March 26th, 2025

The Board of Directors
The Special Committee
Mr. Akira Kasai, President
Shibaura Electronics Co., Ltd.

We hope this letter finds you well.
We have received an additional questionnaire (the "Questionnaire (2)") from Shibaura on March 19, 2025. We appreciate once again your intention to continue to consider YAGEO's proposal in a bona fide manner and your submission of Questionnaire (2) to evaluate its proposal. Please find enclosed our reply, which we hope reflects the depth of our consideration and sincere respect for Shibaura Electronics, as well as our strong interest in building a strategic partnership founded on mutual benefit and long-term value creation.

We would also like to take this opportunity to respectfully reiterate our strong desire to engage in a direct, face-to-face discussions, with Shibaura's leadership. Over the past three years, we have made numerous attempts through various channels to initiate dialogue, but unfortunately, we have yet had the opportunity to meet. Nevertheless, our interest in building a constructive, strategic and friendly relationship with Shibaura remains unwavering. We firmly believe that a stronger Shibaura will help create a brighter future for its employees, business partners and all stakeholders—extending far beyond individual value.

Given the strategic importance of this potential collaboration, we sincerely propose to hold a full-day of an in-depth meeting with your management team. Should it be deemed necessary, we are more than willing to dedicate two to three days if needed. If we are honored with the opportunity to meet with your esteemed President, both our Chairman and CEO are fully prepared to visit your team in Japan and engage in a thorough, sincere conversation regarding potential partnership. We truly hope to receive your kind consideration. We believe that only through open and direct communication can both parties fully explore the possibilities and address key considerations. To ensure clarity and mutual understanding, we will arrange for professional interpreters for Japanese–Chinese and Japanese–English throughout the meetings, creating an environment of precise, respectful, and effective dialogue.

As the core of our approach is a guiding principle: **our intention is not to change Shibaura's identity, but to support and strengthen it**. We are firmly committed to preserving Shibaura's independence and professional judgment. Our goal is to create space for greater growth—not to replace. Over the past 70 years, Shibaura's relentless focus, exceptional quality, and innovation have been widely recognized. We fully acknowledge Shibaura's capabilities as a respected, specialized, technology company, and we believe that its continued autonomy is essential to future success.

YAGEO positions itself as a **strategic partner**, not a financial investor. Our role is to help our business partners create additional value—not to pursue cost reductions or organizational restructuring. With our global infrastructure, broad and diverse customer base, R&D collaboration potential, and long-term investment capacity, we are confident that we can support Shibaura in accelerating innovation, expanding into global markets, and achieving sustainable growth—while fully preserving its operational independence. We believe that a strategic alliance between our two companies can not only offer more career development opportunities for Shibaura's employees but also expand customer access in North America and Europe. Furthermore, it can help strengthen Shibaura's position in promising application fields—such as the future of AI—within an increasingly dynamic global market. Every component designed by Shibaura's engineers has the potential to reach a broader audience through this partnership, and your employees' expertise can gain new global exposure.

As we have emphasized previously, over the past three years YAGEO has made continuous efforts to initiate this important and constructive dialogue with your company. We sincerely hope we may now be granted the opportunity to meet directly with your President to begin a deeper discussion. Our team is fully prepared and ready to accommodate your schedule at your earliest convenience. We respectfully ask for your thoughtful consideration—not just for this meeting, but for the future of your company and your employees. Let YAGEO help bring Shibaura's outstanding technology to the global stage.

As a concrete example, since joining YAGEO in 2020, TOKIN (formerly under NEC) has demonstrated exceptional growth and results through strategic integration and collaboration. We would warmly welcome an opportunity for your President to meet with the President of TOKIN, to better understand our partnership model and corporate culture through open and friendly exchange.

YAGEO look forward to meeting with you and your Special Committee members to gain better understanding of the attractiveness of YAGEO's proposal and discuss measures to move forward with the Transaction and, ultimately, to enhance your corporate value.

With our highest respect and sincere appreciation,
Yours faithfully,

Pierre T.M. Chen, Founder and Chairman
YAGEO Corporation

YAGEO's Responses

1. YAGEO's Business

1) Shibaura understands that YAGEO's business model relies on creating economies of scale by mass producing products in regions where electronic components such as ceramic capacitors, tantalum capacitors, and resistors can be produced at low costs and competes with quantity. Please explain the following points.

① Please share with us a big picture of the specific management models you envision.

- The big picture of YAGEO's business or management model is to provide our customers with a competitive and comprehensive product portfolio with a focus on customer service (after sale service, logistics, and others). YAGEO has established a high entry barrier through its technical complexity, high design-in efforts, manufacturing efficiency, and most importantly, scale. We recognize the necessity to optimize supply chains for our customers, so that they can rely on a single total solutions provider covering a wide product base of capacitors, resistors, inductors, wireless and power components, and now sensors across various market segments. Another key characteristic of our model is our emphasis on sales channels. As you can see from our disclosed information, YAGEO provides electronic components to customers around the world, and our sales channels is comprised of an extremely diversified customer base, segments, and regions.
- Even with respect to YAGEO's large volume products, at least 70% of our products require early design-in with our customers. We need to understand our customer products, roadmaps, and volume requirements to fulfill the design needs of our customers.
- YAGEO also strengthens its competitiveness with expertise in manufacturing and technological advancements over decades of experiences.

(Question 1) You stated, "at least 70% of our products require early design-in with our customers". Please explain whether this means that YAGEO's business model is to propose and deliver your existing large volume products which meet your customers' needs at design phase to your customers, or to produce new customized products to meet your customers' needs at design phase and deliver the customized products to specific customers.

- Regarding the statement that "at least 70% of our products require early design-in with our customers", the reality is that YAGEO's business model encompasses both approaches. We work closely with our customers during the design phase to provide optimal solutions.

② With respect to the big picture, please explain with specific examples the strategic differences and advantages compared to competitors.

- The following are key philosophies of our company:
  - Strengthening long-term partnerships with our customers;
  - Offering complete and comprehensive solutions to our customers;
  - Increasing the proportion of premium and design-in products; and
  - Continuing the optimization of our global production footprint to provide the best solution for our customers.
- As indicated above, a key difference with other component makers in Asia is our focus on sales channel and a wide product base.

- Many competitors in Asia provide one single product, in attempt to win large orders from major customers like the smartphone and PC makers. This makes sense for smaller companies since smartphones and PCs can drive large volumes even with a very focused sales strategy. However, since this causes the revenue stream to become very concentrated, it becomes difficult to venture beyond the consumer supply chain, into high-end, premium channels like automotive and industrial equipment. This is where YAGEO excels–YAGEO's sales channels and customer relationships, including that of KEMET and Pulse–for which YAGEO has been expanding for the last hundred years. Given the nature and scale of electronic components we provide, it is difficult for any newcomer or existing players to replace us even once. This is also something YAGEO can provide to Shibaura with respect to Europe and the Americas, which are entirely new markets for Shibaura.
- Another key advantage is our wide product base. After years of M&A efforts, YAGEO has become one of the largest electronic component providers in the world with a strong standing in three key pillars of passive components – capacitors, resistors, and inductors. YAGEO is now venturing into power semiconductor components like MOSFETs and power management ICs and sensors through M&A and strategic alliances. This can provide customers a one-stop shop experience and the opportunity to focus on the design of the end product.

(Question 2) Regarding Europe and the Americas markets, you phrased them as "entirely new markets" for us, but we have been focusing on expansion in Europe and the Americas markets in recent years, and especially we have been expanding our products' share in Europe markets (our revenue in Europe and the Americas markets accounts for approx. 20% of our consolidated revenue). Therefore, your understanding is factually inaccurate, and we have already obtained certain share in Europe and the Americas markets, so the two markets are not "entirely new markets" for us. Based on that, again, please explain your plan to expand our businesses in Europe and the Americas markets.

- Entirely new markets means additional new market, new opportunities in markets in US and EU.
- In Shibaura's IR conference dated Dec 3, 2024, it stated that its revenue from US and EU are 3.5% and 2.8%. Also in its the Consolidated Financial Results for the Nine Months Ended December 31, 2024, dated on February 10, 2025 states that its revenue % from US and EU are 3.2% and 2.6%, respectively. These demonstrate growth potentials by leveraging YAGEO's sale channels and customer base and working together with Shibaura's specialties and technologies. To elaborate more clearly, we were mentioning that YAGEO will be able to bring Shibaura to entirely new opportunities in markets in Europe and America.
- YAGEO has powerful presence in the United States and Europe and strong partnership with clients from key sectors such as AI, Automotive and Industrial. YAGEO could help further boost Shibaura's products in its untapped markets through YAGEO's extensive global sales network while strengthening existing ones.
- In 2024, US$1.8billion revenue was generated by YAGEO from North America and Europe regions, representing almost 50% of total revenue. This illustrates a significant growth opportunity for Shibaura.

(Question 3) You answered that "our focus on sales channel and a wide product base" is your key difference, but we think that other component makers with global business also have similar aspect. Therefore, from your technological capability perspective in particular, please explain your key difference from other component makers.

- While sales channels and product breadth are important, our technological capabilities provide a distinct advantage. We define our competence broadly, encompassing:
  - Comprehensive Technology: This includes R&D, material, product design, and production processes. Critically, it also involves the efficient process of translating customer needs into high-quality, cost-effective products within accelerated timelines. This end-to-end technological integration allows us to respond rapidly and precisely to market demands.
  - Proven Expertise and Customer Partnerships: We believe our established technology and accumulated experience in this holistic technological approach, coupled with our strong partnerships with a diverse customer base, are key differentiators. This combination enables us to not only innovate but also to deliver tailored solutions that meet the specific needs of our clients. We are confident this advantage will be a catalyst for Shibaura's growth.

2) Shibaura understands that YAGEO has grown through a roll-up strategy of M&A. Please explain the following points.

   ① Please explain the positioning of M&A in YAGEO's growth strategy, and the general view and policy on M&A. Also, please explain specifically the timing and the kind of regions, industries, and sizes of companies YAGEO is planning to acquire.

- M&A has been a core part of YAGEO's growth strategy which focuses on acquiring companies that bring valuable technology, production capabilities, and talent, enabling us to offer a comprehensive one-stop solution to our customers. YAGEO leverages its strong financial position and the established global sales channels to accelerate growth and market penetration of the acquired businesses.
- Given YAGEO's strength in global sales channels, we are primary focusing on acquiring the right product technology for our customers. While we generally do not share the information in detail, in terms of size, we need to evaluate the impact on our management resources and shareholder value.
- To summarize, as long as a potential M&A can further fulfill our customer needs, we will explore its possibility.

