591)		(10,591)
Profit attributable to owners of parent			23,216		23,216
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	12,624	(2)	12,621
Balance at end of period	33,575	49,908	233,802	(13,457)	303,829

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	518	(190)	8,246	(321)	8,252	826	300,286
Changes during period							
Dividends of surplus							(10,591)
Profit attributable to owners of parent							23,216
Purchase of treasury shares							(2)
Disposal of treasury shares							–
Net changes in items other than shareholders' equity	113	189	4,840	295	5,438	132	5,570
Total changes during period	113	189	4,840	295	5,438	132	18,192
Balance at end of period	631	(0)	13,086	(26)	13,690	958	318,478

4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	71,872	31,102
Depreciation	31,287	34,903
Impairment losses	180	20
Loss on disaster	291	–
Loss related to anti-monopoly act	–	2,927
Increase (decrease) in allowance for doubtful accounts	37	30
Increase (decrease) in provision for bonuses	720	(1,702)
Increase (decrease) in provision for bonuses for directors	290	(618)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(12)	8
Interest and dividend income	(299)	(785)
Interest expenses	390	463
Loss (gain) on sale and retirement of non-current assets	407	714
Loss (gain) on sale of investment securities	(469)	–
Subsidy income	(258)	(1,289)
Decrease (increase) in trade receivables	(1,148)	19,556
Decrease (increase) in inventories	(24,214)	(6,063)
Increase (decrease) in trade payables	571	(10,087)
Other, net	(2,157)	(6,627)
Subtotal	77,490	62,552
Interest and dividends received	291	775
Interest paid	(384)	(415)
Payments associated with disaster loss	(187)	–
Payments for loss related to anti-monopoly act	–	(390)
Income taxes refund (paid)	(9,893)	(23,061)
Net cash provided by (used in) operating activities	67,315	39,460
Cash flows from investing activities		
Purchase of non-current assets	(51,551)	(63,338)
Proceeds from sale of non-current assets	230	171
Decrease (increase) in time deposits	(1,018)	948
Proceeds from sale of investment securities	885	189
Subsidies received	458	1,244
Other, net	373	346
Net cash provided by (used in) investing activities	(50,622)	(60,438)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,700	10,000
Proceeds from long-term borrowings	11,000	20,000
Repayments of long-term borrowings	(13,465)	(4,049)
Purchase of treasury shares	(5,008)	(2)
Dividends paid	(8,146)	(10,573)
Repayments of lease liabilities	(791)	(889)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(14,711)	14,485
Effect of exchange rate change on cash and cash equivalents	4,841	2,006
Net increase (decrease) in cash and cash equivalents	6,823	(4,485)
Cash and cash equivalents at beginning of period	81,785	88,609
Cash and cash equivalents at end of period	* 88,609	* 84,124

[Notes]

Notes - Significant accounting policies for preparation of consolidated financial statements

The accompanying consolidated financial statements 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 accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

(1) Scope of consolidation

TAIYO YUDEN CO., LTD. (the “Company”) has 32 consolidated subsidiaries (all subsidiaries).

(2) Application of equity method

i) There are no associated companies accounted for using the equity method for the years ended March 31, 2022 and 2023.

ii) Name of associate not accounted for by the equity method

Bifröstec Inc.

Reasons for not accounting for by the equity method

The companies not accounted for by the equity method are excluded from the scope of equity method because the exclusion has a minimal impact on profit or loss (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and others, and they have no importance as a whole.

(3) The fiscal years of consolidated subsidiaries

As the reporting date for consolidated subsidiaries – TAIYO YUDEN (GUANGDONG) CO., LTD., TAIYO YUDEN (SHANGHAI) TRADING CO., LTD., TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD., TAIYO YUDEN (CHINA) CO., LTD., TAIYO YUDEN (CHANGZHOU) CO., LTD., ELNA ELECTRONICS (S) PTE. LTD., ELNA AMERICA, INC., ELNA (SHANGHAI) CO., LTD., TANIN ELNA CO., LTD. and ELNA-SONIC SDN. BHD. – is December 31, their preliminary financial statements prepared as of the consolidated reporting date of March 31 are used as a basis for consolidation.

(4) Accounting policies

i) Accounting policies for measuring significant assets

a) Securities

Other securities (available-for-sale securities)

Securities other than shares, etc. with no market price

Measured at fair value

(valuation differences are reported as components of net assets and the cost of securities sold is calculated based on the moving average method.)

Shares, etc. with no market price

Stated at cost using the moving-average method

b) Derivatives

Measured at fair value

c) Inventories

Finished goods and merchandise: Mainly stated at cost as determined by the gross average method (The book value stated in the balance sheet is written down based on the decreased profitability.)

Work in process: Mainly stated at cost as determined by the gross average method

(The book value stated in the balance sheet is written down based on the decreased profitability.)

Raw materials and supplies: Mainly stated at cost as determined by the first-in-first-out method

(The book value stated in the balance sheet is written down based on the decreased profitability.)

ii) Accounting method for depreciation of significant assets

a) Property, plant and equipment (excluding leased assets and right-of-use assets)

The declining-balance method is mainly applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied to buildings acquired (excluding facilities attached to buildings) on and after April 1, 1998, and facilities attached to buildings and structures

acquired on and after April 1, 2016 by the Company and its domestic consolidated subsidiaries. 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.

The straight-line method is mainly applied for overseas consolidated subsidiaries.

b) Intangible assets (excluding leased assets)

The straight-line method is applied for the Company and its domestic consolidated subsidiaries. Useful lives of the assets are estimated in consistent with the method accepted under the Corporate Tax Law in Japan. However, internal use software is amortized using the straight-line method over the estimated useful life which is internally determined (mainly five years).

The straight-line method is applied for overseas consolidated subsidiaries.

c) Leased assets

Leased assets are depreciated over the lease term by the straight-line method with no residual value.

d) Right-of-use assets

Right-of-use assets are depreciated over the lease term by the straight-line method with no residual value.

iii) Accounting method for significant provisions

a) Allowance for doubtful accounts

To prepare for losses from bad debt, the Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts at an uncollectible amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as doubtful receivables.

Overseas consolidated subsidiaries record the amount of potential loss mainly estimated on an individual basis.

b) Provision for bonuses

To prepare for bonus payments to employees, provision for bonuses is provided based on the estimated amount of payments.

c) Provision for bonuses for directors

To prepare for bonus payments to directors, provision for bonuses for directors is provided based on the estimated amount of payments.

d) Provision for retirement benefits for directors (and other officers)

Some consolidated subsidiaries provide the necessary amount at the end of the current fiscal year in accordance with internal rules to prepare for the payment of directors' retirement benefits.

iv) Accounting method for retirement benefits

a) Method of attributing expected retirement benefit to periods

In calculating retirement benefit obligations, the estimated amount of retirement benefits is attributed to the periods up to the end of the current fiscal year mainly on a benefit formula basis.

b) Method of expensing actuarial gains and losses

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (mostly 10 years) within the average number of remaining service years of the eligible employees at the time they arise, and allocated proportionately beginning in the following fiscal year.

c) Adoption of simplified accounting method used by small companies

Some consolidated subsidiaries apply the simplified method in calculating the retirement benefit liabilities and retirement benefit expenses, which assumes the retirement benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.

v) Accounting policy for recognition of significant revenues and expenses

The Company group (the "Group") mainly produces and sells electronic components, such as capacitors, inductors and integrated modules & devices. For sales of these products, the Group considers performance obligations to be satisfied and recognizes revenue principally at the time of inspection, or at the time of transfer of risks and economic benefits, because that is when customers obtain control of the products. For domestic sales, if the period from shipment of a product to transfer of control of the product to a customer is a normal period of time, revenue is recognized at the time of the shipment. In addition, revenue is

measured at an amount calculated by deducting discounts, etc. from consideration promised under a contract with the customer. Consideration for transactions is received within one year from satisfaction of performance obligations, and does not contain any significant financial components.

vi) Accounting policy for significant hedging

a) Accounting policy for hedging

Deferred hedge accounting is applied.

b) Hedging instruments and hedged items

Hedging instruments: Forward foreign exchange contract

Hedged items: Monetary receivables and payables denominated in foreign currencies and forecast transactions

c) Hedging policy

In accordance with the internal risk management regulations, derivative transactions are not entered into for speculative purposes and unless they are backed by actual demand.

d) Method of evaluating hedge effectiveness

The determination of hedging effectiveness is not performed because for forward foreign exchange contracts in place to hedge foreign-currency transactions the important conditions for the hedging instrument and the hedged item are identical, and it is expected that market fluctuations, etc., will be offset at the beginning of the hedging and continuously thereafter.

vii) Accounting policy for goodwill

Goodwill and goodwill equivalent are amortized over the period within 20 years during which their effects remain using the straight-line method.

viii) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand; demand deposits; and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

ix) Other significant matters for preparation of the consolidated financial statements

a) Application of group tax sharing system

The group tax sharing system is applied for the Company and its domestic consolidated subsidiaries.

b) Stated amount

Amounts presented in the accompanying consolidated financial statements are rounded down to the nearest million yen. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Notes - Significant accounting estimates

1. Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	2,536	3,825

(2) Information on the content of significant accounting estimates related to identified items

Deferred tax assets are recorded to the extent that the effect of reducing the future tax payment is expected based on an estimated amount of future taxable income. The premise of the estimated taxable income is the business plans approved by the Board of Directors.

The group tax sharing system is applied for the Company and its domestic subsidiaries. The Company judges the recoverability of deferred tax assets in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42). Accordingly, the Company judges recoverability of national corporate income tax and local corporate income tax subject to the group tax sharing system on the basis of the “entire consolidated group enlisting the group tax sharing system” whereby all of the tax return filing entities within the consolidated group enlisting the group tax sharing system are combined into a single tax return filing entity. Moreover, the Company judges recoverability of resident tax and enterprise tax not subject to the group tax sharing system on the basis of each tax return filing entity.

In addition, recoverability for overseas subsidiaries is judged for each company.

A major assumption in the business plans is projection of revenues. With regard to the business plans, demand forecasts are made based on market statistics and customer trends, sales plans are developed by customer and by product, production items and volumes are determined for each factory, and plans for production costs and administrative expenses are prepared by company and by department. The business plans on consolidation and individual company level, which are based on the future taxable income, are determined after the examinations and accommodations on consistency with target, production capacity, forecasts of foreign currency exchange rates, profits allocation in accordance with transfer price taxation rules..

As stated above, the business plans that serve as the premise of judging recoverability include many factors of estimation, such as sales volume/prices and exchange rates. The performance of electronic components industry tends to be volatile, and these factors may fluctuate beyond the scope of assumptions made as of the time when the business plans were prepared. Any changes in the conditions that serve as the premise of judging recoverability may significantly affect the amounts of deferred tax assets and income taxes-deferred in the consolidated financial statements for the next fiscal year.

2. Impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	As of March 31, 2022 and for the fiscal year ended March 31, 2022	As of March 31, 2023 and for the fiscal year ended March 31, 2023
Property, plant and equipment and intangible assets	186,276	222,253
Impairment losses	180	20

(2) Information on the content of significant accounting estimates related to identified items

The Group mainly categorizes assets based on product groups. When there is an indication of impairment, such as continuous losses from operating activities in a certain product group, recoverability test is made. If the recoverable amount, such as the total amount of undiscounted future cash flows from the relevant asset group, is less than the book value, the carrying amount is reduced to the recoverable amount, and the reduced amount is recorded as an impairment loss.

Undiscounted future cash flows were estimated based on the business plans and the medium-term plan approved by the Board of Directors, and the plans for the business associated with the relevant asset group were used. These plans were prepared based on assumptions including a sales plan developed by taking into account estimated production volume at customers and market trends, and a cost reduction plan.

The Group has judged that the estimates using these premises are reasonable. However, if a revision is

required due to changes in the economic environment or business strategy, impairment may need to be recognized in the following fiscal year.

Notes - New accounting standards not yet applied

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, issued by the Accounting Standards Board of Japan on October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued by the Accounting Standards Board of Japan on October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, issued by the Accounting Standards Board of Japan on October 28, 2022)

(1) Outline

The “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc. (ASBJ Statement No. 28) (hereinafter, “ASBJ Statement No. 28, etc.”) was issued in February 2018, thereby completing the transfer of the practical guidelines on tax effect accounting with respect to the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan. Meanwhile, the following two points that had been subject to further review subsequent to issuance of ASBJ Statement No. 28, etc. were deliberated on and issued in the course of deliberations.

- Classification of tax expense (taxation on other comprehensive income)
- Tax effect associated with sale of subsidiary shares, etc. (shares of subsidiaries or shares of associates) when corporate group taxation is applied

(2) Scheduled date of application

This accounting standard will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the accounting standards, etc.

The impact of the application of the “Accounting Standard for Current Income Taxes,” etc. on the consolidated financial statements is currently under evaluation.

Notes - Changes in presentation

The presentation of certain accounts of the previous fiscal year has been changed to conform with the presentation adopted for the current fiscal year.

Consolidated statements of income

“Compensation expenses” included in “Other” under “Non-operating expenses” in the fiscal year ended March 31, 2022 is presented separately from the fiscal year ended March 31, 2023 due to an increase in materiality. The consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified to reflect this change in presentation.

As a result, in the consolidated statements of income for the fiscal year ended March 31, 2022, the ¥148 million that was included in “Other” under “Non-operating expenses” has been reclassified as ¥29 million under “Compensation expenses” and ¥119 million under “Other.”

Notes - Consolidated balance sheets

*1 Investments in associates are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Investment securities (shares)	209	20

*2 The respective amounts of receivables from contracts with customers included in “notes and accounts receivable – trade” are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Notes receivable - trade	1,895	1,825
Accounts receivable - trade	84,689	68,547

*3 The amount of contract liabilities included in “other” under current liabilities is as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Contract liabilities	22	15

Notes - Consolidated statements of income

*1 Revenue from contracts with customers

In the presentation of net sales, revenue from contracts with customers is not distinguished from other revenues. The amount of revenue from contracts with customers is provided in “Notes - Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers” of the consolidated financial statements.

*2 The amount of inventories at the fiscal year-end represents the amount after writing down of the book value due to declines in profitability of assets, and the following loss on revaluation of inventories is included in the cost of sales. (The figure in parenthesis represents the amount of reversal.)

