

## Consolidated Financial Statements



## 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, 2021 and 2020, 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, 2021 and 2020, 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 ¥2,144 million were recognized for the current fiscal year. As described in Note "Tax effect accounting" to the consolidated financial statements, the amount of	The primary procedures we performed to assess whether the Company's judgment on the recoverability of deferred tax assets was appropriate included the following:

gross deferred tax assets before being offset by deferred tax liabilities and deducting valuation allowance amounted to ¥16,891 million.

Deferred tax assets are recognized to the extent that tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income.

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 was the major market to which these companies belonged, included the field of communication equipment such as smartphones where demand fluctuated widely, and therefore predictions 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.

We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the recoverability of deferred tax assets was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

## (1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the Company's judgment on the recoverability of deferred tax assets.

## (2) Assessment of the reasonableness of the estimated future taxable income

In order to assess the reasonableness of key assumptions adopted by management in estimating future taxable income, which were 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:

- assessed the consistency between the assumptions about the predictions of future revenues and the reports on demand forecasts for the capacitors market published by external research organizations by inspecting the reports;
- analyzed the causes of differences between past business plans and actual results and assessed whether they were properly taken into account in estimating future taxable income; and
- evaluated the appropriateness of the calculation of future taxable income and tax-return adjustments included in the calculation by engaging tax specialists as well as the appropriateness of the scheduling of deductible temporary differences and tax loss carryforward.

## The Company's judgment as to whether an impairment loss should be recognized on non-current assets used by ELNA CO., LTD. and its consolidated subsidiaries

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group for the current fiscal year, property, plant and equipment of ¥159,172 million and intangible assets of ¥1,371 million were recognized. As described in Note "Significant accounting estimates, 2. Impairment of non-current assets" to	The primary procedures we performed to assess the Company's judgment as to whether an impairment loss should be recognized on non-current assets used by ELNA CO., LTD. and its consolidated subsidiaries included the following:

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the consolidated financial statements, of these amounts, ¥5,489 million of property, plant and equipment and ¥97 million of intangible assets were used by ELNA CO., LTD., a consolidated subsidiary of the Company, and its consolidated subsidiaries, which represented 1.4% of total assets in the consolidated financial statements.

Whenever there is an impairment indicator for non-current assets, they need to be tested for impairment by comparing the undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

Since aluminum electrolytic capacitors, which were the core product of ELNA CO., LTD. and its consolidated subsidiaries, were affected by sluggish demand in the automobile industry, an impairment loss on goodwill of ¥5,206 million was recognized in the previous fiscal year. In the current fiscal year, it was not clear that profit or loss from operating activities of ELNA CO., LTD. and its consolidated subsidiaries would be positive, and therefore an impairment test was performed in the current fiscal year. As a result, since the undiscounted future cash flows exceeded the carrying amount of non-current assets of ELNA CO., LTD. and its consolidated subsidiaries, the Company concluded that the recognition of an impairment loss was not necessary.

Undiscounted future cash flows used in the impairment testing were based on the future business plan prepared by management of ELNA CO., LTD. and its consolidated subsidiaries. In particular, the sales forecasts of conductive polymer hybrid aluminum electrolytic capacitors and cost reduction plan reflected key assumptions adopted by management of ELNA CO., LTD. and its consolidated subsidiaries. Those assumptions involved uncertainty and had a significant effect on the undiscounted future cash flows.

We, therefore, determined that our assessment of the Company's judgment as to whether an

### (1) Internal control testing

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the Company's judgment as to whether an impairment loss should be recognized on non-current assets.

### (2) Assessment of the reasonableness of estimated undiscounted future cash flows

In order to assess the reasonableness of key assumptions embedded in the future business plan of ELNA CO., LTD. and its consolidated subsidiaries, which formed the basis for estimating undiscounted future cash flows, we inquired of management of ELNA CO., LTD. and its consolidated subsidiaries regarding the basis on which those assumptions were developed. In addition, we:

- assessed the consistency of the assumption related to the sales forecasts of conductive polymer hybrid aluminum electrolytic capacitors by inquiring regarding the degree of order certainty and inspecting supporting documents. We also assessed the consistency between the sales forecasts and the reports on demand forecasts for the market published by external research organizations by inspecting those reports;
- assessed the reasonableness of the assumptions related to the cost reduction plan by inspecting supporting documents;
- analyzed the causes of differences between past business plans and actual results and assessed whether they were properly taken into account in estimating undiscounted future cash flows; and
- independently estimated undiscounted future cash flows, had we incorporated the effect of specific uncertainty into the future business plan, and compared the estimate with that developed by management of ELNA CO., LTD. and its consolidated subsidiaries, after considering the results of the above procedures.

impairment loss should be recognized on non-current assets used by ELNA CO., LTD. and its consolidated subsidiaries was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

### 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

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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.

平井 清 

Kiyoshi Hirai

Designated Engagement Partner


Certified Public Accountant

岩高 晋伍 

Shingo Iwamiya

Designated Engagement Partner

Certified Public Accountant

今井 仁子 

Yoshiko Imai

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

September 1, 2021