   ② Please explain the decision-making and internal approval process within YAGEO when carrying out a M&A.

- YAGEO's M&A decision-making process is rooted in a thorough and comprehensive evaluation of potential candidates, leveraging our deep industry and technological knowledge. This rigorous analysis informs our internal approval process, which involves a multi-tiered review culminating in executive leadership sign-off, ensuring alignment with our strategic goals and maximizing the value of each acquisition.
- In the process, we rely heavily on our internal and external talent, specifically PBU managers, to conduct the initial screening and research. They understand the market best and understand the most complementary technology and companies in order for the area to grow. After carefully studying the company for its product technology and market prospects, we will bring the case to our board of directors to see if it is in our shareholders' interests to invest our resources on the specific case.

   ③ You state that YAGEO's policy in M&A is to continue using the brands of companies that have joined YAGEO group to the extent possible, to compare the significance of human resources, technology, products, and the business as a whole, and to respect the independence of the target company after the acquisition. Please provide specific information about YAGEO's approach to PMI (post-merger integration) after the M&A (in particular, including but not limited to the concept of plant operation, closing and integration of factories and sales bases by region and location, time spent on closing and integration (for automobiles and industrial equipment, we estimate that it is not easy due to certification issues), and other concepts such as allocation of management resources).

- To ensure a smooth transition, we always try to keep the operation as independent as possible. We would work closely with the company to understand the business and company better to see what is best suited for all the stakeholders.
- On top of maintaining the brands, we always aim to retain the talent and management, as it is in the best interests for YAGEO and the employees of the acquired companies. These people understand the company inside out with a clear view of the specific market they are in, given their experience through different market cycles.
- More specifically on PMI, the immediate step is to leverage our sales and marketing resources. First of all, we need to educate our existing sales members on new products and design processes so they may bring them to our customers. Then, we will do an in-depth review of customer overlap, identify the applicable areas and customers of YAGEO, and set the strategy for the acquired company.
- For IT, human resources, and finance and accounting, we will discuss in detail with the acquired company to find the best solutions for that company and as a whole.
- In terms of factory integration, there is no standard procedure as each company is different, but this is driven by five core principles: delivering the best customer solutions, maintaining a competitive advantage, optimizing production and operations, maximizing acquired talent potential, and mitigating external risk such as geopolitical factors. We will first take time to understand the operation and customer behavior fully before we make any decisions. We understand and agree that automotive and industrial factories will take a long time for any changes given the customer certification process. We will explore opportunities only when the benefits substantially outweigh the costs. We will also first communicate with our customers thoroughly and transparently to ensure a smooth transition as necessary.
- The bottom-line is that YAGEO values "addition" over "subtraction." We always try to bring more through integration, valuing long-term benefits of all stakeholders instead of short-term gains.

(Question 4) Regarding PMI, you stated that "to leverage our sales and marketing resources" will be immediate steps. As we stated in the 1st Questionnaire, one crucial element to our sensors' sales and marketing is highly specialized sales functions that enable products to be tailor-made upon collaboration with customers. We believe that educating the design process of our sensors to your existing sales forces may require considerable cost and time, but please explain your thoughts on that.

- PMI process will leverage the existing YAGEO Sales Organization to provide additional contacts within a much broader customer network for the target company existing specialized sales organization to utilize.
- Our approach will not be to isolate and distance the target company existing specialized sales organization from customers, rather to ensure that more opportunities can be discovered and followed up.

- Some technical training will be provided to the YAGEO technical field application engineers and by them to the YAGEO existing sales organization, but not with the intent to replace the target company existing specialized sales and technical organization.
- We believe such trainings can be carried out with very limited cost and time and that benefits from it will out weight greatly their cost.
- This approach has been proven working.

(Question 5) For IT, human resources and management, you mentioned that you will discuss with the acquired company to find the best solutions. Please explain in detail including the PMI track record of your acquisitions in the past.

- For IT, human resources, and finance and accounting, we will discuss in detail with the acquired company to find the best options for that company. The priority is to ensure Shibaura receives the required support and resources to achieve its management team's objectives. Here are some details.
- IT:
  - Let the acquired company continue to run on its original IT system.
  - We provide an IT platform for companies to autonomously exchange and share information.
  - Due to the group's large size, we will assist each company in obtaining better terms (such as license and maintenance costs).
- HR: Given that retaining top talent and ensuring effective management are among the highest priorities for people assets, YAGEO recognizes the importance of maintaining stability and continuity for employees of the acquired company. Therefore, the existing HR policies and practices of the acquired company will remain in place.
- Factory integration: We acknowledge the difference among technologies. Should a company establish a new factory in a location where other companies within our group already have facilities, we will offer assistance to the greatest extent possible. Each company retains the autonomy to decide whether to integrate its internal operations.

(Question 6) You phrased your view on M&A as "“addition” over “subtraction”", which is not clear to us, so please explain in detail. In addition, please explain whether there is any case in the past acquisitions where you have closed factories of the acquired companies or conducted layoff in the acquired companies. If there is any case, please explain the background and details.

- Our philosophy of "addition" over "subtraction" in M&A signifies our commitment to building upon the strengths of acquired companies, rather than dismantling them. It's about enhancing existing operations, not replacing them. Our approach is to foster a collaborative and inclusive environment that drives mutual growth and success.
- YAGEO’s intention is to elevate the acquired company by providing more resources and supports, so “addition”. This is totally different to the approach of financial investors who only focus on cost reduction, so “subtraction”.
- **No Facility Closures as Integration Strategy:** We want to be clear that there is no plan to include closing Shibaura facilities as part of the PMI integration.
- **YAGEO's Factory Operations:** Historically, YAGEO has not pursued factory closures or relocations as a standard practice. Decisions related to factory operations are primarily driven by market and customer requirements, such as supply chain security or efficiency considerations. These are strategic, market-driven decisions driven by business managers, not integration tactics.

④ Please tell us the specific implementation status of PMI in the past (including but not limited to closing factories and bases, reassignment of employees and staff reductions, differences in average turnover rates before and after becoming a part of your group, progress of various measures, performance before and after acquisition, plans for the future). Based on your past experience, please explain examples of successful and unsuccessful PMI, especially with respect to the specific challenges and solutions to the integration of human resources, organization, and culture.

- A prime example of a successful PMI is our combination with KEMET. KEMET was a US-listed company with more than a hundred years of history, with a strong focus on high end channels such as industrial and automotive industries. We assisted KEMET in expanding its reach in Asia through YAGEO's channels on various products and injected CAPEX resources for them to expand its existing manufacturing sites in Mexico and Thailand while investing heavily into its high-end R&D center in South Carolina. KEMET's revenue and profitability have grown substantially since the integration and consistently exceed the market growth rate.
- A key challenge we faced in the past is regarding the IT system integration with a carve-out entity through our acquisition of Schneider Electric's Telemecanique Sensors. Given the complex nature of carve-outs and the company's reliance on parent company's IT systems, it will take more time to study and analyze the impact of data collection and IT system integration. As explained on the quarterly financial statements, this caused the OPEX to suddenly rise for a few quarters following the integration. However, after months of on-site efforts, we resolved the issue, and will put an extra emphasis on IT going forward.
- One of YAGEO's core values is the inclusion of cultures. We do not simply "copy and paste" cultures. As we value and aim to retain talent from the companies, we often leverage their knowledge and relationships to run day to day operations once we are on the same page in terms of vision. The key is to emphasize what YAGEO can provide on top of its original, existing operations. With a certain level of independence, YAGEO can often ensure a smooth transition without any huge culture shock, even in the long-term. As YAGEO becomes more global, we have also become more inclusive as an organization. This approach is evident in our global leadership, which consists of talent from numerous acquired companies.
- In terms of turnover rates of the acquired company, they largely stay at the same level compared to that before the acquisition.

(Question 7) You stated "YAGEO can often ensure a smooth transition without any huge culture shock". Within the cases where culture shock existed, please explain what has happened in detail.

- YAGEO's long history of successful M&A transactions, starting with our first European acquisition in 1996 and continuing with significant acquisitions in the US, EU, and Japan (TOKIN as a part of KEMET), demonstrates our proficiency in integrating diverse organizations. We understand that cultural integration is a critical factor in ensuring a smooth transition.
- Our ability to minimize culture shock is rooted in several key principles:
  - Inclusive Culture and Talent Retention: We actively foster an inclusive culture that values the contributions of acquired talent. Our priority is to retain and empower the existing management to maintain a smooth operation.
  - Management Autonomy: We recognize the importance of maintaining a degree of management autonomy for acquired companies. This allows them to operate effectively

while adapting to the broader YAGEO framework.

- Following all these principles, we have not had any major culture shock.

(Question 8) Regarding the turnover rates of the acquired company, you stated "they largely stay at the same level compared to that before the acquisition". Please explain how the turnover rates changed right after the acquisition, one year after the acquisition, three years after the acquisition, comparing to that before the acquisition.

- One of YAGEO's core values is fostering cultural inclusion. Rather than applying a standardized approach, we recognize and respect the unique cultural identities of acquired companies. As talent retention is a key priority, we actively leverage the expertise and established relationships of employees to ensure seamless day-to-day operations, aligning efforts with our shared vision.
- Notably, the turnover rates of acquired companies have remained largely consistent with pre-acquisition levels. We will be pleased to share the turnover data for TOKIN during our face-to-face meeting.

3) In 2023, you acquired two European companies that handle sensors (Heraeus Nexensos acquired from Heraeus Group and Telemecanique Sensors acquired from Schneider Electric in France). Please explain the following points.

① Please explain the current PMI status (including but not limited to closing factories and bases, reassignment of employees and staff reduction, differences in average turnover rates before and after becoming part of your group, progress of various measures, performance before and after acquisition, plans for the future).

- We would like to refrain from providing responses for these questions in this response letter, which will be disclosed to the public. However, since we understand that this information is helpful for Shibaura to consider YAGEO's proposal, we would like to request an opportunity to meet in person with you to provide supplementary explanation and additional information in order to help deepen Shibaura's understanding.

(Question 9) The PMI status of the two acquisitions of the sensor companies is critical matters to our evaluation of your proposal, so please explain, to the extent that is possible to disclose, the PMI status besides IT systems, as well as the PMI status of factories' operation (including whether PMI was conducted or not).