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
	28	5,785

*3 Major items and amounts of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Freight costs and fees	10,101	9,908
Research and development expenses	13,099	12,678
Employees' salaries and allowances	12,846	13,971
Retirement benefit expenses	829	797
Provision for bonuses	1,963	1,789
Provision for bonuses for directors	679	60
Depreciation	2,123	1,747
Provision of allowance for doubtful accounts	37	-
Reversal of allowance for doubtful accounts	-	(62)

*4 Total amount of research and development expenses included in general and administrative expenses and production cost in the current period

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
	13,099	12,678

*5 Details of gain on sale of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Machinery, equipment and vehicles	12	58
Land	82	-
Investments and other assets (Other)	-	113
Other	4	0
Total	99	171

*6 Details of loss on sale and retirement of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Loss on retirement of non-current assets		
Buildings and structures	153	346
Machinery, equipment and vehicles	85	83
Land	-	66
Software	111	10
Other	24	11
Subtotal	374	518
Loss on sale of non-current assets		
Machinery, equipment and vehicles	110	353
Land	18	-
Other	3	14
Subtotal	132	367
Total	506	886

*7 Impairment losses

The Group recorded impairment losses with respect to the following asset groups.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Type	Application	Location	Amount
Buildings and structures	Idle assets	Takasaki-shi, Gunma; Others	¥26 million
Machinery, equipment and vehicles	Idle assets	Date-shi, Fukushima, Takasaki-shi, Gunma; Others	¥153 million

The Group categorizes its 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 and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss.

The recoverable amount was measured at value in use, which was evaluated as zero.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Type	Application	Location	Amount
Buildings and structures	Idle assets	Date-shi, Fukushima; Others	¥9 million
Machinery, equipment and vehicles	Idle assets	Kuroishi-shi, Aomori; Others	¥10 million

The Group categorizes its 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 and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss.

The recoverable amount was measured at value in use, which was evaluated as zero.

*8 Loss on disaster

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Our subsidiary TAIYO YUDEN (PHILIPPINES), INC. (Cebu, Philippines) suffered damage due to the impact of Typhoon Rai (Typhoon No. 22) that occurred in December 2021, and our subsidiary FUKUSHIMA TAIYO YUDEN CO., LTD. (Date-shi, Fukushima) suffered damage due to the impact of an earthquake centered off the coast of Fukushima Prefecture that happened in March 2022. The amount of losses due to these disasters is recorded as “Loss on disaster.”

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable

*9 Loss related to anti-monopoly act

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

The Company has recorded a settlement, etc. incurred with respect to a class action lawsuit on the grounds that ELNA CO., LTD, which is the Company’s consolidated subsidiary violated the anti-monopoly act in relation to transactions of aluminum electrolytic capacitors, etc.

Notes - Consolidated statements of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Amount arising during the year	(299)	113
Reclassification adjustments	(322)	-
Before tax effects adjustments	(622)	113
Tax effect	49	-
Valuation difference on available-for-sale securities	(572)	113
Deferred gains or losses on hedges:		
Amount arising during the year	(273)	(1)
Reclassification adjustments	153	273
Before tax effects adjustments	(120)	272
Tax effect	36	(82)
Deferred gains or losses on hedges	(83)	189
Foreign currency translation adjustment:		
Amount arising during the year	14,885	4,840
Reclassification adjustments	30	-
Before tax effects adjustments	14,916	4,840
Tax effect	-	-
Foreign currency translation adjustment	14,916	4,840
Remeasurements of defined benefit plans:		
Amount arising during the year	380	241
Reclassification adjustments	125	106
Before tax effects adjustments	505	348
Tax effect	133	(52)
Remeasurements of defined benefit plans	639	295
Total other comprehensive income	14,898	5,438

Notes - Consolidated statements of changes in equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock	130,218	–	–	130,218
Total	130,218	–	–	130,218
Treasury shares				
Common stock (Note) 1, (Note) 2	4,702	979	72	5,609
Total	4,702	979	72	5,609

(Notes) 1. The 979 thousand share increase in the number of treasury shares of common stock is attributable to an increase of 978 thousand shares due to purchase of treasury shares approved through resolution by the Board of Directors and an increase of one thousand shares due to purchase of fractional shares.

2. The decrease of 72 thousand shares of treasury shares of common stock is due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	–	–	–	–	–	24
	Share acquisition rights under 2008 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2009 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2010 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2011 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2012 Stock Option Plan	–	–	–	–	–	3
	Share acquisition rights under 2013 Stock Option Plan	–	–	–	–	–	14
	Share acquisition rights under 2014 Stock Option Plan	–	–	–	–	–	19
	Share acquisition rights under 2015 Stock Option Plan	–	–	–	–	–	46
	Share acquisition rights under 2016 Stock Option Plan	–	–	–	–	–	31
	Share acquisition rights under 2017 Stock Option Plan	–	–	–	–	–	65
	Share acquisition rights under 2018 Stock Option Plan	–	–	–	–	–	141
	Share acquisition rights under 2019 Stock Option Plan	–	–	–	–	–	88
	Share acquisition rights under 2020 Stock Option Plan	–	–	–	–	–	160
	Share acquisition rights under 2021 Stock Option Plan	–	–	–	–	–	205
Total	–	–	–	–	–	826	

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	3,137	25	March 31, 2021	June 30, 2021
Board of Directors meeting held on November 5, 2021	Common stock	5,023	40	September 30, 2021	December 1, 2021

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2022	Common stock	4,984	Retained earnings	40	March 31, 2022	June 30, 2022

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Classes and total number of shares issued and classes and number of treasury shares

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
(Thousands shares)				
Shares issued				
Common stock	130,218	–	–	130,218
Total	130,218	–	–	130,218
Treasury shares				
Common stock (Note)	5,609	0	–	5,610
Total	5,609	0	–	5,610

(Note) The increase of zero thousand shares of treasury shares of common stock is due to purchase of fractional shares.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	—	—	—	—	—	24
	Share acquisition rights under 2008 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2009 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2010 Stock Option Plan	—	—	—	—	—	6
	Share acquisition rights under 2011 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2012 Stock Option Plan	—	—	—	—	—	3
	Share acquisition rights under 2013 Stock Option Plan	—	—	—	—	—	14
	Share acquisition rights under 2014 Stock Option Plan	—	—	—	—	—	19
	Share acquisition rights under 2015 Stock Option Plan	—	—	—	—	—	46
	Share acquisition rights under 2016 Stock Option Plan	—	—	—	—	—	31
	Share acquisition rights under 2017 Stock Option Plan	—	—	—	—	—	65
	Share acquisition rights under 2018 Stock Option Plan	—	—	—	—	—	141
	Share acquisition rights under 2019 Stock Option Plan	—	—	—	—	—	88
	Share acquisition rights under 2020 Stock Option Plan	—	—	—	—	—	160
	Share acquisition rights under 2021 Stock Option Plan	—	—	—	—	—	274
Share acquisition rights under 2022 Stock Option Plan	—	—	—	—	—	63	
Total		—	—	—	—	—	958

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2022	Common stock	4,984	40	March 31, 2022	June 30, 2022
Board of Directors meeting held on November 7, 2022	Common stock	5,607	45	September 30, 2022	December 1, 2022

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2023	Common stock	5,607	Retained earnings	45	March 31, 2023	June 30, 2023

Notes - Consolidated statements of cash flows

* Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheets

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Cash and deposits	92,570	87,197
Time deposits with a deposit period of over 3 months	(3,961)	(3,073)
Cash and cash equivalents	88,609	84,124

Notes - Leases

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Details of leased assets

Property, plant and equipment

Principally production facilities (machinery, equipment and vehicles)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

2. Right-of-use assets

i) Details of right-of-use assets

Property, plant and equipment

Principally plants and offices (land, buildings and structures)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

3. Operating lease transactions

Future minimum lease payments under non-cancelable operating lease transactions

Notes on this item have been omitted as it is immaterial.

Notes - Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group, which mainly produces and markets electronic components, procures short-term operating funds through bank loans, and long-term funds for capital investment, etc. through bank loans and issuance of corporate 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 Group uses derivative transactions to hedge risks stated below, and does not intend to use them for speculative purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Trade receivables are exposed to customer credit risk. Therefore, the Group manages due dates and balances for each customer, and makes efforts to early recognize concerns about collectibility and reduces its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Group has business relationship are managed by reviewing market values and financial conditions of issuers on a regular basis.

Payment due dates of most trade payables are within one year.

The Group uses bank borrowings mainly for the purpose of procuring funds necessary for capital investment. Bank borrowings are not exposed to interest rate fluctuation risk as their interest rates are fixed.

Operating receivables and payables denominated in foreign currencies, arising from global business operations, are exposed to exchange rate fluctuation risk, but the risk is hedged by using forward foreign exchange contracts. Forward exchange contracts are used for operating receivables and payables, which are certain to arise from export and import transactions. The Group engages in derivative transactions only with high-rated financial institutions.

The finance department executes and manages derivative transactions in accordance with the internal risk management regulations that stipulate trading authority, the limit amount and other related matters. The department also records details of transactions and check balances with counterparties. The results of transactions are reported by the head of the finance department to the officer in charge.

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.

(3) Supplemental information on fair value of financial instruments

As the fair value of financial instruments is calculated by incorporating variable factors, it can vary depending on assumptions adopted.

2. Fair value of financial instruments

Carrying amounts in the consolidated balance sheets, fair value, and the difference between them are as shown below.

As of March 31, 2022

	(Millions of yen)		
	Carrying amounts	Fair value	Difference
Investment securities			
Other securities (available-for-sale securities) (*2)	1,295	1,295	-
Total assets	1,295	1,295	-
Long-term borrowings (*3)	52,785	51,811	(974)
Total liabilities	52,785	51,811	(974)
Derivative transactions (*4)	(2,280)	(2,280)	-

(*1) Since “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts payable - trade,” “Short-term borrowings” and “Accounts payable - other” are settled in short term, their fair values are approximate to book values. Accordingly, information on them has been omitted.

(*2) Shares, etc. with no market price are not included in “Investment securities.” The carrying amounts of these financial instruments are shares of associates of ¥209 million and unlisted equity securities of ¥0 million.

(*3) The amounts include current portion of long-term borrowings.

(*4) Receivables and payables arising from derivative transactions are shown on the net basis.

As of March 31, 2023

	(Millions of yen)		
	Carrying amounts	Fair value	Difference
Investment securities			
Other securities (available-for-sale securities) (*2)	1,426	1,426	-
Total assets	1,426	1,426	-
Long-term borrowings (*3)	68,736	67,100	(1,635)
Total liabilities	68,736	67,100	(1,635)
Derivative transactions (*4)	(381)	(381)	-

(*1) Since “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts payable - trade,” “Short-term borrowings” and “Accounts payable - other” are settled in short term, their fair values are approximate to book values. Accordingly, information on them has been omitted.

(*2) Shares, etc. with no market price are not included in “Investment securities.” The carrying amounts of these financial instruments are shares of associates of ¥20 million and unlisted equity securities of ¥0 million.

(*3) The amounts include current portion of long-term borrowings.

(*4) Receivables and payables arising from derivative transactions are shown on the net basis.

- (Notes) 1. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet dates
As of March 31, 2022

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	92,570	–
Notes and accounts receivable - trade	86,585	–
Total	179,155	–

As of March 31, 2023

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	87,197	–
Notes and accounts receivable - trade	70,372	–
Total	157,570	–

2. Repayment schedule for short-term borrowings and long-term borrowings after the consolidated balance sheet dates
As of March 31, 2022

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	20,200	–	–	–	–	–
Long-term borrowings	4,035	17,960	9,258	10,507	11,005	16
Total	24,235	17,960	9,258	10,507	11,005	16

As of March 31, 2023

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	30,200	–	–	–	–	–
Long-term borrowings	17,958	9,257	15,506	11,004	15,003	6
Total	48,158	9,257	15,506	11,004	15,003	6

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheets

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1:	Level 2:	Level 3:	Total
Investment securities				
Other securities (available-for-sale securities)	1,295	–	–	1,295
Derivative transactions				
Currency derivatives	–	331	–	331
Total assets	1,295	331	–	1,626
Derivative transactions				
Currency derivatives	–	2,611	–	2,611
Total liabilities	–	2,611	–	2,611

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1:	Level 2:	Level 3:	Total
Investment securities				
Other securities (available-for-sale securities)	1,426	–	–	1,426
Derivative transactions				
Currency derivatives	–	34	–	34
Total assets	1,426	34	–	1,461
Derivative transactions				
Currency derivatives	–	416	–	416
Total liabilities	–	416	–	416

(2) Financial instruments other than those measured at fair values in the consolidated balance sheets

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1:	Level 2:	Level 3:	Total
Long-term borrowings	–	51,811	–	51,811
Total liabilities	–	51,811	–	51,811

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1:	Level 2:	Level 3:	Total
Long-term borrowings	–	67,100	–	67,100
Total liabilities	–	67,100	–	67,100

(Note) Valuation techniques and inputs used in measuring fair values

Investment securities

Listed shares are assessed using quoted prices. Because listed shares are traded in active markets, their fair values are classified as Level 1 fair value.

Derivative transactions

The fair values of interest rate swaps and forward foreign exchange contracts are measured by the discounted cash flow method using observable inputs such as interest rates and foreign currency exchange rates, and classified as Level 2 fair value.

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, and classified as Level 2 fair value.

Notes - Securities

1. Other securities (available-for-sale securities)

As of March 31, 2022

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	1,295	777	518
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	1,295	777	518
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		1,295	777	518

As of March 31, 2023

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	1,426	795	631
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	1,426	795	631
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Total		1,426	795	631

2. Other securities (available-for-sale securities) sold
 Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	819	497	(28)
(2) Bonds			
i) Government bonds, local government bonds, etc.	—	—	—
ii) Corporate bonds	—	—	—
iii) Other	—	—	—
(3) Other	—	—	—
	819	497	(28)

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
 Not applicable

3. Impaired securities
 Not applicable

Notes - Derivatives

1. Derivatives to which hedge accounting is not applied

Currency derivatives
 As of March 31, 2022

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	38,850	—	(2,222)	(2,222)
	Buy US dollars	3,455	—	215	215

As of March 31, 2023

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	24,216	—	(418)	(418)
	Buy US dollars	3,288	—	38	38

2. Derivatives to which hedge accounting is applied

Currency derivatives

As of March 31, 2022

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	11,812	–	(389)
	Buy US dollars	Forecast transaction	3,552	–	115

As of March 31, 2023

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	8,549	–	2
	Buy US dollars	Forecast transaction	3,315	–	(3)

Notes - Retirement benefits

1. Outline of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have mainly adopted defined contribution pension plans and prepaid retirement plans.

Certain overseas consolidated subsidiaries have adopted defined benefit plans (lump-sum retirement benefit plans).

As overseas consolidated subsidiaries apply IFRS, they account for retirement benefits in accordance with IAS 19 “Employee Benefits.”