- Given the complex nature of business carveout (no IT system and support after transaction), PMI activities for Telemecanique Sensors and Nexensos have focused primarily on integrating their corporate infrastructure processes with those of YAGEO. We retained management and talents of both acquired companies and we rely on their experience and specific know-how to run the daily business, including factory operations, with a high degree of independence within agreed upon strategic guidelines and plans.

② Please explain the targets and KPIs at each stage in the future PMI schedule, as well as any issues that are currently occurring, if any.

- We would like to refrain from providing responses for these questions in this response letter, which will be disclosed to the public. However, since we understand that this information is helpful for Shibaura to consider YAGEO's proposal, we would like to request an opportunity to meet in person with you to provide supplementary explanation and additional information in order to help deepen Shibaura's understanding.

(Question 10) As you mentioned, the targets and KPIs in the PMI schedule are critical matters to our evaluation of your proposal, so please explain, to the extent that is possible to disclose, even just high-level policy is fine.

- While conducting PMI activities, YAGEO aims at retaining management and talents of the acquired companies, avoiding negative business impacts, avoiding negative impact to existing customers retention and satisfaction, giving continuity to the smooth operation of all functions during the transition, maintaining employees morale and engagement.
- A challenge we faced in the past is the IT system integration of Telemecanique Sensors, due to the complex nature of the carve-out and the high reliance on the IT system of Schneider Electric. However, after months of on-site efforts, we resolved the issue, and will put an extra emphasis on IT going forward.

③ YAGEO mentioned that "The annual revenue of its sensors segment exceeded US$400 million in 2023" in your original release, but your 2023 English Annual Report page 213 states that the sensor business segment revenue in 2023 is NT$2,697,657K (approximately US$84M). Please explain the difference between the two figures.

- The key difference lies within our internal categorization of products. A portion of our resistor revenue actually comes from a certain type of resistor-type sensor called the current sensor. Our current sensor segment consists of our recent sensor acquisitions, namely Heraeus Nexensos and Telemecanique Sensors. The number for 2023 was not inclusive of the financials for the full year of the two sensor companies given the acquisition timeline.

4) Please explain the following points related to the fact that many of our products are custom-made to the needs of our customers, and that we carry many small-volume products.

① What is the percentage of sales of custom products in YAGEO's overall sales?

② Out of the sensor products listed on page 12 of the supplementary materials disclosed on your company's website on February 5, 2025 (hereinafter referred to as "Supplementary Materials"), what is the percentage of custom products, on a volume and sales basis? Also, please tell us the catalog sales ratio of sensor products.

③ Please also explain the measures to improve efficiency in the manufacturing process of custom products and the cost management method for handling custom products.

- We would like to refrain from providing responses for these questions in this response letter, which will be disclosed to the public. However, since we understand that this information is helpful for Shibaura to consider YAGEO's proposal, we would like to request an opportunity to meet in person with you to provide supplementary explanation and additional information in order to help deepen Shibaura's understanding.

(Question 11) Since customized products are majority of our products, the percentage of customized products in your products is critical matters to our evaluation of potential synergies from this transaction, so please explain, to the extent that is possible to disclose.

- As provided last time, over 70% of our products require early design-in with customers.
- The proportion of custom product varies greatly within each of our Product Business Unit.
- We do offer catalogue product series, which in most cases still require design in cycle time.
- We prefer to not disclose numbers in details at this stage; however we can state with confidence we have high experience in successfully manage businesses that have customized solutions at their core.

5) In YAGEO's announcement, it is mentioned that *"In this growing market, there could be more and more fierce competitions among Japanese electronic component manufacturers, including major players such as the Target Company, which requires a certain amount of continuous investment in product development and marketing efforts for survival."* Regarding competition between Japanese electronic component manufacturers, please explain what type of competition is being assumed.

- We do not usually comment directly on our competitors, however, we do see trends in the market that many customers with complex systems like automotive and AI servers will turn to larger solution providers for their scale, resources, and company-to-company relationships as long as the products are competitive. It is also increasingly common for customers to form strategic alliances to further meet their need in customized technology or even dedicated capacity expansion. With YAGEO's scale and customer relationships, we believe that we can open more opportunities which aren't currently available to further invest to outgrow the market at this juncture.

(Question 12) As our management policy and strategy is to expand market share by strengthening technological capability but not by expanding scale, we recognize that might not necessarily match with your policy and thoughts. It seems like you believe that leveraging your sales network will be the main synergies after the transaction, but please explain any technology synergies that could help strengthening our technological capability, if any. In addition, please explain if there is any other strategy in your mind besides scale expansion, which could lead to maintaining and enhancing competitiveness.

- Technology is a core competence and key focus for YAGEO. Our large scale is a result of our continued pursuit of technology advancement.
- YAGEO believes superior market growth comes from the combination of product leadership, global presence in the market and close relationships with all major customers. That's the context in which we see the combination of Shibaura's technology strength and YAGEO's extensive global sales network as the primary post-transaction synergy, bringing significant incremental value to all stakeholders. YAGEO's global scale, investment potential, broad technology know-how and capabilities as well as deep and multidisciplinary talent pool will be powerful resources available to Shibaura to accelerate their technological development and growth plans.

6) Please tell us whether the YAGEO's group makes thermistor elements in-house. If it is made in-house, please explain where the production base is and about how many units are manufactured annually.

- We would like to refrain from providing responses for these questions in this response letter, which will be disclosed to the public. However, since we understand that this information is helpful for Shibaura to consider YAGEO's proposal, we would like to request an opportunity to meet in person with you to provide supplementary explanation and additional information in order to help deepen Shibaura's understanding.

(Question 13) We think that disclosing the fact of whether you make thermistor elements in-house or not should not cause any problems. This is critical matters to our evaluation of potential synergies from this transaction, so please explain.

- We sometimes sell thermistors based on specific customers' request, but we do not produce thermistors in-house today. For outsourced manufacturing details we would like to share with Shibaura later in the process.

7) In YAGEO's announcement, it is mentioned that *"YAGEO has revenues generated from highly balanced and diversified segments and believes its customer-base and close relationship will help the Target Company expand its business leveraging them in various end markets."* Therefore, based on YAGEO's segment sales, there are approximately 5% of sales for defense, aerospace, and medical. Please specify the attributes and areas of the target customer. Please also explain the percentage of sales are for military and sales for China in particular.

- We would like to refrain from providing responses for these questions in this response letter, which will be disclosed to the public. However, since we understand that this information is helpful for Shibaura to consider YAGEO's proposal, we would like to request an opportunity to meet in person with you to provide supplementary explanation and additional information in order to help deepen Shibaura's understanding.

8) Shibaura complies with export embargoes to Russia and Belarus, in accordance with the Export Trade Control Order established by the Ministry of Economy, Trade and Industry. Please explain whether YAGEO sells or supplies products to these countries.

- We continue to respect and comply to all the international and local regulations, and we do not sell products to these countries.

9) Please provide specific data on the average number of years of service, average age, average monthly overtime hours, paid leave utilization rate, and average annual salary at your company.

- To protect our employees, we would be happy to discuss the selected parts of this in details in a face-to-face meeting as the information is confidential and sensitive. As an example that is more comparable to Shibaura, the average seniority of our TOKIN Japan employees is 25 years with the average age of 49. However, every region is different based on the local demographics and cultures while YAGEO's constant expansion of new factories around the world might also skew the average numbers.

(Question 14) We are highly concerned with employees' work style in case if we join YAGEO group, so we would like to understand YAGEO group's employment situation and employment conditions. However, we understand the necessity to respect your employees' privacy, so please explain even just an average number of overtime hours, paid leave utilization rate and annual salary, to the extent that is possible to disclose, while respecting your employees' privacy.

- Protecting employee's privacy is important for YAGEO, and it's not a normal practice to share this info publicly.

- The principles we follow include:
  - Respect and follow local regulatory and practice.
  - Provide competitive package in each location we operate.

(Question 15) You have shown the reference data of TOKIN Japan, which is current number, but comparing before and after the acquisition in particular, please explain how the data related to employment has changed, such as employees' average years of service and average ages.

- To ensure the protection and confidentiality of our employees, we believe it is essential to discuss selected aspects of this matter in greater detail during a face-to-face meeting, as the information is both sensitive and proprietary.
- As a relevant example comparable to Shibaura, the average tenure of our TOKIN employees is approximately 25 years, with an average age of 49 As previously emphasized, there has been no significant change, reaffirming our commitment to stability and continuity for our employees throughout the integration process.

10) Please explain percentage of manufacturing in China compared to YAGEO group's sales and the percentage of manufacturing in China compared to sensor business sales. Additionally, please explain the functions of YAGEO's China factory's position in YAGEO's manufacturing system specifically.

- As this is a number we do not normally disclose, we have used the total amount of the Cost of Goods Sold generated from our manufacturing sites in China. The manufacturing ratio in China turns out to be roughly 1/3 in 2024. For sensors, the ratio for China manufacturing is 0%. Chinese factories are important to YAGEO, as all local factories around the world are. Every decision is made based on the discussion and recommendation of each business unit manager. We are happy to expand in China or in other countries as long as it is in our customers' and employees' interests.

- (Question 16) In order to prevent technology leakage, we have been limiting the manufacturing functions in China to only part of the production processes. Since your manufacturing ratio in China is roughly 1/3, please explain your thoughts and policy in terms of implementing manufacturing functions in China. Furthermore, you mentioned that the ratio for China manufacturing is 0% for sensors, so please explain whether this ratio also include the manufacturing in Taiwan or not.

- At YAGEO, the protection of our technology and intellectual property lies at the core of our values and defines our success. To defend against technology leakage, we take a multi-prong approach which include: 1) Segregation of duties to ensure few have total knowledge of our raw material formulas and manufacturing process. 2) Physical security measures to control access and entry. 3) Digital security measures to classify and protect sensitive information, and to be able to track when this information is being access and/or transferred and by who. 4) Continuous awareness and policy training for our employees. We execute these measures with rigor across all countries and manufacturing sites.
- The manufacturing ratio in Taiwan is also 0% for sensors.

(Question 17) In terms of political risk from implementing or adding new manufacturing functions in China, please explain your candid thoughts, possible risks and your policies for handling such risks.

- In today's global landscape, all industries and companies are navigating geopolitical dynamics. YAGEO acknowledges these uncertainties and is proactively adjusting its operational strategies to ensure we deliver the most effective and reliable solutions to our customers. Our commitment is to adapt and respond to these evolving dynamics, maintaining our ability to provide optimal support and service.

11) Regarding YAGEO's manufacturing, please explain if there is outsourcing to external partner vendors. If so, please provide the ratios of outsourced manufacturing to (i) company-wide sales and (ii) sensor business sales.