2. Defined benefit plan

(1) Reconciliations between the opening and closing balances of retirement benefit obligations

(Millions of yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Opening balance of retirement benefit obligations	6,883	7,242
Service cost	814	781
Interest cost	171	230
Actuarial gains and losses incurred	(413)	(273)
Retirement benefits paid	(366)	(478)
Other	152	130
Closing balance of retirement benefit obligations	7,242	7,632

(2) Reconciliations between the opening and closing balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Opening balance of plan assets	1,823	1,997
Interest income	73	88
Actuarial gains and losses incurred	(32)	(83)
Amount of employer contribution	236	218
Retirement benefits paid	(112)	(228)
Other	9	44
Closing balance of plan assets	1,997	2,037

(3) Reconciliations between the closing balances of retirement benefit obligations and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Retirement benefit obligations from funded plans	2,640	2,624
Plan assets	(1,997)	(2,037)
	643	586
Retirement benefit obligations from non-funded plans	4,602	5,008
Net amount of liability and asset recorded in the consolidated balance sheet	5,245	5,595
Net defined benefit liability	5,315	5,666
Net defined benefit asset	(70)	(71)
Net amount of liability and asset recorded in the consolidated balance sheets	5,245	5,595

(4) Amounts of retirement benefit expenses and their components

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Service cost	814	781
Net interest	98	141
Amortization of actuarial gains and losses	125	106
Amortization of past service cost	(0)	-
Retirement benefit expenses for defined benefit plan	1,038	1,030

Note: In accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ PITF No. 18, February 19, 2010), the total amounts of actuarial gains and losses are systematically expensed each year over a certain number of years within the employees’ average remaining years of service.

(5) Remeasurements of defined benefit plans, net of tax (Consolidated statements of comprehensive income)
The breakdowns of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Past service cost	(0)	-
Actuarial gains and losses	505	348
Total	505	348

(6) Remeasurements of defined benefit plans (Consolidated balance sheets)

The breakdowns of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

	As of March 31, 2022	As of March 31, 2023
Unrecognized past service cost	(2)	(2)
Unrecognized actuarial gains and losses	(401)	(53)
Total	(403)	(55)

(7) Plan assets

i) Major components of plan assets

The ratio of major categories to total plan assets is as follows:

	As of March 31, 2022	As of March 31, 2023
Bonds	60	65
Shares	18	17
Cash and deposits	12	6
Other	10	12
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement benefit plan, accounts for 81% and 81% of total plan assets as of March 31, 2022 and 2023, respectively.

ii) Long-term expected rate of return

The long-term expected rate of return is not specified as IAS 19 is applied.

(8) Basis for actuarial calculations

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Discount rate	0.00 - 5.43	0.28 - 6.67
Forecasted rate of salary increase	1.34 - 5.00	1.53 - 5.00

3. Defined contribution plan

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,511 million and ¥1,507 million for the fiscal years ended March 2022 and 2023, respectively.

Notes - Stock options, etc.

1. Expenses and account titles for stock options

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Selling, general and administrative expenses	253	132

2. Details, size and changes in the number of stock options

(1) Details of stock options

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 32,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From July 1, 2006 to March 31, 2007
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2007 to March 31, 2008
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 27, 2008
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 14, 2008
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2008 to March 31, 2009
Exercise period	From July 15, 2008 to July 14, 2028

Company name	Reporting company
Resolution date	May 25, 2009
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 37,000 shares
Grant date	June 9, 2009
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2009 to March 31, 2010
Exercise period	From June 10, 2009 to June 9, 2029

Company name	Reporting company
Resolution date	June 29, 2010
Category and number of people to whom stock options are granted	7 Directors of the Company
Class and number of shares granted	Common stock: 39,000 shares
Grant date	July 21, 2010
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2010 to March 31, 2011
Exercise period	From July 22, 2010 to July 21, 2030

Company name	Reporting company
Resolution date	June 29, 2011
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 44,000 shares
Grant date	July 14, 2011
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2011 to March 31, 2012
Exercise period	From July 14, 2011 to July 13, 2031

Company name	Reporting company
Resolution date	April 25, 2012
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 38,000 shares
Grant date	May 11, 2012
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2012 to March 31, 2013
Exercise period	From May 11, 2012 to May 10, 2032

Company name	Reporting company
Resolution date	May 24, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 10,000 shares
Grant date	June 10, 2013
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2013 to June 27, 2013
Exercise period	From June 10, 2013 to June 9, 2033

Company name	Reporting company
Resolution date	June 27, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 31,000 shares
Grant date	July 12, 2013
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2013 to June 27, 2014
Exercise period	From July 12, 2013 to July 11, 2033

Company name	Reporting company
Resolution date	June 27, 2014
Category and number of people to whom stock options are granted	6 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 55,000 shares
Grant date	July 14, 2014
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2014 to June 26, 2015
Exercise period	From July 14, 2014 to July 13, 2034

Company name	Reporting company
Resolution date	June 26, 2015
Category and number of people to whom stock options are granted	6 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 62,000 shares
Grant date	July 13, 2015
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2015 to June 29, 2016
Exercise period	From July 13, 2015 to July 12, 2035

Company name	Reporting company
Resolution date	November 5, 2015
Category and number of people to whom stock options are granted	1 Director of the Company 1 Operating Officer of the Company
Class and number of shares granted	Common stock: 2,000 shares
Grant date	November 20, 2015
Vesting conditions	No vesting conditions attached
Target service period	From November 1, 2015 to June 29, 2016
Exercise period	From November 20, 2015 to November 19, 2035

Company name	Reporting company
Resolution date	June 29, 2016
Category and number of people to whom stock options are granted	5 Directors of the Company 13 Operating Officers of the Company
Class and number of shares granted	Common stock: 64,000 shares
Grant date	July 15, 2016
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2016 to June 29, 2017
Exercise period	From July 15, 2016 to July 14, 2036

Company name	Reporting company
Resolution date	June 29, 2017
Category and number of people to whom stock options are granted	5 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 61,000 shares
Grant date	July 18, 2017
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2017 to June 28, 2018
Exercise period	From July 18, 2017 to July 17, 2037

Company name	Reporting company
Resolution date	June 28, 2018
Category and number of people to whom stock options are granted	4 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 57,000 shares
Grant date	July 18, 2018
Vesting conditions	No vesting conditions attached
Target service period	From June 28, 2018 to June 27, 2019
Exercise period	From July 18, 2018 to July 17, 2038

Company name	Reporting company
Resolution date	June 27, 2019
Category and number of people to whom stock options are granted	5 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,000 shares
Grant date	July 18, 2019
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2019 to June 26, 2020
Exercise period	From July 18, 2019 to July 17, 2039

Company name	Reporting company
Resolution date	June 26, 2020
Category and number of people to whom stock options are granted	5 Directors of the Company 10 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,000 shares
Grant date	July 17, 2020
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2020 to June 29, 2021
Exercise period	From July 17, 2020 to July 16, 2040

Company name	Reporting company
Resolution date	June 29, 2021
Category and number of people to whom stock options are granted	4 Directors of the Company 9 Operating Officers of the Company
Class and number of shares granted	Common stock: 53,000 shares
Grant date	July 19, 2021
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2021 to June 29, 2022
Exercise period	From July 19, 2021 to July 18, 2041

Company name	Reporting company
Resolution date	June 29, 2022
Category and number of people to whom stock options are granted	4 Directors of the Company 13 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,200 shares
Grant date	July 19, 2022
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2022 to June 29, 2023
Exercise period	From July 20, 2022 to July 19, 2042

(2) Size and changes in the number of stock options

The following describes the number of stock options that existed during the current fiscal year (fiscal year ended March 31, 2023). The number of stock options is translated into the number of shares.

i) Number of stock options

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009	June 29, 2010
Stock options before vesting					
At the end of previous fiscal year	-	-	-	-	-
Granted	-	-	-	-	-
Lapsed	-	-	-	-	-
Vested	-	-	-	-	-
Unvested balance	-	-	-	-	-
Stock options after vesting					
At the end of previous fiscal year	3,000	6,000	6,000	6,000	6,000
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Lapsed	-	-	-	-	-
Exercisable	3,000	6,000	6,000	6,000	6,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2011	April 25, 2012	May 24, 2013	June 27, 2013	June 27, 2014
Stock options before vesting					
At the end of previous fiscal year	-	-	-	-	-
Granted	-	-	-	-	-
Lapsed	-	-	-	-	-
Vested	-	-	-	-	-
Unvested balance	-	-	-	-	-
Stock options after vesting					
At the end of previous fiscal year	6,000	5,000	1,000	9,000	19,000
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Lapsed	-	-	-	-	-
Exercisable	6,000	5,000	1,000	9,000	19,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 26, 2015	November 5, 2015	June 29, 2016	June 29, 2017	June 28, 2018
Stock options before vesting					
At the end of previous fiscal year	–	–	–	–	–
Granted	–	–	–	–	–
Lapsed	–	–	–	–	–
Vested	–	–	–	–	–
Unvested balance	–	–	–	–	–
Stock options after vesting					
At the end of previous fiscal year	29,000	1,000	38,000	37,000	42,000
Vested	–	–	–	–	–
Exercised	–	–	–	–	–
Lapsed	–	–	–	–	–
Exercisable	29,000	1,000	38,000	37,000	42,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2019	June 26, 2020	June 29, 2021	June 29, 2022
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	59,200
Lapsed	–	–	–	–
Vested	–	–	–	59,200
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	46,000	49,000	53,000	–
Vested	–	–	–	59,200
Exercised	–	–	–	–
Lapsed	–	–	–	–
Exercisable	46,000	49,000	53,000	59,200

ii) Unit price information

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	2,761	2,761	966	947

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	1,013	948	739	1,625

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	1,476	1,032	1,543	1,914

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	June 27, 2019
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	834	1,762	3,369	1,927

(Yen)

Company name	Reporting company	Reporting company	Reporting company
Resolution date	June 26, 2020	June 29, 2021	June 29, 2022
Exercise price	1	1	1
Average share price at exercise	–	–	–
Fair value unit price on grant date	3,277	5,172	4,389

3. Method of estimating fair value unit price of stock options

The fair value unit price of the stock options determined by the resolution on June 29, 2022 and granted during the fiscal year ended March 31, 2023, was estimated based on the following:

(1) Valuation techniques used Black-Scholes Model

(2) Major basic numerical values and estimation method

Resolution date	June 29, 2022
Volatility of share price (Note) 1	44.8%
Estimated remaining outstanding period (Note) 2	2.5 years
Estimated dividend (Note) 3	¥80/share
Risk-free interest rate (Note) 4	(0.07)%

(Notes) 1. The volatility of share price is estimated based on weekly historical share prices from January 10, 2020 to July 15, 2022.

2. The estimated remaining outstanding period refers to the average period of service as Director less the already served period of service as Director. The stock options are assumed to be exercised immediately after the Director's retirement as Director.

3. The estimated dividend is based on the actual per share dividend distributed in the fiscal year ended March 31, 2022.

4. The risk-free interest rate represents the interest rate on Japanese government bonds with the remaining period corresponding to the estimated remaining outstanding period.

4. Method of estimating number of stock options vested

The number of stock options vested is equal to the number of stock options granted since the options were vested on the grant date.

Notes - Tax effect accounting

1. Breakdowns of major components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Inventories	2,856	2,741
Accrued expenses	463	543
Accrued enterprise tax	731	130
Provision for bonuses	1,733	1,182
Investment securities, etc.	50	50
Allowance for doubtful accounts	46	103
Accounting depreciation in excess of tax depreciation	1,417	971
Lump-sum depreciable assets	148	205
Retirement benefit liability	1,162	1,177
Prepaid retirement benefit	1,306	1,159
Loss carried forward (Note)	4,709	5,431
Other	4,414	5,323
Deferred tax assets subtotal	19,041	19,021
Valuation allowance for tax losses carried forward (Note)	(4,577)	(5,409)
Valuation allowance for total deductible temporary differences, etc.	(5,267)	(5,222)
Valuation allowance subtotal	(9,844)	(10,632)
Offset against deferred tax liabilities	(6,660)	(4,563)
Deferred tax assets total	2,536	3,825
Deferred tax liabilities		
Inventories	768	1,114
Undistributed profits of overseas subsidiaries	6,470	7,252
Accelerated depreciation of overseas subsidiaries	2,239	2,321
Reserve for advanced depreciation of non-current assets	723	767
Other	293	435
Offset against deferred tax assets	(6,660)	(4,563)
Deferred tax liabilities total	3,835	7,328
Net deferred tax assets (liabilities)	(1,298)	(3,503)

(Note) Amounts of tax losses carried forward and associated deferred tax assets by expiration period

As of March 31, 2022

	(Millions of yen)						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*)	196	445	799	432	636	2,199	4,709
Valuation allowance	(149)	(445)	(799)	(432)	(636)	(2,114)	(4,577)
Deferred tax assets	47	-	-	0	-	84	132

(*) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

As of March 31, 2023

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*)	431	799	428	636	549	2,586	5,431
Valuation allowance	(409)	(799)	(428)	(636)	(549)	(2,586)	(5,409)
Deferred tax assets	21	–	–	–	–	–	21

(*) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

2. Breakdown of major items of differences between the statutory effective tax rate and the effective income tax rate after applying tax effect accounting

(%)

	As of March 31, 2022	As of March 31, 2023
Statutory effective tax rate	30.5	30.5
Adjustments		
Tax rate differences of the overseas subsidiaries	(3.2)	(5.7)
Undistributed profits of the overseas subsidiaries	1.7	2.5
Valuation allowance	(4.6)	(0.1)
Tax credit for research and development expenses	(1.7)	(3.3)
Foreign tax	0.4	0.5
Unrealized profit on inventories	0.0	(0.2)
Expenses not deductible permanently such as entertainment expenses	0.1	0.3
Other	1.2	0.9
Effective income tax rate after applying tax effect accounting	24.4	25.4

3. Accounting for corporate income tax and local corporate income tax, or tax effect accounting in relation thereto

The Company and its domestic consolidated subsidiaries apply the group tax sharing system effective from the fiscal year ended March 31, 2023. In addition, accounting and disclosure with respect to corporate income tax and local corporate income tax as well as tax effect accounting in relation thereto are carried out in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

Notes - Business combinations

Not applicable

Notes - Asset retirement obligations

The total amount of asset retirement obligations is not disclosed as it is immaterial.

Notes - Real estate for lease, etc.

The total amount of real estate for lease, etc. is not disclosed as it is immaterial.

Notes - Revenue recognition

1. Disaggregations of revenue from contracts with customers

Product classification	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)		Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	
	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
Capacitors	230,383	65.9	208,115	65.1
Inductors	48,925	14.0	52,866	16.5
Integrated modules & devices	48,799	14.0	32,581	10.2
Other	21,527	6.2	25,941	8.1
Total	349,636	100.0	319,504	100.0

(Note) The Group operates in a single segment of the electronic components business, and the above categories are not reportable segments.

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as described in “(4) Accounting policies v) Accounting policy for recognition of significant revenues and expenses,” in the section of significant accounting policies for preparation of consolidated financial statements.

3. Satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue from contracts with customers existing at the end of the fiscal year expected to be recognized in the following fiscal year

(1) Balances of receivables arising from contracts with customers, contract assets and contract liabilities, etc.

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)
Receivables from contracts with customers (opening balance)	78,738	86,585
Receivables from contracts with customers (closing balance)	86,585	70,372
Contract assets (opening balance)	–	–
Contract assets (closing balance)	–	–
Contract liabilities (opening balance)	18	22
Contract liabilities (closing balance)	22	15

Contract liabilities are mainly consideration received from customers before delivery of products, and are included in other under current liabilities on the consolidated balance sheets.

The amount of revenue recognized during the current fiscal year included in the opening balance of contract liabilities in the current fiscal year is immaterial.

(2) Transaction price allocated to remaining performance obligations

The practical expedient is applied and information on transaction price allocated to remaining performance obligations is omitted since the Company and its consolidated subsidiaries do not have any significant contracts with the initially expected contract period exceeding one year, and the period of contracts is mainly less than one year. In addition, there is no significant amount that is not included in transaction price, among consideration arising from contracts with customers.

Notes - Segment information, etc.

[Segment information]

The segment information is not disclosed as the Group operates in a single segment of the electronic components business.

[Notes - Related information]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information for each product or service (Millions of yen)

	Capacitors	Inductors	Integrated modules & devices	Others	Total
Net sales for external customers	230,383	48,925	48,799	21,527	349,636

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
34,318	126,437	49,529	139,351	349,636

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
109,725	26,247	33,548	15,415	184,936

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statements of income.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information for each product or service (Millions of yen)

	Capacitors	Inductors	Integrated modules & devices	Others	Total
Net sales for external customers	208,115	52,866	32,581	25,941	319,504

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
32,893	114,948	38,875	132,787	319,504

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
122,686	32,822	44,502	20,579	220,590

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statements of income.

[Information about impairment losses on non-current assets for each reportable segment]

Information about impairment losses is not disclosed as the Group has a single segment.

[Information about amortization and unamortized balance of goodwill for each reportable segment]

Information about amortization and unamortized balance of goodwill is not disclosed as the Group has a single segment.

[Information about gains on bargain purchase for each reportable segment]

Not applicable

[Notes - Related party transactions]

Not applicable

Notes - Per share information

(Yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	2,403.20	2,548.15
Basic earnings per share	433.46	186.32
Diluted earnings per share	432.19	185.71

(Notes) 1. The basis for calculation of net assets per share is as follows:

	As of March 31, 2022	As of March 31, 2023
Total net assets (Millions of yen)	300,286	318,478
Amounts deducted from total net assets (Millions of yen)	826	958
[Of the above, share acquisition rights (Millions of yen)]	[826]	[958]
[Of the above, non-controlling interests (Millions of yen)]	[-]	[-]
Net assets related to common stock (Millions of yen)	299,460	317,520
Number of common stock used to calculate net assets per share (Thousand shares)	124,608	124,608

2. The basis for calculations of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	54,361	23,216
Amounts not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	54,361	23,216
Average number of outstanding common stock during period (Thousand shares)	125,414	124,608
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	-	-
Increase in the number of common stock (Thousand shares)	366	406
[Of the above, share acquisition rights (Thousand shares)]	[366]	[406]
Outline of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	-	-

Notes - Significant events after reporting period

Not applicable

5) Annexed consolidated detailed schedules
 [Annexed consolidated detailed schedule of corporate bonds]
 Not applicable

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at the beginning of current period (Millions of yen)	Balance at the end of current period (Millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	20,200	30,200	0.40	–
Current portion of long-term borrowings	4,035	17,958	0.35	–
Current portion of lease liabilities	872	724	4.06	–
Long-term borrowings (excluding current portion)	48,749	50,777	0.39	From April 2024 to March 2033
Lease liabilities (excluding current portion)	2,801	2,909	4.06	From April 2024 to October 2043
Other interest-bearing liabilities	–	–	–	–
Total	76,658	102,570	–	–

- (Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the current period.
2. The average interest rate for the lease liabilities presented above is based on the standard method of calculation and does not reflect interest rates for lease liabilities recorded on the consolidated balance sheets at the amount before deducting the amount equivalent to interest expenses included in the total lease payments.
3. The repayment schedule for long-term borrowings (excluding current portion) and lease liabilities (excluding current portion) for five years subsequent to March 31, 2023 is as follows:

Category	(Millions of yen)			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term borrowings	9,257	15,506	11,004	15,003
Lease liabilities	526	398	352	257

[Annexed consolidated detailed schedule of asset retirement obligations]

As the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amount of liabilities and net assets as of the same dates, annexed consolidated detailed schedule of asset retirement obligations is not disclosed pursuant to the provisions of Article 92-2 of the Regulation on Consolidated Financial Statements.

(2) Other information (unaudited)

Quarterly information for the current fiscal year

Cumulative period	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Fiscal year ended March 31, 2023
Net sales (Millions of yen)	81,740	168,013	247,046	319,504
Profit before income taxes (Millions of yen)	17,004	34,982	37,576	31,102
Profit attributable to owners of parent (Millions of yen)	12,236	24,880	26,853	23,216
Basic earnings per share (Yen)	98.20	199.67	215.50	186.32

Three-month period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	98.20	101.47	15.83	(29.19)



Independent auditor's report

To the Board of Directors of TAIYO YUDEN CO., LTD.:

Opinion

We have audited the accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Company's judgment on the recoverability of deferred tax assets

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group, deferred tax assets of ¥2,536 million were recognized for the current fiscal year. As described in the Note on “Tax effect accounting” to the consolidated financial statements, the amount of gross deferred tax assets before being	The primary procedures we performed to assess the appropriateness of the Company's judgment on the recoverability of deferred tax assets included the following: (1) Internal control testing

<p>offset by deferred tax liabilities and deducting the valuation allowance amounted to ¥19,041 million.</p> <p>Deferred tax assets are recognized to the extent that tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income.</p> <p>The estimated future taxable income to be generated by the Company and its domestic consolidated subsidiaries that file a consolidated tax return, which was used to determine the recoverability of their deferred tax assets, was based on the business plan for the next fiscal year prepared by the Company's management. The capacitors market, which is the major market to which these companies belong, includes products within the telecommunication equipment industry, such as smartphones where demand fluctuates widely, and therefore projections of future revenues incorporated into the business plan involved uncertainty. Accordingly, management's judgment thereon had a significant effect on the amount of deferred tax assets recognized.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>We tested the design, implementation and operating effectiveness of certain of the Company's internal controls relevant to the Company's judgment on the recoverability of deferred tax assets.</p> <p>(2) Assessment of the reasonableness of the estimated future taxable income</p> <p>In order to evaluate the appropriateness of key assumptions adopted by management in estimating future taxable income, which was important for the Company's judgment on the recoverability of deferred tax assets of the Company and its domestic consolidated subsidiaries, we inquired of the Company's management regarding the basis on which those assumptions were developed. In addition, we:</p> <ul style="list-style-type: none"> ● assessed the appropriateness of the assumptions used to project future revenues by inspecting reports on demand forecasts for the capacitors market published by external research organizations, and by inspecting future order forecast information provided by major customers; ● analyzed the causes of differences between the past business plans and actual results and then assessed whether they were properly taken into account in estimating future taxable income; and ● evaluated, with the assistance of tax specialists, the appropriateness of the calculation of taxable income and each item of tax-return adjustments included in the calculation, as well as the appropriateness of the scheduling of deductible temporary differences and tax loss carryforwards.
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Other Information

The other information comprises the information included in the Consolidated Financial Statements with Independent Auditor's Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do

not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting

and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kiyoshi Hirai
Designated Engagement Partner
Certified Public Accountant

Shingo Iwamiya
Designated Engagement Partner
Certified Public Accountant

Hiromasa Niinaya
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
September 2, 2022

Notes to the Reader of Independent Auditor's Report:

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

(1) Consolidated financial statements

1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021		As of March 31, 2022
Assets			
Current assets			
Cash and deposits	84,297		92,570
Notes and accounts receivable - trade	78,738	*2	86,585
Merchandise and finished goods	19,849		29,504
Work in process	30,183		44,243
Raw materials and supplies	17,902		23,033
Other	6,876		6,981
Allowance for doubtful accounts	(247)		(311)
Total current assets	237,599		282,607
Non-current assets			
Property, plant and equipment			
Buildings and structures	115,053		120,596
Machinery, equipment and vehicles	304,632		335,309
Tools, furniture and fixtures	30,849		33,773
Land	14,752		15,179
Construction in progress	10,824		28,603
Accumulated depreciation	(316,940)		(348,527)
Total property, plant and equipment	159,172		184,936
Intangible assets			
Other	1,371		1,340
Total intangible assets	1,371		1,340
Investments and other assets			
Investment securities	*1	2,405	*1
Retirement benefit asset		55	70
Deferred tax assets		2,144	2,536
Other		1,891	1,525
Total investments and other assets		6,498	5,637
Total non-current assets		167,042	191,914
Total assets		404,642	474,522

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,728	32,828
Short-term borrowings	18,500	20,200
Current portion of long-term borrowings	13,462	4,035
Accounts payable - other	15,907	15,613
Income taxes payable	5,803	13,967
Provision for bonuses	5,132	5,890
Provision for bonuses for directors (and other officers)	388	679
Other	11,555	*3 13,798
Total current liabilities	102,477	107,013
Non-current liabilities		
Long-term borrowings	41,788	48,749
Deferred tax liabilities	3,828	3,835
Provision for retirement benefits for directors (and other officers)	43	31
Retirement benefit liability	5,105	5,315
Other	7,458	9,291
Total non-current liabilities	58,223	67,222
Total liabilities	160,701	174,235
Net assets		
Shareholders' equity		
Share capital	33,575	33,575
Capital surplus	49,903	49,908
Retained earnings	174,977	221,178
Treasury shares	(8,576)	(13,454)
Total shareholders' equity	249,879	291,207
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,090	518
Deferred gains or losses on hedges	(106)	(190)
Foreign currency translation adjustment	(6,669)	8,246
Remeasurements of defined benefit plans	(960)	(321)
Total accumulated other comprehensive income	(6,646)	8,252
Share acquisition rights	708	826
Total net assets	243,941	300,286
Total liabilities and net assets	404,642	474,522

2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	300,920	*1 349,636
Cost of sales	*2 211,965	*2 224,654
Gross profit	88,955	124,981
Selling, general and administrative expenses	*3, *4 48,188	*3, *4 56,763
Operating profit	40,766	68,218
Non-operating income		
Interest income	118	275
Dividend income	53	24
Foreign exchange gains	197	3,295
Subsidy income	1,021	568
Other	186	429
Total non-operating income	1,578	4,593
Non-operating expenses		
Interest expenses	368	390
Share of loss of entities accounted for using equity method	283	–
Depreciation of inactive non-current assets	276	80
Other	168	148
Total non-operating expenses	1,097	620
Ordinary profit	41,247	72,191
Extraordinary income		
Gain on sale of non-current assets	*5 57	*5 99
Gain on sale of investment securities	466	497
Other	67	91
Total extraordinary income	591	689
Extraordinary losses		
Loss on sale and retirement of non-current assets	*6 624	*6 506
Impairment losses	*7 1,084	*7 180
Loss on valuation of shares of subsidiaries and associates	258	–
Business restructuring expenses	*8 439	–
Loss on disaster	–	*9 291
Loss by COVID-19	*10 2,098	–
Other	322	28
Total extraordinary losses	4,828	1,008
Profit before income taxes	37,010	71,872
Income taxes - current	8,546	17,682
Income taxes - deferred	(151)	(172)
Total income taxes	8,395	17,510
Profit	28,615	54,361
Profit attributable to owners of parent	28,615	54,361

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	28,615	54,361
Other comprehensive income		
Valuation difference on available-for-sale securities	670	(572)
Deferred gains or losses on hedges	(24)	(83)
Foreign currency translation adjustment	8,250	14,916
Remeasurements of defined benefit plans, net of tax	(139)	639
Total other comprehensive income	* 8,757	* 14,898
Comprehensive income	37,372	69,260
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	37,372	69,260

3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,903	150,263	(8,596)	225,146
Changes during period					
Dividends of surplus			(3,765)		(3,765)
Profit attributable to owners of parent			28,615		28,615
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		(0)		29	28
Decrease resulting from change in fiscal year of consolidated subsidiaries			(135)		(135)
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	24,714	19	24,733
Balance at end of period	33,575	49,903	174,977	(8,576)	249,879

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	430	(82)	(14,779)	(824)	(15,255)	563	210,454
Changes during period							
Dividends of surplus							(3,765)
Profit attributable to owners of parent							28,615
Purchase of treasury shares							(9)
Disposal of treasury shares							28
Decrease resulting from change in fiscal year of consolidated subsidiaries							(135)
Net changes in items other than shareholders' equity	660	(24)	8,109	(136)	8,609	144	8,753
Total changes during period	660	(24)	8,109	(136)	8,609	144	33,486
Balance at end of period	1,090	(106)	(6,669)	(960)	(6,646)	708	243,941

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,575	49,903	174,977	(8,576)	249,879
Changes during period					
Dividends of surplus			(8,161)		(8,161)
Profit attributable to owners of parent			54,361		54,361
Purchase of treasury shares				(5,008)	(5,008)
Disposal of treasury shares		4		131	136
Decrease resulting from change in fiscal year of consolidated subsidiaries					-
Net changes in items other than shareholders' equity					
Total changes during period	-	4	46,200	(4,877)	41,328
Balance at end of period	33,575	49,908	221,178	(13,454)	291,207

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,090	(106)	(6,669)	(960)	(6,646)	708	243,941
Changes during period							
Dividends of surplus							(8,161)
Profit attributable to owners of parent							54,361
Purchase of treasury shares							(5,008)
Disposal of treasury shares							136
Decrease resulting from change in fiscal year of consolidated subsidiaries							-
Net changes in items other than shareholders' equity	(572)	(83)	14,916	639	14,898	117	15,016
Total changes during period	(572)	(83)	14,916	639	14,898	117	56,344
Balance at end of period	518	(190)	8,246	(321)	8,252	826	300,286