- YAGEO primarily relies on in-house production for the majority of its product manufacturing. However, as long as it is beneficial to the business unit and its strategy, we respect the business unit's decision. For 2024, the number is estimated to be less than 5% for both YAGEO and the sensor business.

(Question 18) You mentioned that the outsourcing for both YAGEO and the sensor business in 2024 is estimated to be less than 5%. Please explain in detail about which process within the sensor business is outsourced.

- Majority (95%+) of sensor business production happens in-house, for both elements and modules. Only some minor, non-strategic processes are outsourced to serve customer demand. We are happy to provide more information in our future discussion.

12) Please explain whether or not there is a labor union at YAGEO. In addition, if there are no labor unions, please provide specific reasons and the expectation of treatment of Shibaura's labor unions when Shibaura becomes a part of YAGEO group.

- We have labor unions in various countries, each governed by local regulations and practices. Each legal entity manages its union relationships in accordance with these local requirements. If your company joins our group, labor union matters will be handled following the same principles.

(Question 19) Within the companies acquired by YAGEO in the past, please explain in detail about the treatment of the acquired companies' labor union and change in size of the labor unions before and after the acquisition.

- Once again, there has been no significant change in the size and scale of the labor union, as YAGEO remains committed to respecting local practices and regulations. Our approach is centered on maintaining a balanced and collaborative relationship that aligns the mutual interests of both YAGEO and the acquired company, ensuring a smooth and equitable integration process.

13) Please explain the following regarding the description of *"B. Provide innovative and customized services such as design-in, EDI, JIT, VMI, and online B2B services to our clients"* on p.9 of the Supplemental Materials.

① Please explain which vendors YAGEO uses for its internal electronic payment system, EDI (Electronic Data Exchange) and VMI (Vendor Managed Inventory). Please also let us know if YAGEO is using a globally common digital infrastructure system.

② Please explain YAGEO's results and examples of improved efficiency, cost reduction effects and process improvement through the standardization of digital infrastructure systems.

- We would like to refrain from providing responses for these questions in this response letter, which will be disclosed to the public. However, since we understand that this information is helpful for Shibaura to consider YAGEO's proposal, we would like to request an opportunity to meet in person with you to provide supplementary explanation and additional information in order to help deepen Shibaura's understanding. However, based on the questions, we feel like this is something we can discuss further once we are at a later stage of the potential integration.

Synergies Expected in the Announcement

1) With regard to the Announcement, please explain its relationship with the business strategies YAGEO currently prioritizes, such as the expansion of specific markets and the promotion of new technology development, and its strategic purposes specifically.

- YAGEO intends to expand its sensor platform with Shibaura's thermistor technology, following the two sensor acquisitions in 2023. As many sensor components are rather fragmented in terms of market shares, we want to provide our customers with a total solution similar to what we did in the passive component space. More specifically, NTC thermistor can effectively complement our current platinum temperature sensor for customers to select.
- YAGEO has powerful presence in the United States and Europe while Shibaura is focusing on the Asian market. YAGEO could help further boost Shibaura's products in its untapped markets through YAGEO's extensive global sales network while strengthening existing ones.

(Question 20) You mentioned that you will expand your sensor platform through the acquisition of us. Please explain whether if you plan to expand the sensor business or acquire companies with sensor business in the future. In addition, there are various types of sensors, not only temperature sensors, but also light intensity sensors, pressure sensors, etc. Please explain in detail about the types of sensors you would like to incorporate into the group in the future. In addition to these, you mentioned that NTC thermistor can complement platinum temperature sensor for customers to select. Please explain specifically what kind of complementation is expected, and how you intend to use NTC thermistors and platinum temperature sensors properly.

- YAGEO will continue to look for opportunities to expand our sensor platform, through organic expansion or M&As. We will also rely on Shibaura's management, if the transaction is successful, to advise us on the most suitable sensor targets for our business to grow. As long as the sensor product meets our customers' need and strengthens our sensor position in the market, we will consider.
- From a customer's perspective, it is important to provide a wide range of products with

different functionalities to choose to optimize its final products' performance, especially for new customers. Given that customers have different needs, such as temperature range or cost, we believe that having NTC and platinum temperature sensors can only provide benefits to the individual sensor group and company as a whole.

2) YAGEO stated in the Announcement that "*There are multiple complementary areas between the Target Company and YAGEO*" and that Shibaura's technology and products are complementary to YAGEO's existing business. Please provide details on the following points:

① Shibaura initially assumes that the synergies that YAGEO propose are difficult to expect because Shibaura has plenty of custom products and small-volume multi-varieties. Please explain what synergies may arise in what areas, with what methods or what measures. Please also explain the synergies from the perspectives of joint research, process integration, chip alignment technology and sales in Europe and the United States

- By combining Shibaura products into YAGEO's product portfolio and hence increasing the percentage of YAGEO products in the components/final products of key end markets, we can together win more long-term, design-in based and profitable businesses with brand / OEM clients.

(Question 21) It is mentioned that adding our products to your existing portfolio and increasing your product percentage in end market components/finished products will drive design-in-based, profitable business wins, but we believe that the impact of quantitative changes, such as simply expanding breeds and fields, on business changes, such as design-in and profitability, is not necessarily significant. Regarding to this point, please explain your thought.

- Based on our experiences in the US and Europe market where we have significant businesses in, there are many long-tail customers which could provide higher profitability after efforts on the sales and marketing and R&D sides. If we can provide more products to customers to create stronger ties and long-term relationships, there will be opportunities those might not be possible otherwise, which could be significant and profitable. Therefore, we believe that there will only create benefits with the combination.
- Of course, a successful implementation of this strategy requires Shibaura's competence and capability especially in product and technology.

② Please explain what specific areas or processes YAGEO considers to be highly complementary.

- Shibaura can leverage YAGEO's extensive global sales and marketing network across YAGEO's three client categories. (These three categories consist of: (i) brand/OEM customers, where YAGEO maximizes its engineering resources to secure long-term, design-in-based business; (ii) EMS customers, to whom YAGEO extensively sells its products through direct sales and marketing specialists; and (iii) approximately 221,000 diverse customers purchasing YAGEO products through global distributors.).

- YAGEO's customer base and close nature of customer relationship will help Shibaura to expand businesses across various applications, such as Automotive, Industrial, Power & Energy, Telecommunications, Computer & Peripherals and Consumer Electronics
- Immediate cross-selling opportunities will be provided with Nexensos's current channels in the US and EU for automotive applications and beyond.
- By utilizing YAGEO's manufacturing sites and resources in 61 locations around the world, Shibaura will be able to have flexibility in its productivity improvement strategy.

(Question 22) While you have listed the breadth of the global sales network and applications as the examples of complementary areas between you and us. On the other hand, please explain the complementary nature of technology. Please explain how you view the strengths of our products and the strengths of your products, and how you think they are complementary in terms of technology in detail.

- Platinum-RTD (Pt-RTD) and NTC temperature sensors feature well known, different cost-performance characteristics. Depending on the specific cost-performance requirements of their application, customers can choose the best fitting temperature sensing technology between Pt-RTD and NTC.
- We firmly believe YAGEO and Shibaura's products are complementary to each other. We propose to set up a forum for the inhouse experts to exchange how to leverage each other's expertise further.

(Question 23) It is mentioned that immediate cross-selling opportunities will be provided with Nexensos's current channels. Please explain Nexensos's distribution channels and key customers

- Nexensos sales are currently concentrated in Industrial and Automotive segments with many important End Customer brands as clients.
- Channel wise, Nexensos uses a mix of global distributors as well as specialized local distributors in certain geographies like Great China.
- Since the acquisition by YAGEO, the product of Nexensos have been also exposed and positioned within the High Service Distribution Network to increase reach of design engineers globally and help accelerate design in activities.
- Due to customer confidentiality agreements, we are unable to disclose their names.

3) YAGEO mentioned "enhance product portfolio" as the expected synergy through this Transaction and stated that Shibaura can further enhance the breadth and depth of YAGEO's sensor product portfolio. Besides expanding YAGEO's product lineup, please explain specifically if there is anything that could be synergies for Shibaura in terms of products

- We believe that Shibaura's products are offered to customers similar to YAGEO's customers. Most of the electronic systems will need some sort of temperature sensors. As Shibaura's main focus is in Japan and other regions in Asia, the first thing we can do is to introduce Shibaura's products to our existing customers in Europe and the United States. This will be more direct and smoother given our current business relationships with the various customers. For new customers, it will also be easier to capture opportunities given a more comprehensive product portfolio.

(Question 24) You mentioned *"Shibaura's products are offered to customers similar to YAGEO's customers. Most of the electronic systems will need some sort of temperature sensors"* but we believe that this is limited to the demand for general purpose temperature sensors and does not necessarily require the wide temperature range, sensing accuracy and customizability, which are the features of our products. Regarding to this point, please explain your thought.

- NTC thermistors are used in traditional applications (like home appliances, office appliances, ICE vehicles) and growing potential applications (like AI servers, EV/HEVs, residential heat-pumps, solar and wind energy generation systems, medical devices). YAGEO serves all the major global customers for those applications where we know they use NTCs.

4) YAGEO stated in the Announcement that leveraging YAGEO's global sales and marketing network is expected to further strengthen Shibaura's NTC thermistor business. Please provide details on the following points:

① Please explain what distribution channels specifically are planned to be used to expand Shibaura's business globally.

- YAGEO leverages a unique set of distribution network, including the following:
  - Globally recognized distributors such as TTI, ARROW, AVNET which are leaders within the electronic components industry thanks to their scale, end customers relationships and global reach.
  - High service distributors such as Mouser, DIGIKEY, Farnell which offers early access to design engineers to support and facilitate New Product Introduction (NPI) and pilot runs.
  - A number of specialized local distributors that operates in specific regions to cover particular markets and niche segments.
  - A highly effective and unique collection of local distributors in the Great China region all managed centrally by our controlled subsidiary KOE.
- From our past experience over several acquisitions the products coming from the acquired companies have always been able to leverage such mix of distribution channel to boost sales and penetrate new customers and markets.

(Question 25) You answered the distribution measures to expand our business globally, but we believe that these are only general and abstract responses. Please explain more specifically what kind of distribution channels and plans are expected to be in the global rollout of our business and products.