4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	37,010	71,872
Depreciation	29,256	31,287
Impairment losses	1,084	180
Business restructuring expenses	439	–
Loss on disaster	–	291
Loss by COVID-19	2,098	–
Increase (decrease) in allowance for doubtful accounts	(278)	37
Increase (decrease) in provision for bonuses	423	720
Increase (decrease) in provision for bonuses for directors (and other officers)	155	290
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(7)	(12)
Interest and dividend income	(172)	(299)
Interest expenses	368	390
Share of loss (profit) of entities accounted for using equity method	283	–
Loss (gain) on sale and retirement of non-current assets	567	407
Loss (gain) on sale of investment securities	(461)	(469)
Subsidy income	(684)	(258)
Loss on valuation of shares of subsidiaries and associates	258	–
Decrease (increase) in trade receivables	(9,783)	(1,148)
Decrease (increase) in inventories	(2,610)	(24,214)
Increase (decrease) in trade payables	4,466	571
Other, net	375	(2,157)
Subtotal	62,791	77,490
Interest and dividends received	173	291
Interest paid	(351)	(384)
Business restructuring expenses paid	(199)	–
Payments associated with disaster loss	–	(187)
Payments for loss related to anti-monopoly act	(2,823)	–
Payments for loss by COVID-19	(1,803)	–
Income taxes refund (paid)	(4,903)	(9,893)
Net cash provided by (used in) operating activities	52,882	67,315
Cash flows from investing activities		
Purchase of non-current assets	(43,908)	(51,551)
Proceeds from sale of non-current assets	135	230
Decrease (increase) in time deposits	33	(1,018)
Proceeds from sale of investment securities	1,026	885
Subsidies received	384	458
Purchase of shares of subsidiaries and associates	(92)	–
Other, net	202	373
Net cash provided by (used in) investing activities	(42,218)	(50,622)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(750)	1,700
Proceeds from long-term borrowings	20,500	11,000
Repayments of long-term borrowings	(2,666)	(13,465)
Purchase of treasury shares	(9)	(5,008)
Dividends paid	(3,760)	(8,146)
Repayments of lease liabilities	(701)	(791)
Other, net	(8)	(0)
Net cash provided by (used in) financing activities	12,604	(14,711)
Effect of exchange rate change on cash and cash equivalents	2,386	4,841
Net increase (decrease) in cash and cash equivalents	25,654	6,823
Cash and cash equivalents at beginning of period	57,285	81,785
Increase (decrease) in cash and cash equivalents resulting from change in fiscal year of consolidated subsidiaries	(1,154)	–
Cash and cash equivalents at end of period	* 81,785	* 88,609

[Notes]

Notes - Significant accounting policies for preparation of consolidated financial statements

(1) Scope of consolidation

TAIYO YUDEN CO., LTD. (the “Company”) has 32 consolidated subsidiaries (all subsidiaries).

TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD. has been excluded from the scope of consolidation because liquidation of the said company was completed in the fiscal year ended March 31, 2022.

(2) Application of equity method

i) The Company has no equity-method associates.

ii) Name of associates not accounted for by the equity method

Bifröstec Inc. and two other companies

Reasons for not accounting for by the equity method

The companies not accounted for by the equity method are excluded from the scope of equity method because the exclusion has a minimal impact on profit or loss (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and others, and they have no importance as a whole.

(3) The fiscal years of consolidated subsidiaries

As the reporting date for consolidated subsidiaries – TAIYO YUDEN (GUANGDONG) CO., LTD., TAIYO YUDEN (SHANGHAI) TRADING CO., LTD., TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD., TAIYO YUDEN (CHINA) CO., LTD., TAIYO YUDEN (CHANGZHOU) CO., LTD., ELNA ELECTRONICS (S) PTE. LTD., ELNA AMERICA, INC., ELNA (SHANGHAI) CO., LTD., TANIN ELNA CO., LTD. and ELNA-SONIC SDN. BHD. – is December 31, their preliminary financial statements prepared as of the consolidated reporting date of March 31 are used as a basis for consolidation.

(4) Accounting policies

i) Accounting policy for measuring significant assets

a) Securities

Other securities (available-for-sale securities)

Securities other than shares, etc. with no market price

Measured at fair value

(valuation differences are reported as components of net assets and the cost of securities sold is calculated based on the moving average method.)

Shares, etc. with no market price

Stated at cost using the moving-average method

b) Derivatives

Measured at fair value

c) Inventories

Finished goods and merchandise: Mainly stated at cost as determined by the gross average method (The book value stated in the balance sheet is written down based on the decreased profitability.)

Work in process: Mainly stated at cost as determined by the gross average method

(The book value stated in the balance sheet is written down based on the decreased profitability.)

Raw materials and supplies: Mainly stated at cost as determined by the first-in-first-out method

(The book value stated in the balance sheet is written down based on the decreased profitability.)

ii) Accounting method for depreciation of significant assets

a) Property, plant and equipment (excluding leased assets and right-of-use assets)

The declining-balance method is mainly applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied to buildings acquired (excluding facilities attached to buildings) on and after April 1, 1998, and facilities attached to buildings and structures acquired on and after April 1, 2016 by the Company and its domestic consolidated subsidiaries. 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.

The straight-line method is mainly applied for overseas consolidated subsidiaries.

- b) Intangible assets (excluding leased assets)

The straight-line method is applied for the Company and its domestic consolidated subsidiaries. Useful lives of the assets are estimated in consistent with the method accepted under the Corporate Tax Law in Japan. However, internal use software is amortized using the straight-line method over the estimated useful life which is internally determined (mainly five years).

The straight-line method is applied for overseas consolidated subsidiaries.
 - c) Leased assets

Leased assets are depreciated over the leased term by the straight-line method with no residual value.
 - d) Right-of-use assets

Right-of-use assets are depreciated over the leased term by the straight-line method with no residual value.
- iii) Accounting method for significant provisions
- a) Allowance for doubtful accounts

To prepare for losses from bad debt, the Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts at an uncollectible amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as doubtful receivables.

Overseas consolidated subsidiaries calculate the amount of potential loss mainly estimated on an individual basis.
 - b) Provision for bonuses

To prepare for bonus payments to employees, provision for bonuses is provided based on the estimated amount of payments.
 - c) Provision for bonuses for directors (and other officers)

To prepare for bonus payments to directors and operating officers, provision for bonuses for directors (and other officers) is provided based on the estimated amount of payments.
 - d) Provision for retirement benefits for directors (and other officers)

Some consolidated subsidiaries provide the necessary amount at the end of the current fiscal year in accordance with internal rules to prepare for the payment of directors' retirement benefits.
- iv) Accounting method for retirement benefits
- a) Method of attributing expected retirement benefit to periods

In calculating retirement benefit obligations, the estimated amount of retirement benefits is attributed to the periods up to the end of the current fiscal year mainly on a benefit formula basis.
 - b) Method of expensing actuarial gains and losses

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (mostly 10 years) within the average number of remaining service years of the eligible employees at the time they arise, and allocated proportionately beginning in the following fiscal year.
 - c) Adoption of simplified accounting method used by small companies

Some consolidated subsidiaries apply the simplified method in calculating the retirement benefit liabilities and retirement benefit expenses, which assumes the retirement benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.
- v) Accounting policy for recognition of significant revenues and expenses
- The Company group (the "Group") mainly produces and sells electronic components, such as capacitors, inductors and integrated modules & devices. For sales of these products, the Group considers performance obligations to be satisfied and recognizes revenue principally at the time of inspection, or at the time of transfer of risks and economic benefits, because that is when customers obtain control of the products. For domestic sales, if the period from shipment of a product to transfer of control of the product to a customer is a normal period of time, revenue is recognized at the time of the shipment.
- In addition, revenue is measured at an amount calculated by deducting discounts, etc. from consideration promised under a contract with the customer. Consideration for transactions is received within one year from satisfaction of performance obligations, and does not contain any significant financial components.

- vi) Accounting policy for hedging
 - a) Accounting policy for hedging
Deferred hedge accounting is applied.
 - b) Hedging instruments and hedged items
Hedging instruments: Forward foreign exchange contract
Hedged items: Monetary receivables and payables denominated in foreign currencies and forecast transactions
 - c) Hedging policy
In accordance with the internal risk management regulations, derivative transactions are not entered into for speculative purposes and unless they are backed by actual demand.
 - d) Method of evaluating hedge effectiveness
The determination of hedging effectiveness is not performed because for forward foreign exchange contracts in place to hedge foreign-currency transactions the important conditions for the hedging instrument and the hedged item are identical, and it is expected that market fluctuations, etc., will be offset at the beginning of the hedging and continuously thereafter.

- vii) Accounting policy for goodwill
Goodwill and goodwill equivalent are amortized over the period within 20 years during which their effects remain using the straight-line method.

- viii) Scope of cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand; demand deposits; and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

- ix) Other significant matters for preparation of the consolidated financial statements
 - a) Application of consolidated taxation system
The consolidated taxation system is applied for the Company and its domestic consolidated subsidiaries.
 - b) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
As for items regarding the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and its domestic consolidated subsidiaries have not applied the provisions of paragraph (44) of the “Guidance on Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph (3) of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.
 - c) Stated amount
Amounts presented in the accompanying consolidated financial statements are rounded down to the nearest million yen. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Notes - Significant accounting estimates

1. Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	2,144	2,536

(2) Information on the content of significant accounting estimates related to identified items

Deferred tax assets are recorded to the extent that the effect of reducing the future tax payment is expected based on an estimated amount of future taxable income. The premise of the estimated taxable income is the business plans approved by the Board of Directors. Since the tax consolidation system is applied for the Company and its domestic subsidiaries, recoverability is judged with them deemed as one taxable entity. As for overseas subsidiaries, recoverability is judged for each company.

A major assumption in the business plans is projection of revenues and profits. With regard to the business plans, demand forecasts are made based on market statistics and customer trends, sales plans are developed by customer and by product, production items and volumes are determined for each factory, and plans for production costs and administrative expenses are prepared by company and by department. After profits are allocated by considering consistency with targets, production capacity, forecasts of exchange rates, and the transfer pricing taxation rules, business plans on a consolidated basis and by each company are finalized, which serve as the premise of the estimated future taxable income.

As stated above, the business plans that serve as the premise of judging recoverability include many factors of estimation, such as sales volume/prices and exchange rates. The electronic components industry is volatile, and these factors may fluctuate beyond the scope of assumptions made as of the time when the business plans were prepared. Any changes in the conditions that serve as the premise of judging recoverability may significantly affect the amounts of deferred tax assets and deferred taxes in the consolidated financial statements for the next fiscal year.

2. Impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	As of March 31, 2021 and for the fiscal year ended March 31, 2021	As of March 31, 2022 and for the fiscal year ended March 31, 2022
Property, plant and equipment and intangible assets	160,544	186,276
Impairment losses	1,084	180

(2) Information on the content of significant accounting estimates related to identified items

The Group mainly categorizes assets based on product groups. When there is an indication of impairment, such as continuous losses from operating activities in a certain product group, recoverability test is made. If the recoverable amount, such as the total amount of undiscounted future cash flows from the relevant asset group, is less than the book value, the carrying amount is reduced to the recoverable amount, and the reduced amount is recorded as an impairment loss.

Undiscounted future cash flows were estimated based on the business plans and the medium-term plan approved by the Board of Directors, and the plans for the business associated with the relevant asset group were used. These plans were prepared based on assumptions including a sales plan developed by taking into account estimated production volume at customers and market trends, and a cost reduction plan.

The Group has judged that the estimates using these premises are reasonable. However, if a revision is required due to changes in the economic environment or business strategy, impairment may need to be recognized in the following fiscal year.

Notes - Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year, and decided to recognize revenue in the amount expected to be received in exchange for promised goods and services at the point when control of the goods and services is transferred to the customer.

In accordance with the transitional treatment prescribed in the provisional clause of paragraph 84 of the Accounting Standard for Revenue Recognition for the application of the standard, etc., the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the current fiscal year was added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policy was applied starting with the balance at the beginning of the current fiscal year. However, the Company applied the method prescribed in paragraph 86 of the Accounting Standard for Revenue Recognition and did not apply the new accounting policy retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year.

As a result, the impact of the change on the consolidated financial statements for the current fiscal year is immaterial. In addition, there is no impact on the balance of retained earnings at the beginning of the year.

The impact on per share information for the current fiscal year is immaterial.

In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, “Notes - Revenue recognition” related to the fiscal year ended March 31, 2021 are not provided.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company decided to apply the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement, etc. prospectively. As a result, the change has no impact on the consolidated financial statements for the current fiscal year.

In addition, the Company decided to provide notes regarding the breakdown of financial instruments by level of fair values and other matters in “Notes - Financial instruments.” However, in accordance with the transitional treatment provided for in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), such notes related to the fiscal year ended March 31, 2021 are not provided.

Notes - New accounting standards not yet applied

- “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, issued by the Accounting Standards Board of Japan on August 12, 2021)

(1) Outline

The “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020), which was enacted on March 27, 2020, revised the consolidated taxation system, requiring entities to make a transition to the group tax sharing system. Following this requirement, the practical solution was issued by the Accounting Standards Board of Japan for the purpose of clarifying accounting methods and treatment of disclosure for corporation and local taxes, as well as tax effect accounting, when the group tax sharing system is applied.

(2) Scheduled date of application

This accounting standard will be applied from the beginning of the fiscal year ending March 31, 2023.

(3) Effects of application of the accounting standards, etc.

The impact of the application of the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” on the consolidated financial statements is immaterial.

Notes - Changes in presentation

The presentation of certain accounts of the previous fiscal year has been changed to conform with the presentation adopted for the current fiscal year.

Notes - Additional information

Accounting estimates associated with the novel coronavirus disease (COVID-19)

Given that there are still no signs of the end of the COVID-19 pandemic, the forecasts of operating results for the fiscal year ending March 31, 2023 incorporate the impact of restrictions on economic activities in some regions due to lockdown and other factors. However, it is assumed that the Group's production activities will be able to operate as normal without any major obstacles, and it is considered that accounting estimates such as recoverability of deferred tax assets and impairment of non-current assets will not be affected significantly. However, it is difficult to predict the impact of COVID-19, when it will fade away, and others, and consolidated financial statements for the following fiscal years may be affected, depending on future changes in the economic environment and other factors.

Notes - Consolidated balance sheet

*1 Investments in associates are as follows:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Investment securities (shares)	209	209

*2 The respective amounts of receivables from contracts with customers included in "notes and accounts receivable – trade" are as follows:

	(Millions of yen)	
	As of March 31, 2022	
Notes receivable - trade		1,895
Accounts receivable - trade		84,689

*3 The amount of contract liabilities included in "other" under current liabilities is as follows:

	(Millions of yen)	
	As of March 31, 2022	
Contract liabilities		22

Notes - Consolidated statement of income

*1 Revenue from contracts with customers

In the presentation of net sales, revenue from contracts with customers is not distinguished from other revenues. The amount of revenue from contracts with customers is provided in "Notes - Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers" of the consolidated financial statements.

*2 The amount of inventories at the fiscal year-end represents the amount after writing down of the book value due to declines in profitability of assets, and the following loss on revaluation of inventories is included in the cost of sales. (The figure in parenthesis represents the amount of reversal.)