- As a first step we will approach High Service distributors with the intent to create digital marketing campaigns promoting the target company product portfolio.
- The reach of such High Service distributors will help to boost design in activities across the globe and any new lead will be shared to us for follow up.
- This can help to transition from a small-scale design in activities (samples, pilot runs) to full scale mass production activities.
- In parallel, we will introduce the target company product portfolio to our existing network of global and local distributors.
- They can help us to find both short term opportunities (replacing competition) and long-term ones like expanding customer base or segment or geographies.
- The advantage of working with such vast network is the access to their extensive customer base.

② Please also explain the specific sales strategy when Shibaura uses YAGEO's network (e.g. response policy by customer and market penetration plan)

- The existing YAGEO sales network can facilitate the initial sales contact originated either by an end customer or by a distributor and cooperate with Shibaura to convert opportunities into new sales.
- In our most recent experience with YAGEO Nexensos the existing sales organization from Nexensos remained intact and was able to successfully leverage the broader YAGEO sales network. We would be happy to share the specific examples or details during a face-to-face meeting to help deepen Shibaura's understanding.

③ Most of Shibaura's sensors and the orders of them are based on highly specialized sales functions that enable products to be tailor-made upon collaboration with customers. Please provide the availability of human resources in YAGEO's network with the required knowledge and experience, and the specific rationale for this.

- The above-described condition is very common within YAGEO's existing business. Most of our 13 PBUs (Product Business Units) rely on highly specialized product portfolio and intense design in conversations with customers. Each PBU engages with its technical resources in concert with the YAGEO Sales organization (Field Sales and Field Application Engineers) in the design in process with the customer to ensure the best level of support (commercial and technical) can be achieved including cross design across multiple technologies and products. This means Shibaura products will benefit from other designs in conversations that YAGEO Field Sales and FAEs will be having during which the Shibaura sensor products can be introduced and added to the design in discussions.

④ Please explain how specifically YAGEO plans to expand the market for market opportunities in areas other than automotive and consumer equipment as stated in the Announcement.

- In our experience most of our electronic components have found ways to be adopted and utilized in a large variety of segments and applications. While automotive and consumer will likely remain the most notable segments for thermistor products, we are confident that our global reach can untap and discover adoption in new areas.

(Question 26) We believe that your response, which indicates that your company has provided not only thermistors but also electronic components in general for a wide range of applications, and that thermistors may be provided outside of automotive and consumer, is only general and abstract. For example, from the perspective of generative AI and data center customers, please explain your thoughts of whether there is a market opportunity for a major US hyperscalers and the reasons of your thoughts specifically.

- As the relationships with specific customers on specific opportunities might be present, it is difficult for us to share publicly or with Shibaura's team directly without making it general as a strategic direction at this stage of the process.
- Regarding AI and data center customers, these US hyperscalers have been YAGEO's

customers even before the rise of AI hardware demand in recent years. As you may know, the specifications of AI-related products are constantly changing, we can say that given our scale and resources, we will be able to grow and develop along with our important customers to meet these opportunities.

5) YAGEO's website has a description that the platinum temperature resistor is superior to Shibaura's main product, NTC thermistor (https://www.YAGEO-nexensos.com/jp/technical-sensor-academy/pt-ntc-comparison.html), and Shibaura is not sure how compatible YAGEO and Shibaura's sensor products are. Please provide details on the following points:
   ① Based on the description on YAGEO's website, Shibaura believes that the platinum temperature resistor is a market competitor for Shibaura's main product, NTC Thermistor. Please explain why YAGEO would like to add Shibaura's NTC thermistors to the lineup and the specific compatibility with YAGEO's products.
   ② Please explain any adjustments in the markets where YAGEO and Shibaura's products compete, or strategies to separate the target markets if any as well as YAGEO's view on the impact on the customer relationship by them.
   ③ Based on the perspectives above, please elaborate again on YAGEO's view on the synergy of enhancement of the product portfolio through the Transaction

- YAGEO's extensive customer network and wide range of products, will significantly aid Shibaura in entering the North American and European markets and reaching critical automotive, computing, and industrial applications markets.
- Platinum-RTD (Pt-RTD) and NTC sensors are complementary temperature sensing technologies, each one showing performance vs. cost characteristics which make them suitable for different applications and/or customer requirements.
- YAGEO believes that offering both Pt-RTD and NTC temperature sensing technologies to its global customers base will create a unique value proposition for customers looking for temperature sensors. YAGEO's global reach and presence in all mainstream customers will allow Shibaura to expand its business, especially in EU and US, in growing segments like AI, EV, industrial and medical.

(Question 27) According to your responses, it is mentioned that the technology of platinum temperature resistor and our main product, the NTC thermistor, are complementary temperature sensing technologies but we believe that this response contradicts the content of your website that the platinum temperature resistor is superior to the NTC thermistor. Please explain again your thought about how you have organized regarding to this point.

- Pt-RTD and NTC temperature sensors feature well known, different cost-performance characteristics. Depending on the specific cost-performance requirements of their application, customers can choose the best fitting temperature sensing technology between Pt-RTD and NTC.
- YAGEO believes that offering both Pt-RTD and NTC temperature sensing technologies to its global customers base will create a unique value proposition for customers looking for temperature sensors.

6) YAGEO stated in the Announcement the synergies of *"win more long-term, design-in based and profitable businesses"*. Please provide details on the following points:

① YAGEO stated in the Announcement that "leveraging YAGEO's expertise in design-in capabilities". Please explain the rationale for the availability of Shibaura's know-how in sensor design, especially with respect to customer needs, and the ability to acquire profitable business.

- As this information is confidential and non-public, we would like to refrain from providing responses for these questions in this response letter, which will be disclosed to the public. However, we would be happy to share the information with Shibaura's management during a face-to-face meeting.

(Question 28) We believe that *"YAGEO's expertise in design-in capabilities"* is considered to be the very foundation of the synergy that you assume, and since this is also an important matter for our company to consider the synergy arising from this transaction, please explain about it to the extent that it can be publicly disclosed. In addition, please explain whether *"design-in capabilities"* refers to know-how to create custom products or sales strategies.

- The primary and strongest synergy will be the pool of existing conversations that the YAGEO existing sales organization and technical product organization are having at any given time with our customers.
- Almost immediately the product portfolio of the target company can be added to such conversations, supported by the target company existing specialized sales organization, to help create new opportunities and convert them into actual business.
- YAGEO's design-in capabilities are rooted in our ability to understand and translate customers' needs into tangible designs, developments, and production solutions. This, combined with Shibaura's specialized product expertise and knowledge, will position the company for a strong future.

② While YAGEO exemplified the cross design between the customer platforms in magnetic and discrete semiconductors and the BOM (bill of materials in Electronic Component), cross design with this category is rare as the target of Shibaura's sensors. Please provide the specific synergies

- The specific synergies between YAGEO and Shibaura stem from leveraging YAGEO's existing global customer relationships, extensive R&D capabilities and know-how, and robust production infrastructure to develop and offer more comprehensive solutions and expand Shibaura's reach into new markets and applications.

(Question 29) We believe that the content of your response is not sufficient to explain the specific synergies of the cross design between the customer platforms in magnetic and discrete semiconductors and the BOM (bill of materials in Electronic Component), so please explain again about the specific synergies of cross design in the field.

- YAGEO has comprehensive design-in process and platform. This is one of YAGEO's core competencies.
- Adding Shibaura's expertise and know-hows will ensure we meet customers' needs and provide more complete solutions.

7) YAGEO mentioned the idea of integrating the circuit protection business and sensor business with Shibaura after the Transaction. Please provide details on the following points:

① There seem to be no benefits from the integration of the circuit protection business and the sensor business from customers' perspective. In this regard, please explain the specific benefits of the integration from the customers' perspective that YAGEO envision.

- To answer these specific questions in more details, more detailed information about Shibaura's operation is required, which is not publicly available. From sales and marketing point of view, NTC, although acting as a temperature sensor, is often categorized as a pillar of circuit protection component in market research reports.

(Question 30) You mentioned that NTC thermistor is often categorized as a pillar of circuit protection component. Please provide us the examples of this. Also, please explain the technical basis on which NTC thermistor can be a pillar in the circuit protection business.

- From a circuit protection business perspective, NTC thermistors represent a core pillar for us—both technologically and as a product solution offered to our customers. Their unique properties allow them to play a critical role in two essential protection functions. Beyond their functional value, NTCs are compact, cost-effective, and highly reliable, making them ideal for both high-performance and cost-sensitive applications. Their versatility and integration across a wide range of end markets reinforce their position as a foundational technology within our circuit protection portfolio, enabling us to offer comprehensive and differentiated solutions to our customers.
- We foresee the experts from both organizations will discuss the synergies further.

② Please provide the details of YAGEO's circuit protection business and sensor business that are subject to integration (including details of which entity the business belongs to within YAGEO's group, financial information, deployment region, location, headcount, etc.), the integration schedule, and the plan for creating synergies after integration

- Integration of the two businesses is one of the considerations; however, we do need to discuss further with Shibaura to see if this might make the most sense for all stakeholders. We would be happy to have an in-depth face-to-face discussion on the pros and cons and the potential next steps.

(Question 31) In the Announcement, it is mentioned that *"YAGEO intends to integrate the development, manufacturing, and sales of not only its own NTC, but also the circuit protection business and the sensor business as a whole (sales of $400MM) into the Target Company upon completion of the Transaction"* (We understand that it is not just a *"one of the considerations"*.).

1. Please explain details of your circuit protection business and sensor business which are targeted to be integrated to the extent that it can be publicly disclosed as that will be important to our consideration of your proposal.

- We see synergies between the sensor and circuit protection businesses, particularly in delivering total solutions to customers. Our practice is to discuss and align the strategy, product and technology with the acquired company's management team after the transaction. This remains one of the many considerations which we would like to discuss further with Shibaura given Shibaura's expertise in NTC.

2. Please explain what specific considerations you have been making regarding the

integration of the circuit protection business and the sensor business to the extent that it is possible to publish.

- This remains one of the many considerations which we would like to discuss further with Shibaura. Ultimately, we aim to utilize all of the R&D capabilities to develop comprehensive total solution designs tailored to customer needs. Potentially, we can begin by integrating sales resources to leverage existing customer relationships. Next, we can align product management teams to maximize new design-in opportunities. These considerations will be aligned with Shibaura's management.

3. Your 2023 English Annual Report page 188 states a significant deficit about Nexensos' profit and loss (final loss of TWD 240M compared to TWD 718M in sales for the same year since your acquisition in April 2023). Please explain the reason for the loss and the plan for the turnaround to the extent that it is possible to public.