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
	140	28

*3 Major items and amounts of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Freight costs and fees	7,491	10,101
Research and development expenses	12,550	13,099
Employees' salaries and allowances	11,703	12,846
Retirement benefit expenses	748	829
Provision for bonuses	1,714	1,963
Provision for bonuses for directors (and other officers)	388	679
Depreciation	1,435	2,123
Provision of allowance for doubtful accounts	34	37

*4 Total amount of research and development expenses included in general and administrative expenses and production cost in the current period

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
	12,550	13,099

*5 Details of gain on sale of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Machinery, equipment and vehicles	37	12
Land	19	82
Other	0	4
Total	57	99

*6 Details of loss on sale and retirement of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Loss on retirement of non-current assets		
Buildings and structures	113	153
Machinery, equipment and vehicles	114	85
Software	2	111
Other	19	24
Subtotal	249	374
Loss on sale of non-current assets		
Machinery, equipment and vehicles	331	110
Land	-	18
Other	43	3
Subtotal	375	132
Total	624	506

*7 Impairment losses

The Group recorded impairment losses with respect to the following asset groups.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Type	Application	Location	Amount
Buildings, machinery and equipment	Business assets	Nishigo-mura, Fukushima	¥633 million
Buildings and structures	Idle assets	Maebashi-shi, Gunma; Others	¥243 million
Machinery, equipment and vehicles	Idle assets	Maebashi-shi, Gunma; Inami-cho, Wakayama; Others	¥180 million
Other	Idle assets	Takasaki-shi, Gunma; Others	¥27 million

The Group categorizes its 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.

As for business assets, their book values have been written down to the recoverable value due to a decline in profitability, and such reduction was recorded as impairment loss. Their components are buildings and structures of ¥83 million and machinery, equipment and vehicles of ¥550 million.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss.

The recoverable amount was measured at value in use, and which was evaluated as zero.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Type	Application	Location	Amount
Buildings and structures	Idle assets	Takasaki-shi, Gunma; Others	¥26 million
Machinery, equipment and vehicles	Idle assets	Date-shi, Fukushima, Takasaki-shi, Gunma; Others	¥153 million

The Group categorizes its 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 and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss.

The recoverable amount was measured at value in use, and which was evaluated as zero.

*8 Business restructuring expenses

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

The Group has recorded the expenses incurred from the liquidation of its overseas subsidiaries (consisting primarily of extra retirement payments, loss on disposal of non-current assets, and loss on disposal of inventories) as business restructuring expenses and presented as extraordinary losses.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable

*9 Loss on disaster

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Our subsidiary TAIYO YUDEN (PHILIPPINES), INC. (Cebu, Philippines) suffered damage due to the impact of Typhoon Rai (Typhoon No. 22) that occurred in December 2021, and our subsidiary FUKUSHIMA TAIYO YUDEN CO., LTD. (Date-shi, Fukushima) suffered damage due to the impact of an earthquake centered off the coast of Fukushima Prefecture that happened in March 2022. The amount of losses due to these disasters is recorded as "Loss on disaster."

*10 Loss by COVID-19

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Fixed costs and other expenses incurred at overseas subsidiaries engaged in production activities such as, for the period in which operations were shut down due to the request of governments and municipalities to prevent the spread of COVID-19.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable

Notes - Consolidated statement of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Amount arising during the year	1,079	(299)
Reclassification adjustments	(461)	(322)
Before tax effects adjustments	618	(622)
Tax effect	52	49
Valuation difference on available-for-sale securities	670	(572)
Deferred gains or losses on hedges:		
Amount arising during the year	(28)	(273)
Reclassification adjustments	(42)	153
Before tax effects adjustments	(71)	(120)
Tax effect	46	36
Deferred gains or losses on hedges	(24)	(83)
Foreign currency translation adjustment:		
Amount arising during the year	8,250	14,885
Reclassification adjustments	-	30
Before tax effects adjustments	8,250	14,916
Tax effect	-	-
Foreign currency translation adjustment	8,250	14,916
Remeasurements of defined benefit plans:		
Amount arising during the year	(244)	380
Reclassification adjustments	88	125
Before tax effects adjustments	(155)	505
Tax effect	16	133
Remeasurements of defined benefit plans	(139)	639
Total other comprehensive income	8,757	14,898

Notes - Consolidated statement of changes in equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock	130,218	–	–	130,218
Total	130,218	–	–	130,218
Treasury shares				
Common stock (Note) 1, (Note) 2	4,715	2	16	4,702
Total	4,715	2	16	4,702

(Notes) 1. The increase of two thousand shares of treasury shares of common stock is due to purchase of fractional shares.

2. The decrease of 16 thousand shares of treasury shares of common stock is due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	–	–	–	–	–	24
	Share acquisition rights under 2008 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2009 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2010 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2011 Stock Option Plan	–	–	–	–	–	8
	Share acquisition rights under 2012 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2013 Stock Option Plan	–	–	–	–	–	22
	Share acquisition rights under 2014 Stock Option Plan	–	–	–	–	–	25
	Share acquisition rights under 2015 Stock Option Plan	–	–	–	–	–	57
	Share acquisition rights under 2016 Stock Option Plan	–	–	–	–	–	39
	Share acquisition rights under 2017 Stock Option Plan	–	–	–	–	–	81
	Share acquisition rights under 2018 Stock Option Plan	–	–	–	–	–	171
	Share acquisition rights under 2019 Stock Option Plan	–	–	–	–	–	107
	Share acquisition rights under 2020 Stock Option Plan	–	–	–	–	–	145
Total	–	–	–	–	–	708	

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common stock	1,882	15	March 31, 2020	June 29, 2020
Board of Directors meeting held on November 9, 2020	Common stock	1,882	15	September 30, 2020	December 2, 2020

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	3,137	Retained earnings	25	March 31, 2021	June 30, 2021

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Classes and total number of shares issued and classes and number of treasury shares

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
(Thousands shares)				
Shares issued				
Common stock	130,218	–	–	130,218
Total	130,218	–	–	130,218
Treasury shares				
Common stock (Note) 1, (Note) 2	4,702	979	72	5,609
Total	4,702	979	72	5,609

(Notes) 1. The 979 thousand share increase in the number of treasury shares of common stock is attributable to an increase of 978 thousand shares due to purchase of treasury shares approved through resolution by the Board of Directors and an increase of one thousand shares due to purchase of fractional shares.

2. The decrease of 72 thousand shares of treasury shares of common stock is due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	—	—	—	—	—	24
	Share acquisition rights under 2008 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2009 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2010 Stock Option Plan	—	—	—	—	—	6
	Share acquisition rights under 2011 Stock Option Plan	—	—	—	—	—	5
	Share acquisition rights under 2012 Stock Option Plan	—	—	—	—	—	3
	Share acquisition rights under 2013 Stock Option Plan	—	—	—	—	—	14
	Share acquisition rights under 2014 Stock Option Plan	—	—	—	—	—	19
	Share acquisition rights under 2015 Stock Option Plan	—	—	—	—	—	46
	Share acquisition rights under 2016 Stock Option Plan	—	—	—	—	—	31
	Share acquisition rights under 2017 Stock Option Plan	—	—	—	—	—	65
	Share acquisition rights under 2018 Stock Option Plan	—	—	—	—	—	141
	Share acquisition rights under 2019 Stock Option Plan	—	—	—	—	—	88
	Share acquisition rights under 2020 Stock Option Plan	—	—	—	—	—	160
	Share acquisition rights under 2021 Stock Option Plan	—	—	—	—	—	205
Total		—	—	—	—	—	826

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	3,137	25	March 31, 2021	June 30, 2021
Board of Directors meeting held on November 5, 2021	Common stock	5,023	40	September 30, 2021	December 1, 2021

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2022	Common stock	4,984	Retained earnings	40	March 31, 2022	June 30, 2022

Notes - Consolidated statement of cash flows

- * Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Cash and deposits	84,297	92,570
Time deposits with a deposit period of over 3 months	(2,511)	(3,961)
Cash and cash equivalents	81,785	88,609

Notes - Leases

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Details of leased assets

Property, plant and equipment

Principally production facilities (machinery, equipment and vehicles)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

2. Right-of-use assets

i) Details of right-of-use assets

Property, plant and equipment

Principally plants and offices (land, buildings and structures)

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Accounting policies ii) Accounting method for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

3. Operating lease transactions

Future minimum lease payments under non-cancelable operating lease transactions

Notes on this item have been omitted as it is immaterial.

Notes - Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group, which mainly produces and markets electronic components, procures short-term operating funds through bank loans, and long-term funds for capital investment, etc. through bank loans and issuance of corporate 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 Group uses derivative transactions to hedge risks stated below, and does not intend to use them for speculative purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Trade receivables are exposed to customer credit risk. Therefore, the Group manages due dates and balances for each customer, and makes efforts to early recognize concerns about collectibility and reduces its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Group has business relationship are managed by reviewing market values and financial conditions of issuers on a regular basis.

Payment due dates of most trade payables are within one year.

The Group uses bank borrowings mainly for the purpose of procuring funds necessary for capital investment. Bank borrowings are not exposed to interest rate fluctuation risk as their interest rates are fixed.

Operating receivables and payables denominated in foreign currencies, arising from global business

operations, are exposed to exchange rate fluctuation risk, but the risk is hedged by using forward foreign exchange contracts. Forward exchange contracts are used for operating receivables and payables, which are certain to arise from export and import transactions. The Group engages in derivative transactions only with high-rated financial institutions.

The finance department executes and manages derivative transactions in accordance with the internal risk management regulations that stipulate trading authority, the limit amount and other related matters. The department also records details of transactions and check balances with counterparties. The results of transactions are reported by the head of the finance department to the officer in charge.

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.

(3) Supplemental information on fair value of financial instruments

As the fair value of financial instruments is calculated by incorporating variable factors, it can vary depending on assumptions adopted.

2. Fair value of financial instruments

Carrying amounts in the consolidated balance sheet, fair value, and the difference between them are as shown below.

As of March 31, 2021

(Millions of yen)			
	Carrying amounts	Fair value	Difference
Investment securities			
Other securities (available-for-sale securities) (*2)	2,187	2,187	-
Total assets	2,187	2,187	-
Long-term borrowings (*3)	55,250	54,388	(862)
Total liabilities	55,250	54,388	(862)
Derivative transactions (*4)	(1,898)	(1,898)	-

(*1) Since “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts payable - trade,” “Short-term borrowings” and “Accounts payable - other” are settled in short term, their fair values are approximate to book values. Accordingly, information on them has been omitted.

(*2) Financial instruments for which there is no market price and whose fair values are deemed to be extremely difficult to determine are not included in “Investment securities.” The carrying amounts of these financial instruments are shares of associates of ¥209 million, unlisted equity securities of ¥1 million, and equities of limited liability partnerships for investment business and of other similar partnerships of ¥6 million.

(*3) The amounts include current portion of long-term borrowings.

(*4) Receivables and payables arising from derivative transactions are shown on the net basis.

As of March 31, 2022

(Millions of yen)			
	Carrying amounts	Fair value	Difference
Investment securities			
Other securities (available-for-sale securities) (*2)	1,295	1,295	-
Total assets	1,295	1,295	-
Long-term borrowings (*3)	52,785	51,811	(974)
Total liabilities	52,785	51,811	(974)
Derivative transactions (*4)	(2,280)	(2,280)	-

(*1) Since “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts payable - trade,” “Short-term borrowings” and “Accounts payable - other” are settled in short term, their fair values are approximate to book values. Accordingly, information on them has been omitted.

(*2) Shares, etc. with no market price are not included in “Investment securities.” The carrying amounts of these financial instruments are shares of associates of ¥209 million and unlisted equity securities of ¥0 million.

(*3) The amounts include current portion of long-term borrowings.

(*4) Receivables and payables arising from derivative transactions are shown on the net basis.

- (Notes) 1. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date
As of March 31, 2021

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	84,297	–
Notes and accounts receivable - trade	78,738	–
Total	163,035	–

As of March 31, 2022

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	92,570	–
Notes and accounts receivable - trade	86,585	–
Total	179,155	–

2. Repayment schedule for short-term borrowings and long-term borrowings after the consolidated balance sheet date
As of March 31, 2021

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	18,500	–	–	–	–	–
Long-term borrowings	13,462	4,036	17,961	9,259	10,507	23
Total	31,962	4,036	17,961	9,259	10,507	23

As of March 31, 2022

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	20,200	–	–	–	–	–
Long-term borrowings	4,035	17,960	9,258	10,507	11,005	16
Total	24,235	17,960	9,258	10,507	11,005	16

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheet
As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1:	Level 2:	Level 3:	Total
Investment securities				
Other securities (available-for-sale securities)	1,295	–	–	1,295
Derivative transactions				
Currency derivatives	–	331	–	331
Total assets	1,295	331	–	1,626
Derivative transactions				
Currency derivatives	–	2,611	–	2,611
Total liabilities	–	2,611	–	2,611

(2) Financial instruments other than those measured at fair values in the consolidated balance sheet
As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1:	Level 2:	Level 3:	Total
Long-term borrowings	–	51,811	–	51,811
Total liabilities	–	51,811	–	51,811

(Note) Valuation techniques and inputs used in measuring fair values

Listed shares are assessed using quoted prices. Because listed shares are traded in active markets, their fair values are classified as Level 1 fair value.

Derivative transactions

Since quoted prices are not publicly available for forward exchange contracts, their fair values are measured based on prices offered by correspondent financial institutions, and classified as Level 2 fair value.

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, and classified as Level 2 fair value.

Notes - Securities

1. Other securities (available-for-sale securities)

As of March 31, 2021

				(Millions of yen)
	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	2,093	948	1,145
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	-	-	-
	ii) Corporate bonds	-	-	-
	iii) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	2,093	948	1,145
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	94	104	(10)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	-	-	-
	ii) Corporate bonds	-	-	-
	iii) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	94	104	(10)
Total		2,187	1,053	1,134

As of March 31, 2022

				(Millions of yen)
	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	1,295	777	518
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	-	-	-
	ii) Corporate bonds	-	-	-
	iii) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	1,295	777	518
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	-	-	-
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	-	-	-
	ii) Corporate bonds	-	-	-
	iii) Other	-	-	-
	(3) Other	-	-	-
	Subtotal	-	-	-
Total		1,295	777	518

2. Other securities (available-for-sale securities) sold
 Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	1,026	466	(5)
(2) Bonds			
i) Government bonds, local government bonds, etc.	–	–	–
ii) Corporate bonds	–	–	–
iii) Other	–	–	–
(3) Other	–	–	–
	1,026	466	(5)

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	819	497	(28)
(2) Bonds			
i) Government bonds, local government bonds, etc.	–	–	–
ii) Corporate bonds	–	–	–
iii) Other	–	–	–
(3) Other	–	–	–
	819	497	(28)

3. Impaired securities
 Not applicable

Notes - Derivatives

1. Derivatives to which hedge accounting is not applied
 Currency derivatives
 As of March 31, 2021

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	37,017	–	(1,931)	(1,931)
	Buy US dollars	3,687	–	186	186

As of March 31, 2022

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	38,850	–	(2,222)	(2,222)
	Buy US dollars	3,455	–	215	215

2. Derivatives to which hedge accounting is applied

Currency derivatives

As of March 31, 2021

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	11,387	–	(224)
	Buy US dollars	Forecast transaction	3,801	–	71

As of March 31, 2022

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	11,812	–	(389)
	Buy US dollars	Forecast transaction	3,552	–	115

Notes - Retirement benefits

1. Outline of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have mainly adopted defined contribution pension plans and prepaid retirement plans.