- We acquired Nexensos knowing it was operating at a loss. Our decision was driven by a strategic vision centered on: (1) our unwavering commitment to the sensor business, (2) the substantial growth potential we identified within the sensor market, and (3) Nexensos's leading-edge technology.
- To realize this potential, we have invested significant resources, including substantial capital expenditures and R&D funding, to facilitate their operational improvement. These investments have yielded significant progress in 2024, and we anticipate achieving profitability in 2025.

③ Please explain the impact of circuit protection business and sensor business integration on Shibaura's existing business, including dis-synergy such as resource distribution.

- Based on our past integration experiences, we would not ask the company to reduce or stretch its resources. We would also not make any decision uninformed, which might hurt the company's revenue and business. As discussed in a different section, we are always exploring ways for YAGEO to provide support and help the company to grow faster than the current trajectory.

④ Shibaura place significant importance on understanding the needs of each customer and maintaining the expected quality and Shibaura has established a production system that is specific to a specific product line. Please explain YAGEO's view on the risk that the integration of the circuit protection business and the sensor business may reduce each person's skills and the understanding and reliability of products by requiring each person to work on many products.

- To understand the needs of each customer and maintain the expected quality are also core to YAGEO's business model; we have expanded our business in the same way in the past decades. As many customers' design team might designate the same core team to cover circuit protection components and sensors, we might find some synergy having our sales and marketing colleagues to become adept in both.

(Question 32) We understand that you explained that by integrating the circuit protection business and the sensor business, the customers' design team may designate us as a business partner covering both circuit protection components and sensors. Please explain your thoughts and perspectives on whether there are needs to purchase circuit protection components and sensors from the same business partner actually, and whether there have been any cases of delivering temperature sensors to customers seeking circuit protection components, the number of cases, the size of these cases, etc.

- One example is a battery pack manufacturer we work with who currently sources PPTCs from us. Their design also requires two NTC components to function as temperature sensors. By collaborating, we can deliver a more comprehensive solution that enhances accuracy, efficiency, quality, and service. We believe that there would be other applications that similar concept would apply since our components are present in 90% of the electronics board.

⑤ YAGEO mentioned in the Announcement that *"This not only provides an important sensor function for detecting temperature abnormalities, but also enables the Target Company to design and develop an entire circuit protection business."*. Please provide the specific reasons and backgrounds for limiting Shibaura's sensor function to detecting temperature abnormalities, and the specific reasons why Shibaura will be able to design and develop the entire circuit protection business.

- In the press release, this was only one of the examples that we could explore and might work together between sensors and circuit protection components if any synergy arises after in-depth discussions. The combination of sensor and circuit protection component businesses remains one of the considerations, but we need to further study with Shibaura to find the best arrangement for the employees and divisions to succeed in the market. We would be happy to provide more in details during a face-to-face meeting in order to help deepen Shibaura's understanding.

8) While YAGEO mentioned in the Announcement *"Accelerate growth investment"*, Shibaura does not think there is any vulnerability within Shibaura's current Medium-Term Business Plan and financial base to support the growth investment. Please explain why YAGEO believes Shibaura needs to accelerate growth investment and YAGEO's strategy on how to accelerate Shibaura's growth investment.

- We respect and understand Shibaura's current Medium-Term Business Plan. Given the scale and customer reach and financial resources of YAGEO, YAGEO can easily provide more certainty and even more upside for Shibaura in executing this well-thought-out plan. There will be various opportunities Shibaura might not have the sales or financial resources to capture outside its existing sales channel and relationships. We can also initiate more strategic partnerships with important customers in different market verticals with dedicated CAPEX to ensure that Shibaura does not miss out on important market trends and opportunities. Financially, Shibaura is sound, however, YAGEO hopes to go above and beyond to have Shibaura really maximize its potentials with its product technology.
- Please kindly refer to P16-20 of "Notice Regarding Scheduled Commencement of Tender Offer for SHIBAURA ELECTRONICS CO., LTD. (Securities Code: 6957) (Supplemental Materials)" announced on February 5, 2025 about what YAGEO can do to support for Shibaura's "Medium-Term Business Plan (FY2022－2024)". YAGEO is willing to support Shibaura in each growth phase leveraging our strength.

9) YAGEO mentioned in the Announcement *"Expand the Target's manufacturing capacity and equipment in Japan in preparation for future growth"*. Please explain whether YAGEO

plan to enhance the production capability within Shibaura's existing factories or build new factories in Japan. Please also explain YAGEO's plan on the CAPEX plan, operation plan, utilization rate after the capital injection and the expected amount of improvement in profitability

- As we do not have detailed information of each specific site of Shibaura, we can only explain our thought process in principles. Once we have further details regarding Shibaura's current capacities such as available space and current and expected utilization rate, we can explore options to either expand within Shibaura's existing facilities or at our Japanese facilities. Furthermore, we are expecting a substantial growth in the next 3 to 5 years with YAGEO's support on bringing Shibaura's products through our extensive and diverse global channels. Once we are able to capture more opportunities as a whole, we expect that a local expansion of capacity will become necessary.

10) YAGEO mentioned on page 21 of the supplementary material the potential collaboration with TOKIN Corporation, which is YAGEO's subsidiary based in Tohoku area in Japan. Please provide details on the following points:

① Please explain more in detail about YAGEO's expectation of the collaboration between Shibaura and TOKIN

- While we don't have detailed information about Shibaura's operations, our initial expectation is that both Shibaura and TOKIN will continue to operate with distinct Product Business Units (PBUs), reflecting the unique nature of their product lines and customer bases.
- We also see opportunities to enhance our market reach through cross-selling initiatives that leverage the distinct customer bases of both companies. This approach will allow us to offer greater value to our customers while expanding the market presence for both Shibaura and TOKIN products.
- Furthermore, we anticipate that this collaboration will create expanded opportunities for professional development and growth for the employees of both organizations.

② Please provide data of average years of service, average age, average monthly overtime hours, paid leave usage rate, average annual salary of TOKIN's employees

- As of the end of 2024, the average years of service for TOKIN Japanese employees is about 25 years, and the average age is about 49 years. We would be happy to discuss further details regarding the part of the requested employee data in a face-to-face meeting with Shibaura's management. Some data we would like to keep confidential in order to protect employees.

③ Please explain the organization structure of Shibaura's five existing factories based in Tohoku area after the collaboration, treatment of the employees of each factory, and potential concerns to obtain future order due to change of the production facility which may need customers' re-qualification on production process

- To answer these specific questions, more detail information about Shibaura's operation is required, which is not publicly available. In general, we believe synergies arising from the combined entity's shared customer demands and procurement negotiation power.
- Our primary objective is to support Shibaura's continued growth and business expansion within its existing operational framework. We intend to leverage our global channels and resources to support this growth. We are committed to working closely with Shibaura to

understand their current operational structure and to develop a collaborative approach while maintaining the integrity of their existing production facilities.

- We recognize the importance of employee well-being and customer relationships. We are committed to maintaining operational continuity and ensuring a smooth progression for all employees. As we move forward, we will prioritize open communication and aim to minimize any potential disruptions.

11) YAGEO stated in the Announcement, *"by utilizing YAGEO's manufacturing sites and resources in 61 locations around the globe, the Target Company will have more options for "transferring production lines to overseas factories"*. Please provide details on the following points:

① Please explain whether YAGEO means to transfer Shibaura's production line to YAGEO's factories by "transferring production lines to overseas factories". Please also explain YAGEO's view on the potential synergies by transfer of production lines.

- We were referring to Shibaura's own Medium-Term Business Plan. In principle, YAGEO does not intend to reduce manufacturing scale and personnel in Japan. Every decision we make we rely heavily on the manager of the company or the business unit. YAGEO believes that Shibaura can increase production and its sales globally, and we are willing to support the expansion. By creating various demands globally, YAGEO believes that an increase in production of Shibaura's manufacturing in Japan will be needed rather than reduction. YAGEO does not intend to reduce Shibaura's manufacturing scale in Japan, and rather we believe that it is highly likely that Shibaura's manufacturing scale will increase in Japan due to revenue growth. YAGEO would like to implement and support this expansion.
- If Shibaura has its own ideas to expand or transfer, YAGEO will support the decision after careful discussions. We have many experiences across many different countries and are willing to support with our experiences and resources. Our intent is to offer these resources as a potential avenue for Shibaura to achieve its stated productivity goals. With YAGEO's support, we believe that Shibaura will have more flexibility and more certainty of reaching its Medium-Term Business Plan.

② YAGEO also mentioned in the announcement that *"YAGEO will expand the Target's manufacturing capacity and equipment in Japan in preparation for future growth"*. Please explain YAGEO's thoughts to transfer production lines to overseas factories while expanding Shibaura's manufacturing capacity and equipment in Japan. Please also explain YAGEO's thoughts regarding the relationship between Shibaura's subsidiaries in Japan and those overseas

- As we do not have detailed information of each specific site of Shibaura, we can only explain our thought process in principle. We would assume that the factories in Japan are important for Shibaura's domestic business, especially in the automotive sector. Given the trend to EV adoption, we will likely experience some growth in the domestic market, which YAGEO is happy to give to capitalize on the opportunities. In terms of subsidiaries overseas, we will need to study further their individual strategic importance to the company and work together to create the most optimal solutions for Shibaura, including expanding oversea facilities as well.

③ Please explain YAGEO's plan of the treatment of Shibaura's factories that will lose jobs due to the transfer to overseas.

- As we do not have detailed information of each specific site of Shibaura, we can only explain our thought process in principles. As explained above, we do not plan on moving factories abroad from Japan.

   ④ Shibaura's current working style in most of our factories is "single shift". Please explain the work style in YAGEO's factories and the possibility that YAGEO may change Shibaura's to "two shifts" or "three shifts" style after the Transaction.

- As we do not have detailed information of each specific site of Shibaura, we can only explain our thought process in principles. If having two or three shifts can create more job opportunities locally and improve the welfare of current employees, we are open to implement the necessary changes.

(Question 33) It is mentioned that you will consider having two or three shifts if it can create more job opportunities locally and improve the welfare of current employees. Please explain if this is the same policy for our Japan plant. Also, please explain the reason why you think that two or three shifts can improve the welfare of the employees.

- Shibaura's Medium-Term Business Plan, dated May 20, 2024, mentions the possibility of adding factory shifts. Should Shibaura's management decide to pursue this, YAGEO is prepared to share our relevant experiences

12) YAGEO stated in the Announcement that *"In the inspection and assembling processes, YAGEO has already implemented AI introduction, automation and manpower saving by collaborative robots, and YAGEO can help the Target Company further improve productivity by sharing know-how and data."*. Please explain the AI machines that YAGEO plan to introduce to each production process as well as the track record of AI introduction within YAGEO's production processes so far.

- We were referring to Shibaura's own Medium-Term Business Plan. As we do not have detailed information of each specific site of Shibaura, we can only explain our thought process in principles. This is one of YAGEO's core competencies across various product segments. We are always looking for ways to make our manufacturing process the most competitive in the market. YAGEO will do necessary investment after discussing thoroughly with the management of the company or the specific PBU. We are sure that our decades of experience in efficiency improvements can be leveraged into Shibaura's current manufacturing process. We would be happy to discuss our automation efforts in terms of overall manufacturing and specific production process in details during a face-to-face meeting.

(Question 34) You mentioned that you have decades of experience in improving efficiency in manufacturing processes. Please specify which entity in your group's example of efficiency improvement you are referring to.

- We encourage efficiency improvements and cross-learning among our operations. We have continued to stay competitive in the market through efficiency improvements.
- As an example, automation tools have been introduced to increase quality.
- We can further discuss with Shibaura to see how to realize its medium term plan goals.

13) YAGEO stated on page 19 of the supplementary material that *"we can further increase production quantity per person and shorten lead times together with added resources from YAGEO and its operational know-hows"*. Please provide the specific basis of such description.

- As we do not have detailed information of each specific site of Shibaura, we can only explain our thought process in principles. This is one of YAGEO's core competencies across various product segments. We are always looking for ways to make our manufacturing process the most competitive in the market. YAGEO will do so after discussing thoroughly with the management of the specific PBU. We are sure that our decades of experience in efficiency improvements can be leveraged into Shibaura's current manufacturing process.

14) YAGEO mentioned in the announcement the rising geopolitical risks as one of the challenges faced by major Japanese electronic component manufacturers. Please explain whether you do not expect any dis-synergy from the geopolitical risks' perspective as a result of the Transaction, and if not, please also provide the basis of such conclusion.

- As the geopolitical tensions intensify, there are more and more uncertainties around the world in terms of manufacturing origins, trading, and many other aspects of the business for companies across all nations. It is beneficial to have a diverse range of customers and also a diverse source of manufacturing footprints.
- Given our global manufacturing footprint and R&D centers across 35 different countries, we would expect only benefits and synergies from rising geopolitical tensions. The nature of rising geopolitical tensions is its uncertainty, so it would make sense to have as much flexibility as possible to combat any new challenges.

(Question 35) Recently, in North America in particular, additional tariffs on Chinese products are being considered, and there has been a tendency to avoid using Chinese companies' products, and we are concerned that the execution of this transaction will increase geopolitical risks such as the so-called China issue, etc. Please explain your thoughts and measures (if any) on this point, and the specific reasons and grounds for your belief that *"benefits and synergies from rising geopolitical tensions"* can be expected. In addition, please explain if there have been any cases in which orders for business in North America etc. have been suspended due to the fact that they have become part of your company in the past.

- The geopolitical tensions increase uncertainties to almost all industries and companies.
- Although geopolitical tensions and tariff-related risks are on the rise, YAGEO's agility and resourcefulness, combined with our highly diversified global manufacturing footprint, position us well to turn these challenges into competitive advantages. We are able to:
  - Offer alternative production options
  - Respond quickly to shifting regulatory and tariff environments
  - Support localized sourcing needs for customers across key regions
- In addition, our role as a total solution provider enables us to serve as a strategic partner in our customers' supply chain diversification efforts, particularly as they look to reduce dependence on any single region.
- Finally, our diversified customer portfolio across geographies and industries provides resilience and flexibility, giving the group a strong edge in an increasingly uncertain global landscape.

(Question 36) Additional tariffs on Canada and Mexico by US are currently being considered.

Please explain your manufacturing ratio in Canada, Mexico and US. Please also explain specifically about the impact on your manufacturing operations and the need to shift your production base to the US if additional tariffs are imposed on Canada and Mexico.

- Although we do not see this question as crucial to evaluate our proposal, we are happy to share our strategic thinking broadly.
- At present, we do not have immediate plans to establish or shift production to the United States. However, this remains an active part of our strategic planning, and we are closely monitoring developments to assess the feasibility. Any decision in this regard would depend on a clearer and more stable policy direction from the U.S. government, particularly in relation to long-term incentives, regulatory frameworks, and the overall cost environment for manufacturing components domestically.

15) YAGEO stated in the Announcement that it will be challenging for Shibaura to realize the vision and financial target within the "Medium-Term Business Plan 2024-2026" without support from YAGEO. On the other hand, as Shibaura announced on February 10th, 2025, Shibaura's current financial performance is stable and progressing toward realizing our Medium-Term Business Plan. Please explain the specific reason why you believe it will be challenging for us to realize the "Medium-Term Business Plan 2024-2-26".

- As Shibaura stated "The electronic components industry, of which the Group is a part, is doing well in areas where business conditions are improving, such as the recovery of automobile production due to the easing of the semiconductor shortage, but growth is sluggish in areas where final demand is weak and recovery is slow, such as electric home appliances, and is unpredictable" in "SHIBAURA ELECTONICS GROP Integrated Report 2024 (hereinafter referred to as "Integrated Report 2024")", the world, especially the electronic market, is constantly changing. It is challenging for any company to stay ahead of the curve without the most help it can get at any given moment. We believe that having a steady growth rate every year is rather difficult as we are in a cyclical market and as exhibited in your past financials.
- In "Medium-Term Business Plan (FY2022－2024)" Shibaura formulated in May 2022, we recognize that revenue for FY2024 planned to be JPY 41Bn. On the other hand, Shibaura's financial results forecast for the FY2024 as of Q3/FY2024, it is estimated to be JPY33.8 Bn, and we understand that it is approximately 18% lower than Medium-Term Business Plan (FY2022－2024). YAGEO believes that we cannot deny the possibility that the achievement of the Medium-Term Business Plan will not be achieved. Also, based on analyst consensus as of March 4, 2025, the forecast of Shibaura's operating profit for FY2026. This is slightly below the level of JPY7.5Bn in Shibaura's Medium-Term Business Plan (FY2024－2026). We believe it cannot to be determined that "Medium-Term Business Plan（FY2024－2026）" will be definitely achieved.
- However, what YAGEO can do to help is to provide all the opportunities through our global sales channel and the financial resources to capitalize on those opportunities. It will only increase and maximize the chance of success and the chance of meeting or even exceeding your Medium-Term Business Plan though organic expansions through share gains and new customer acquisitions. Shibaura stated "the market is maturing if we look at the Group's business fields as a whole. Now is the time when we sense the necessity of creating new value to transition to a different growth stage, and in order to demonstrate our firm commitment to this, we publicly announced our Long-Term Management Vision." in Integrated Report 2024. YAGEO believes that we can help for Shibaura to reach "a different growth stage". Please kindly refer P16-20 on "Notice Regarding Scheduled

Commencement of Tender Offer for SHIBAURA ELECTRONICS CO., LTD. (Securities Code: 6957) (Supplemental Materials)" announced on February 5, 2025 about what YAGEO can do to support for Shibaura's "Medium-Term Business Plan（FY2022－2024）". YAGEO is willing to support Shibaura in each growth phase leveraging our strengths.

16) YAGEO stated in the announcement that *"Single product providers might face challenges as the world streamlines its supply chain, especially for low ASP (Average Sales Price) products comparing to the total bill of materials and may be difficult to realize its potential"*. Please provide some examples of low ASP products and the challenges that single product providers might face in detail. Please also explain if you plan to sell the whole module including the thermistor.

- From our experiences of the industry and the market and conversations with our customers, our assumption is that many customers would prefer to simplify the supply chain for lower ASP products and focus their procurement efforts on more cost-heavy products like GPU, CPU, memory, and others. Therefore, there are many benefits for fighting alongside a company like YAGEO which has a very comprehensive product portfolio.
  In addition, single product company might not have the financial or sales resources to fully maximize its potential to generate the most shareholders' values for all.

17) Within Shibaura's product processing, especially for assembling processes of sensor products, Shibaura use electric wire. Please explain YAGEO's thoughts on the difference from YAGEO's methods of product processing.

- Electric wires are also used to assemble modules with Pt-RTD elements. YAGEO believes the assembling processes and materials used to build modules with Pt-RTD and NTC elements are similar and offer synergies.

18) There is also huge difference of the production lot size between YAGEO and Shibaura, so please explain YAGEO's thoughts of the design of the production equipment.

- YAGEO operates production sites of varying sizes, which is largely dictated by the specific product, its associated production processes, and the need to fulfill diverse customer requirements. YAGEO operates today with 13 distinct PBUs (Product Business Units) all with their unique set of production equipment, scale, manufacturing footprint and operational expertise. YAGEO s strength does not lie in conforming all units to a pre-determined set of production equipment design; but in leveraging the Group scale and expertise to maximize return of investments. Expertise on various business disciplines coming from any given unit or function is available for all other units or function to use and take advantage of. We believe that Shibaura expertise can both contribute to such pool of knowledge as well as benefit from it.

(Question 37) While YAGEO has not answered about the status of in-house manufacturing thermistor elements and the status of custom products manufacturing in YAGEO group, Shibaura believes that without the above production systems, it would be difficult for Shibaura to utilize the manufacturing base and production know-how that YAGEO has even after the transaction. Regarding to this point, please explain the reason why YAGEO believes Shibaura can benefit from YAGEO's production equipment and know-how with a specific rationale.

- There are several examples where YAGEO can help Shibaura potentially.

- YAGEO is ready to provide the needed resources including financial supports and CAPEX to help the target company and its management to elevate the results.
- YAGEO can also leverage our purchase power to help to gain favorable terms and stable sourcing.
- Best practice sharing from our existing facilities, including automation, yield improvement techniques, and inventory optimization
- Investment in quality systems, newer efficient machines and supply chain integration to streamline workflows

The structure of The Transaction and Transaction Terms

YAGEO understands the importance of protecting sensitive information and is fully prepared to sign a Non-Disclosure Agreement (NDA) that is both reasonable and practically executable. Regarding the NDA, YAGEO wishes to clarify our position and reiterate our commitment to proceeding in a transparent and cooperative manner.

In our previous communication, YAGEO noted our inability to agree to the initial unilateral NDA proposed by Shibaura.