Certain overseas consolidated subsidiaries have mainly adopted defined benefit plans (lump-sum retirement benefit plans).

As overseas consolidated subsidiaries apply IFRS, they account for retirement benefits in accordance with IAS 19 “Employee Benefits.”

2. Defined benefit plan

(1) Reconciliation between the opening and closing balances of retirement benefit obligations

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Opening balance of retirement benefit obligations	5,736	6,883
Service cost	707	814
Interest cost	134	171
Actuarial gains and losses incurred	269	(413)
Retirement benefits paid	(352)	(366)
Decrease resulting from change in fiscal year	(20)	–
Other	408	152
Closing balance of retirement benefit obligations	6,883	7,242

(2) Reconciliation between the opening and closing balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Opening balance of plan assets	1,544	1,823
Interest income	59	73
Actuarial gains and losses incurred	24	(32)
Amount of employer contribution	217	236
Retirement benefits paid	(93)	(112)
Other	71	9
Closing balance of plan assets	1,823	1,997

(3) Reconciliation between the closing balances of retirement benefit obligations and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations from funded plans	2,498	2,640
Plan assets	(1,823)	(1,997)
	675	643
Retirement benefit obligations from non-funded plans	4,373	4,602
Net amount of liability and asset recorded in the consolidated balance sheet	5,049	5,245
Net defined benefit liability	5,105	5,315
Net defined benefit asset	(55)	(70)
Net amount of liability and asset recorded in the consolidated balance sheet	5,049	5,245

(4) Amounts of retirement benefit expenses and their components

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Service cost	707	814
Net interest	75	98
Amortization of actuarial gains and losses	89	125
Amortization of past service cost	(0)	(0)
Retirement benefit expenses for defined benefit plan	871	1,038

Notes: 1. In accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ PITF No. 18, February 19, 2010), the total amounts of actuarial differences are systematically expensed each year over a certain number of years within the employees’ average remaining years of service.

2. Other than the above retirement benefit expenses associated with the defined benefit pension plan, during the previous fiscal year, the Company has recorded ¥196 million of expenses incurred for voluntary retirement of employees for overseas subsidiaries as “Business restructuring expenses” under “Extraordinary losses.”

- (5) Remeasurements of defined benefit plans, net of tax (Consolidated statement of comprehensive income)
The breakdown of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Past service cost	(0)	(0)
Actuarial gains and losses	(155)	505
Total	(155)	505

- (6) Remeasurements of defined benefit plans (Consolidated balance sheet)
The breakdown of remeasurements of defined benefit plans (before deduction of tax effects) is as follows:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Unrecognized past service cost	(2)	(2)
Unrecognized actuarial gains and losses	(906)	(401)
Total	(909)	(403)

- (7) Plan assets

- i) Major components of plan assets

The ratio of major categories to total plan assets is as follows:

	(%)	
	As of March 31, 2021	As of March 31, 2022
Bonds	61	60
Shares	16	18
Cash and deposits	14	12
Other	9	10
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement benefit plan, accounts for 78% and 81% of total plan assets as of March 31, 2021 and 2022, respectively.

- ii) Long-term expected rate of return

The long-term expected rate of return is not specified as IAS 19 is applied.

- (8) Basis for actuarial calculations

	(%)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Discount rate	0.00 - 5.05	0.00 - 5.43
Forecasted rate of salary increase	2.30 - 5.00	1.34 - 5.00

3. Defined contribution plan

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,449 million in the previous fiscal year and ¥1,511 million in the current fiscal year.

Notes - Stock options, etc.

1. Expenses and account titles for stock options

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Selling, general and administrative expenses	173	253

2. Details, size and changes in the number of stock options

(1) Details of stock options

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 32,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From July 1, 2006 to March 31, 2007
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2007 to March 31, 2008
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 27, 2008
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 14, 2008
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2008 to March 31, 2009
Exercise period	From July 15, 2008 to July 14, 2028

Company name	Reporting company
Resolution date	May 25, 2009
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 37,000 shares
Grant date	June 9, 2009
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2009 to March 31, 2010
Exercise period	From June 10, 2009 to June 9, 2029

Company name	Reporting company
Resolution date	June 29, 2010
Category and number of people to whom stock options are granted	7 Directors of the Company
Class and number of shares granted	Common stock: 39,000 shares
Grant date	July 21, 2010
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2010 to March 31, 2011
Exercise period	From July 22, 2010 to July 21, 2030

Company name	Reporting company
Resolution date	June 29, 2011
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 44,000 shares
Grant date	July 14, 2011
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2011 to March 31, 2012
Exercise period	From July 14, 2011 to July 13, 2031

Company name	Reporting company
Resolution date	April 25, 2012
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 38,000 shares
Grant date	May 11, 2012
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2012 to March 31, 2013
Exercise period	From May 11, 2012 to May 10, 2032

Company name	Reporting company
Resolution date	May 24, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 10,000 shares
Grant date	June 10, 2013
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2013 to June 27, 2013
Exercise period	From June 10, 2013 to June 9, 2033

Company name	Reporting company
Resolution date	June 27, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 31,000 shares
Grant date	July 12, 2013
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2013 to June 27, 2014
Exercise period	From July 12, 2013 to July 11, 2033

Company name	Reporting company
Resolution date	June 27, 2014
Category and number of people to whom stock options are granted	6 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 55,000 shares
Grant date	July 14, 2014
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2014 to June 26, 2015
Exercise period	From July 14, 2014 to July 13, 2034

Company name	Reporting company
Resolution date	June 26, 2015
Category and number of people to whom stock options are granted	6 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 62,000 shares
Grant date	July 13, 2015
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2015 to June 29, 2016
Exercise period	From July 13, 2015 to July 12, 2035

Company name	Reporting company
Resolution date	November 5, 2015
Category and number of people to whom stock options are granted	1 Director of the Company 1 Operating Officer of the Company
Class and number of shares granted	Common stock: 2,000 shares
Grant date	November 20, 2015
Vesting conditions	No vesting conditions attached
Target service period	From November 1, 2015 to June 29, 2016
Exercise period	From November 20, 2015 to November 19, 2035

Company name	Reporting company
Resolution date	June 29, 2016
Category and number of people to whom stock options are granted	5 Directors of the Company 13 Operating Officers of the Company
Class and number of shares granted	Common stock: 64,000 shares
Grant date	July 15, 2016
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2016 to June 29, 2017
Exercise period	From July 15, 2016 to July 14, 2036

Company name	Reporting company
Resolution date	June 29, 2017
Category and number of people to whom stock options are granted	5 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 61,000 shares
Grant date	July 18, 2017
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2017 to June 28, 2018
Exercise period	From July 18, 2017 to July 17, 2037

Company name	Reporting company
Resolution date	June 28, 2018
Category and number of people to whom stock options are granted	4 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 57,000 shares
Grant date	July 18, 2018
Vesting conditions	No vesting conditions attached
Target service period	From June 28, 2018 to June 27, 2019
Exercise period	From July 18, 2018 to July 17, 2038

Company name	Reporting company
Resolution date	June 27, 2019
Category and number of people to whom stock options are granted	5 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,000 shares
Grant date	July 18, 2019
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2019 to June 26, 2020
Exercise period	From July 18, 2019 to July 17, 2039

Company name	Reporting company
Resolution date	June 26, 2020
Category and number of people to whom stock options are granted	5 Directors of the Company 10 Operating Officers of the Company
Class and number of shares granted	Common stock: 59,000 shares
Grant date	July 17, 2020
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2020 to June 29, 2021
Exercise period	From July 17, 2020 to July 16, 2040

Company name	Reporting company
Resolution date	June 29, 2021
Category and number of people to whom stock options are granted	4 Directors of the Company 9 Operating Officers of the Company
Class and number of shares granted	Common stock: 53,000 shares
Grant date	July 19, 2021
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2021 to June 29, 2022
Exercise period	From July 19, 2021 to July 18, 2041

(2) Size and changes in the number of stock options

The following describes the number of stock options that existed during the current fiscal year (fiscal year ended March 31, 2022). The number of stock options is translated into the number of shares.

i) Number of stock options

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009	June 29, 2010
Stock options before vesting					
At the end of previous fiscal year	-	-	-	-	-
Granted	-	-	-	-	-
Lapsed	-	-	-	-	-
Vested	-	-	-	-	-
Unvested balance	-	-	-	-	-
Stock options after vesting					
At the end of previous fiscal year	3,000	6,000	6,000	6,000	6,000
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Lapsed	-	-	-	-	-
Exercisable	3,000	6,000	6,000	6,000	6,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2011	April 25, 2012	May 24, 2013	June 27, 2013	June 27, 2014
Stock options before vesting					
At the end of previous fiscal year	-	-	-	-	-
Granted	-	-	-	-	-
Lapsed	-	-	-	-	-
Vested	-	-	-	-	-
Unvested balance	-	-	-	-	-
Stock options after vesting					
At the end of previous fiscal year	9,000	9,000	2,000	13,000	25,000
Vested	-	-	-	-	-
Exercised	3,000	4,000	1,000	4,000	6,000
Lapsed	-	-	-	-	-
Exercisable	6,000	5,000	1,000	9,000	19,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 26, 2015	November 5, 2015	June 29, 2016	June 29, 2017	June 28, 2018
Stock options before vesting					
At the end of previous fiscal year	–	–	–	–	–
Granted	–	–	–	–	–
Lapsed	–	–	–	–	–
Vested	–	–	–	–	–
Unvested balance	–	–	–	–	–
Stock options after vesting					
At the end of previous fiscal year	36,000	1,000	47,000	46,000	51,000
Vested	–	–	–	–	–
Exercised	7,000	–	9,000	9,000	9,000
Lapsed	–	–	–	–	–
Exercisable	29,000	1,000	38,000	37,000	42,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2019	June 26, 2020	June 29, 2021
Stock options before vesting			
At the end of previous fiscal year	–	–	–
Granted	–	–	53,000
Lapsed	–	–	–
Vested	–	–	53,000
Unvested balance	–	–	–
Stock options after vesting			
At the end of previous fiscal year	56,000	59,000	–
Vested	–	–	53,000
Exercised	10,000	10,000	–
Lapsed	–	–	–
Exercisable	46,000	49,000	53,000

ii) Unit price information

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	2,761	2,761	966	947

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Exercise price	1	1	1	1
Average share price at exercise	–	5,477	5,477	5,477
Fair value unit price on grant date	1,013	948	739	1,625

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Exercise price	1	1	1	1
Average share price at exercise	5,477	5,477	5,477	–
Fair value unit price on grant date	1,476	1,032	1,543	1,914

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	June 27, 2019
Exercise price	1	1	1	1
Average share price at exercise	5,477	5,477	5,477	5,477
Fair value unit price on grant date	834	1,762	3,369	1,927

(Yen)

Company name	Reporting company	Reporting company
Resolution date	June 26, 2020	June 29, 2021
Exercise price	1	1
Average share price at exercise	5,477	–
Fair value unit price on grant date	3,277	5,172

3. Method of estimating fair value unit price of stock options

The fair value unit price of the stock options determined by the resolution on June 29, 2021 and granted during the fiscal year ended March 31, 2022, was estimated based on the following:

(1) Valuation techniques used Black-Scholes Model

(2) Major basic numerical values and estimation method

Resolution date	June 29, 2021
Volatility of share price (Note) 1	48.9%
Estimated remaining outstanding period (Note) 2	3.5 years
Estimated dividend (Note) 3	¥40/share
Risk-free interest rate (Note) 4	(0.14)%

(Notes) 1. The volatility of share price is estimated based on weekly historical share prices from January 8, 2018 to July 12, 2021.

2. The estimated remaining outstanding period refers to the average period of service as Director less the already served period of service as Director. The stock options are assumed to be exercised immediately after the Director's retirement as Director.

3. The estimated dividend is based on the actual per share dividend distributed in the fiscal year ended March 31, 2021.

4. The risk-free interest rate represents the interest rate on Japanese government bonds with the remaining period corresponding to the estimated remaining outstanding period.

4. Method of estimating number of stock options vested

The number of stock options vested is equal to the number of stock options granted since the options were vested on the grant date.

Notes - Tax effect accounting

1. Breakdown of major components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Inventories	2,022	2,856
Accrued expenses	411	463
Accrued enterprise tax	512	731
Provision for bonuses	1,568	1,733
Investment securities, etc.	130	50
Allowance for doubtful accounts	41	46
Accounting depreciation in excess of tax depreciation	2,194	1,417
Lump-sum depreciable assets	212	148
Retirement benefit liability	1,141	1,162
Prepaid retirement benefit	1,439	1,306
Loss carried forward (Note)	4,479	4,709
Other	2,736	4,414
Deferred tax assets subtotal	16,891	19,041
Valuation allowance for tax losses carried forward (Note)	(4,141)	(4,577)
Valuation allowance for total deductible temporary differences, etc.	(6,113)	(5,267)
Valuation allowance subtotal	(10,255)	(9,844)
Offsetting	(4,490)	(6,660)
Deferred tax assets total	2,144	2,536
Deferred tax liabilities		
Inventories	712	768
Undistributed profits of overseas subsidiaries	5,232	6,470
Accelerated depreciation of overseas subsidiaries	1,214	2,239
Reserve for advanced depreciation of non-current assets	724	723
Valuation difference on available-for-sale securities	49	-
Other	385	293
Offsetting	(4,490)	(6,660)
Deferred tax liabilities total	3,828	3,835
Net deferred tax assets (liabilities)	(1,683)	(1,298)

Changes in presentation

“Accelerated depreciation of overseas subsidiaries” included in “Other” in the fiscal year ended March 31, 2021 is presented separately from the fiscal year ended March 31, 2022 due to an increase in materiality. The notes for the fiscal year ended March 31, 2021 have been reclassified to reflect this change in presentation.

(Note) Amounts of tax losses carried forward and associated deferred tax assets by expiration period
As of March 31, 2021

	(Millions of yen)						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*)	67	199	445	800	577	2,388	4,479
Valuation allowance	(67)	(199)	(445)	(800)	(435)	(2,192)	(4,141)
Deferred tax assets	0	-	-	-	141	195	337

(*) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

As of March 31, 2022

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Deferred tax assets relating to tax losses carried forward (*)	196	445	799	432	636	2,199	4,709
Valuation allowance	(149)	(445)	(799)	(432)	(636)	(2,114)	(4,577)
Deferred tax assets	47	–	–	0	–	84	132

(*) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

2. Breakdown of major items of differences between the statutory effective tax rate and the effective income tax rate after applying tax effect accounting

(%)

	As of March 31, 2021	As of March 31, 2022
Statutory effective tax rate	30.5	30.5
Adjustments		
Tax rate differences of the overseas subsidiaries	(5.4)	(3.2)
Undistributed profits of the overseas subsidiaries	2.7	1.7
Valuation allowance	(3.6)	(4.6)
Tax credit for research and development expenses	(2.3)	(1.7)
Foreign tax	0.7	0.4
Unrealized profit on inventories	(0.0)	0.0
Expenses not deductible permanently such as entertainment expenses	0.0	0.1
Other	0.1	1.2
Effective income tax rate after applying tax effect accounting	22.7	24.4

Notes - Business combinations

Not applicable

Notes - Asset retirement obligations

The total amount of asset retirement obligations is not disclosed as it is immaterial.

Notes - Real estate for lease, etc.

The total amount of real estate for lease, etc. is not disclosed as it is immaterial.

Notes - Revenue recognition

1. Disaggregation of revenue from contracts with customers

Product classification	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)		Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	
	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
Capacitors	195,198	64.9	230,383	65.9
Inductors	41,564	13.8	48,925	14.0
Integrated modules & devices	46,930	15.6	48,799	14.0
Others	17,227	5.7	21,527	6.2
Total	300,920	100.0	349,636	100.0

(Note) The Group operates in a single segment of the electronic components business, and the above categories are not reportable segments.

2. Basic information for understanding revenue from contracts with customers
Basic information for understanding revenue is as described in “(4) Accounting policies v) Accounting policy for recognition of significant revenues and expenses,” in the section of significant accounting policies for preparation of consolidated financial statements.
3. Satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue from contracts with customers existing at the end of the fiscal year expected to be recognized in the following fiscal year

(1) Balances of receivables from contracts with customers, contract assets and contract liabilities, etc.

	Fiscal year ended March 31, 2022 (Millions of yen)
Receivables from contracts with customers (opening balance)	78,738
Receivables from contracts with customers (closing balance)	86,585
Contract assets (opening balance)	–
Contract assets (closing balance)	–
Contract liabilities (opening balance)	18
Contract liabilities (closing balance)	22

Contract liabilities are mainly consideration received from customers before delivery of products, and are included in other under current liabilities on the consolidated balance sheet.

The amount of revenue recognized during the current fiscal year included in the opening balance of contract liabilities in the current fiscal year is immaterial.

(2) Transaction price allocated to remaining performance obligations

The practical expedient is applied and information on transaction price allocated to remaining performance obligations is omitted since the Company and its consolidated subsidiaries do not have any significant contracts with the initially expected contract period exceeding one year, and the period of contracts is mainly less than one year. In addition, there is no significant amount that is not included in transaction price, among consideration arising from contracts with customers.

Notes - Segment information, etc.

[Segment information]

The segment information is not disclosed as the Group operates in a single segment of the electronic components business.

[Notes - Related information]

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information for each product or service (Millions of yen)

	Capacitors	Inductors	Integrated modules & devices	Others	Total
Net sales for external customers	195,198	41,564	46,930	17,227	300,920

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
29,297	115,821	48,128	107,673	300,920

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
103,956	15,699	25,156	14,359	159,172

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information for each product or service (Millions of yen)

	Capacitors	Inductors	Integrated modules & devices	Others	Total
Net sales for external customers	230,383	48,925	48,799	21,527	349,636

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
34,318	126,437	49,529	139,351	349,636

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
109,725	26,247	33,548	15,415	184,936

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

[Disclosure of impairment losses on non-current assets for each reportable segment]

Information on impairment losses is not disclosed as the Group has a single segment.

[Amortization and unamortized balance of goodwill for each reportable segment]

Information on amortization and unamortized balance of goodwill is not disclosed as the Group has a single segment.

[Information about gains on bargain purchase for each reportable segment]

Not applicable

[Notes - Related party transactions]

Not applicable

Notes - Per share information

(Yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	1,937.86	2,403.20
Basic earnings per share	227.99	433.46
Diluted earnings per share	227.32	432.19

(Notes) 1. The basis for calculation of net assets per share is as follows:

	As of March 31, 2021	As of March 31, 2022
Total net assets (Millions of yen)	243,941	300,286
Amounts deducted from total net assets (Millions of yen)	708	826
[Of the above, share acquisition rights (Millions of yen)]	[708]	[826]
[Of the above, non-controlling interests (Millions of yen)]	[-]	[-]
Net assets related to common stock (Millions of yen)	243,233	299,460
Number of common stock used to calculate net assets per share (Thousand shares)	125,516	124,608

2. The basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	28,615	54,361
Amounts not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	28,615	54,361
Average number of outstanding common stock during period (Thousand shares)	125,512	125,414
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	-	-
Increase in the number of common stock (Thousand shares)	366	366
[Of the above, share acquisition rights (Thousand shares)]	[366]	[366]
Outline of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	-	-

Notes - Significant events after reporting period

Not applicable

5) Annexed consolidated detailed schedules
 [Annexed consolidated detailed schedule of corporate bonds]
 Not applicable

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at the beginning of current period (Millions of yen)	Balance at the end of current period (Millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	18,500	20,200	0.38	–
Current portion of long-term borrowings	13,462	4,035	0.39	–
Current portion of lease liabilities	667	872	3.95	–
Long-term borrowings (excluding current portion)	41,788	48,749	0.35	From April 2023 to September 2037
Lease liabilities (excluding current portion)	2,553	2,801	3.95	From April 2023 to October 2043
Other interest-bearing liabilities	–	–	–	–
Total	76,970	76,658	–	–

- (Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of borrowings at the end of the current period.
2. The average interest rate for the lease liabilities presented above is based on the standard method of calculation and does not reflect interest rates for lease liabilities recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest expenses included in the total lease payments.
3. The repayment schedule for long-term borrowings (excluding current portion) and lease liabilities (excluding current portion) for five years subsequent to March 31, 2022 is as follows:

Category	(Millions of yen)			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term borrowings	17,960	9,258	10,507	11,005
Lease liabilities	546	366	292	279

[Annexed consolidated detailed schedule of asset retirement obligations]

As the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amount of liabilities and net assets as of the same dates, annexed consolidated detailed schedule of asset retirement obligations is not disclosed pursuant to the provisions of Article 92-2 of the Regulation on Consolidated Financial Statements.

(2) Other information

Quarterly information for the current fiscal year

Cumulative period	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Fiscal year ended March 31, 2022
Net sales (Millions of yen)	83,836	172,670	262,510	349,636
Profit before income taxes (Millions of yen)	15,337	35,743	54,090	71,872
Profit attributable to owners of parent (Millions of yen)	12,969	28,448	41,859	54,361
Basic earnings per share (Yen)	103.33	226.60	333.39	433.46

Three-month period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	103.33	123.28	106.78	99.94

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Independent Auditor's Report on Review of Quarterly Consolidated Financial Statements

To the Board of Directors of TAIYO YUDEN CO., LTD.:

Conclusion

We have reviewed the accompanying quarterly consolidated financial statements of TAIYO YUDEN CO., LTD. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the quarterly consolidated balance sheet as at June 30, 2023 the quarterly consolidated statements of income and comprehensive income for the three-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023 and its consolidated financial performance for the three-month period then ended in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Basis for Conclusion

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

Responsibilities of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Quarterly Consolidated Financial Statements

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

In preparing the quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review in our report on the review of quarterly consolidated financial statements.

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

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other review procedures. A quarterly review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude, based on the evidence obtained, that nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not present fairly in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, if a material uncertainty relating to events or conditions comes to our attention that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report on the review of quarterly consolidated financial statements to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to express a qualified conclusion or an adverse conclusion. Our conclusions are based on the evidence obtained up to the date of our report on the review of quarterly consolidated financial statements; however, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate that nothing has come to our attention that causes us to believe that the presentation and disclosures in the quarterly consolidated financial statements are not in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, and that nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the group review. We remain solely responsible for our review conclusion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, the planned scope and timing of the review, significant review findings that we identify during our review.

We also provide Audit & Supervisory Board Members and Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Shingo Iwamiya
Designated Engagement Partner
Certified Public Accountant

Hiromasa Niinaya
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
September 29, 2023

Notes to the Reader of Independent Auditor's Report:

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

(1) Quarterly consolidated financial statements

1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	87,197	113,508
Notes and accounts receivable - trade	70,372	72,136
Merchandise and finished goods	34,695	34,887
Work in process	46,885	47,702
Raw materials and supplies	23,234	23,882
Other	12,269	13,028
Allowance for doubtful accounts	(258)	(247)
Total current assets	274,396	304,898
Non-current assets		
Property, plant and equipment		
Buildings and structures	129,144	149,576
Machinery, equipment and vehicles	363,035	373,578
Tools, furniture and fixtures	37,483	39,168
Land	15,858	15,991
Construction in progress	47,571	46,962
Accumulated depreciation	(372,502)	(385,068)
Total property, plant and equipment	220,590	240,207
Intangible assets		
Other	1,663	1,691
Total intangible assets	1,663	1,691
Investments and other assets		
Investment securities	1,447	1,519
Other	5,458	3,592
Allowance for doubtful accounts	(92)	(98)
Total investments and other assets	6,812	5,013
Total non-current assets	229,066	246,911
Total assets	503,462	551,810

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,012	25,563
Short-term borrowings	30,200	30,200
Current portion of long-term borrowings	17,958	18,958
Income taxes payable	1,550	1,896
Provision for bonuses	4,205	2,374
Provision for bonuses for directors	60	6
Other	35,152	45,845
Total current liabilities	112,140	124,845
Non-current liabilities		
Long-term borrowings	50,777	84,227
Provision for retirement benefits for directors (and other officers)	39	42
Retirement benefit liability	5,666	6,180
Other	16,359	14,604
Total non-current liabilities	72,843	105,055
Total liabilities	184,984	229,900
Net assets		
Shareholders' equity		
Share capital	33,575	33,575
Capital surplus	49,908	49,908
Retained earnings	233,802	229,098
Treasury shares	(13,457)	(13,457)
Total shareholders' equity	303,829	299,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	631	654
Deferred gains or losses on hedges	(0)	(70)
Foreign currency translation adjustment	13,086	21,225
Remeasurements of defined benefit plans	(26)	(3)
Total accumulated other comprehensive income	13,690	21,806
Share acquisition rights	958	979
Total net assets	318,478	321,910
Total liabilities and net assets	503,462	551,810

2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	81,740	72,612
Cost of sales	54,716	59,853
Gross profit	27,023	12,759
Selling, general and administrative expenses	13,880	13,337
Operating profit (loss)	13,142	(577)
Non-operating income		
Interest income	72	291
Dividend income	0	0
Foreign exchange gains	3,966	1,870
Subsidy income	62	308
Other	95	139
Total non-operating income	4,197	2,610
Non-operating expenses		
Interest expenses	103	136
Depreciation of inactive non-current assets	6	19
Compensation expenses	0	706
Other	25	10
Total non-operating expenses	135	873
Ordinary profit	17,204	1,159
Extraordinary income		
Gain on sale of non-current assets	4	17
Gain on sale of investment securities	–	164
Total extraordinary income	4	181
Extraordinary losses		
Loss on sale and retirement of non-current assets	199	88
Other	4	1
Total extraordinary losses	204	89
Profit before income taxes	17,004	1,251
Income taxes - current	4,281	1,152
Income taxes - deferred	485	(804)
Total income taxes	4,767	348
Profit	12,236	903
Profit attributable to owners of parent	12,236	903

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	12,236	903
Other comprehensive income		
Valuation difference on available-for-sale securities	(103)	23
Deferred gains or losses on hedges	101	(70)
Foreign currency translation adjustment	10,699	8,139
Remeasurements of defined benefit plans, net of tax	25	22
Total other comprehensive income	10,723	8,115
Comprehensive income	22,960	9,018
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,960	9,018

[Notes]

Notes-Significant accounting policies for preparation of quarterly consolidated financial statements

The accompanying quarterly consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulation and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

Stated amount

Amounts presented in the accompanying quarterly consolidated financial statements are rounded down to the nearest million yen. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Notes - Quarterly consolidated statements of cash flows

The Company has not prepared the quarterly consolidated statements of cash flows for the three months ended June 30, 2022 and 2023. Note that depreciation (including amortization of intangible assets excluding goodwill) for the three months ended June 30, 2022 and 2023 is as follows:

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
		(Millions of yen)
Depreciation	7,856	8,850

Notes – Shareholders’ equity

I Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders held on June 29, 2022	Common stock	4,984	40	March 31, 2022	June 30, 2022	Retained earnings

II Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders held on June 29, 2023	Common stock	5,607	45	March 31, 2023	June 30, 2023	Retained earnings

Notes - Segment information, etc.

[Segment information]

The segment information is not disclosed as the Group operates in a single segment of the electronic components business.

Notes - Revenue recognition

Disaggregation of revenue from contracts with customers

Product classification	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)		Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	
	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
Capacitors	54,583	66.8	47,133	64.9
Inductors	11,748	14.4	10,976	15.1
Integrated modules & devices	9,159	11.2	8,182	11.3
Other	6,248	7.6	6,320	8.7
Total	81,740	100.0	72,612	100.0

(Note) The Group operates in a single segment of the electronic components business, and the above categories are not reportable segments.

Notes - Per share information

The amounts and basis for calculation of basic earnings per share and diluted earnings per share are as follows:

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
(1) Basic earnings per share (Yen)	98.20	7.25
<i>Basis for calculations</i>		
Profit attributable to owners of parent (Millions of yen)	12,236	903
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	12,236	903
Average number of outstanding common stock during period (Thousand shares)	124,608	124,608
(2) Diluted earnings per share (Yen)	97.92	7.22
<i>Basis for calculations</i>		
Profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common stock (Thousand shares)	361	407
[Of the above, share acquisition rights (Thousand shares)]	[361]	[407]
Outline of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect with significant changes from the end of the previous fiscal year	—	—

Notes - Significant events after reporting period

Not applicable

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