- This was primarily due to the meeting that YAGEO requested was to explain what kind of company YAGEO is and to explain YAGEO's proposal for Shibaura's consideration. Therefore, an unilateral NDA(which only protects Shibaura's confidential information) is not necessary in light of the purpose of the meeting.
- Also, the standstill term included in the proposed NDA, which would have required YAGEO to refrain from any stock purchases until the end of June, presented a significant challenge to commence our Tender Offer Bid (TOB).

YAGEO's intention is to move forward in a way that respects the confidentiality of both parties, while also allowing us to proceed with our previously announced plans. YAGEO is looking forward that a mutually agreeable NDA can be reached, and YAGEO looks forward to continuing our discussions in a constructive and collaborative spirit.

1) Please explain whether YAGEO had consulted with KLFB regarding preparation of the announcement materials prior to making the announcement. If YAGEO had consulted with KFLB, please also indicate when YAGEO started the consultation with KLFB, why YAGEO proceeded with preparation for the announcement assuming a friendly transaction, what legal risks and transparency issues YAGEO took into consideration when preparing the announcement materials, and what the KLFB pointed out to YAGEO.

- YAGEO's press release, titled "Notice Regarding Scheduled Commencement of Tender Offer for SHIBAURA ELECTRONICS CO., LTD. (Securities Code: 6957)" dated February 5, 2025 (the "Announcement") was issued after the prior consultation process with the Kanto Local Finance Bureau, which began on January 22, 2025.
- We had hoped to make this Transaction public after friendly discussions with Shibaura, and repeatedly informed Shibaura of our intention to make an announcement on February 5, 2025. However, as outlined in the Announcement, we were unable to have any such discussions with Shibaura by that date. Out of concern that the shareholders of Shibaura may not be provided with an opportunity to consider YAGEO's proposal, with the aim of encouraging the proper and proactive disclosure of information through a transparent process that will assist shareholders of Shibaura in making informed decisions and securing

circumstances that would allow shareholders of Shibaura to make the most optimal decision for Shibaura and its shareholders in relation to the approval or disapproval as well as terms and conditions with respect to the Transaction, YAGEO decided to proceed with the Announcement on February 5, 2025 as originally planned. YAGEO desires to have an opportunity to explain our plan and intention in a face-to-face meeting in order to obtain Shibaura's support to the Transaction, and consistently intends to respond sincerely to any good faith Shibaura's questions. In parallel, we initiated the prior consultation process with the Kanto Local Finance Bureau, as this is a necessary process even in the event discussions with Shibaura would have progressed in a friendly manner. This step was also taken to prevent any delay in the scheduled Announcement.

- Further, in order to improve transparency, the Announcement describes in detail the background, business analysis, and the specific terms and conditions of the Transaction, in accordance with the objectives of the *Guidelines for Corporate Takeovers—Enhancing Corporate Value and Securing Shareholders' Interests* issued by the Ministry of Economy, Trade and Industry on August 31, 2023 (the "Guidelines for Corporate Takeovers"). In addition, the Announcement aligns with the *Matters to be Noted Regarding the Disclosure of Tender Offers* (Tender Offer Disclosure Guidelines) published by the Policy and Markets Bureau of the Financial Services Agency issued in October 2024, and has been reviewed by the Kanto Local Finance Bureau in accordance with these guidelines.
- The Announcement was prepared after considering comments from the Kanto Local Finance Bureau, and we will refrain from disclosing any individual comments made by the authorities during the preparation process.

(Q38) Please explain the following points.
1) Please explain whether it is correct that YAGEO did not intend to explore the possibility of friendly discussions with Shibaura from the beginning, but rather intended to make this announcement one-sidedly, considering the fact that YAGEO started pre-consultation to KLFB regarding the Announcement on January 22, 2025, the same day that Shibaura submitted the Draft NDA to YAGEO, even though Shibaura had communicated in advance that Shibaura was prepared to have a meeting with YAGEO after the execution of NDA.
2) We understand that it is a general practice in friendly TOB transactions to hold certain discussions and arrangements with the target company prior to making an announcement at the timing of prior consultation with KLFB. Please explain why YAGEO carried out a pre-consultation without such an arrangement.
3) Related to the question above, YAGEO stated "We had hoped to make this Transaction public after friendly discussions with Shibaura, and repeatedly informed Shibaura of our intention to make an announcement on February 5, 2025". Please explain why YAGEO set the announcement date one-sidedly on February 2025, approximately one month after the Letter of Intent, even though YAGEO hoped for a friendly M&A and there had been no sufficient prior discussions. (Shibaura understand that it usually takes more than six months from the receipt of the Letter of Intent to the announcement, especially for third-party M&As and that few deals are announced in one month.)
4) In light of the above background and details, it is reasonable to assume that YAGEO had no intention of friendly transactions from the timing of the submission to the Letter of Intent and YAGEO had originally intended to announce the TOB without consent, and YAGEO's response "We had hoped to make this Transaction public after friendly discussions with Shibaura" was different from the truth. Also, please explain YAGEO's opinion on the integrity of YAGEO's series of responses. Shibaura would like to add that YAGEO's series of approaches and responses leading up to the Announcement are equal to abandoning the opportunity for friendly discussions, and extremely dishonest, a one-sided and aggressive approach, and Shibaura greatly regret this.

- YAGEO will answer together with (Q41).

2) Shibaura's preliminary view is that YAGEO will be required to submit filings under the anti-trust law in Japan, Germany and Austria in connection with the Transaction. While YAGEO did not mention in the Announcement the necessity of filings under applicable anti-trust laws, please provide specific reasons why YAGEO thinks filings are unnecessary, including the results of YAGEO's analysis. Please explain YAGEO's plans if anti-trust law filings are necessary.

- For Japan, we have confirmed that the YAGEO Group's consolidated turnover in Japan does not meet the filing threshold, and therefore, a merger filing with the Japan Fair Trade Commission is not required for the Transaction.
- For Germany and Austria, we have conducted research, including a review of your securities reports, but were only able to obtain information on consolidated turnover by region. In order for us to assess whether merger control filings are required in Germany and/or Austria, please provide the following information to YAGEO's external legal advisors:
  - Shibaura's consolidated turnover for each of Germany and Austria (based on the destination of products shipped) for the last audited financial year (i.e., fiscal year ended March 31, 2024);
  - in case Shibaura's consolidated turnover in each of Germany and Austria do not meet the consolidated turnover thresholds in Germany and/or Austria, whether
    - Shibaura's market share in Austria exceeds 10% in regard to any product category sold there;
    - Shibaura has manufacturing facilities in Austria (we understand that Shibaura does not); and
    - there are any factors that suggest that Shibaura's turnover does not reflect Shibaura's true market position and competitive potential in either jurisdiction (for example, products that are in development or only recently launched which are likely to significantly increase Shibaura's turnover in either jurisdiction in the foreseeable future, significant R&D/innovation capabilities, etc.).

(Q39) The information you are requesting is our non-public information, and we will disclose the materials after the execution of NDA.

- YAGEO would like to supplement the fact the information above will not be provided to YAGEO, but only intended to be provided to YAGEO' s external legal advisors as YAGEO stated in the First Response. YAGEO understood that it is assumed that the materials will be disclosed after the execution of NDA.

3) Although Shibaura is currently classified as *"①Companies engaged solely in business other than the designated industries (post-reporting industry)"* on the *"List of Japanese Listed Companies Subject to Prior Notification of Inward Direct Investment, etc. under the Foreign Exchange and Foreign Trade Act"* issued by Ministry of Finance, Shibaura believes that prior notification and approval under the Foreign Exchange and Foreign Trade Act will be required for this Transaction, as Shibaura could qualify as *"③Companies operating business in the so-called core industries among the designated industries"*, given that Shibaura manufacture products used in military and aerospace applications. YAGEO stated in the press release that filings under the Foreign Exchange and Foreign Trade Act will be required for this Transaction. Please explain how YAGEO assessed the necessity of filings under the Foreign Exchange and Foreign Trade Act. Also, please explain the details

of how YAGEO plans to proceed with these procedures, and how YAGEO plans to manage the risk and views of authorities on the target products.

- We recognize that the thermistor elements and thermistor sensors business of Shibaura may fall under the Designated Business Sectors and Core Business Sectors (manufacturing of semiconductor devices and semiconductor component materials used exclusively for the manufacture of semiconductor devices) and requires prior notification and approval based on the Foreign Exchange and Foreign Trade Act of Japan. This is currently under review by the authorities. YAGEO was not aware that Shibaura manufactures products used in military and aerospace applications; however, if such businesses exist, we understand that the authorities will review the case on that basis. We would like to consider how to deal with the said businesses based on conversations with the authorities through the review process. We will refrain from commenting on the details of the review process due to the nature of the matter.

4) Please explain the following points regarding the rationale for setting the Tender Offer Price at JPY 4,300 YAGEO as set forth in the Announcement.

① If YAGEO referred to the market price of Shibaura's peers in addition to that of Shibaura in setting the Tender Offer Price at 4,300 yen, please indicate which companies YAGEO referred to. Also, although YAGEO stated that YAGEO has not obtained a valuation report or fairness opinion from a third-party valuation firm, the disclosure *"YAGEO plans to acquire shares of the listed Japanese company Shibaura Electronics through our wholly-owned Japanese subsidiary, YAGEO Electronics Japan"* disclosed by YAGEO on the website of the Taiwan Stock Exchange dated February 5, 2025 states that YAGEO had obtained opinions on the reasonableness of the Tender Offer Price from an independent valuer based on the market approach and valuation based on the market price. Please indicate the range of the valuation of Shibaura's shares in the opinion, which could be useful information for the shareholders of Shibaura to consider the Tender Offer.

- The Tender Offer Price was determined by comprehensively considering the results of analyses based on various valuation methods and the prospects for the tender. However, as with other similar transactions and third-party going-private transactions, we would like to refrain from providing details regarding the valuation methods and the results of the analyses.
- In determining the Tender Offer Price, YAGEO did not obtain a valuation report or a fairness opinion from a third-party valuer. The relevant content disclosed by YAGEO through the Taiwan Stock Exchange has been evaluated by an independent expert (an accountant) as to the appropriateness of the Tender Offer Price from the perspective of fulfilling YAGEO's responsibility to its shareholders in accordance with Taiwanese laws and regulations. The content of the valuation was not used as a reference in determining the Tender Offer Price.

(Q40) While Shibaura understood that YAGEO obtained the valuation report from the viewpoint of fulfilling YAGEO's responsibility to explain to YAGEO's shareholders and not as a reference in determining the Tender Offer Price, Shibaura believes that this report would be also important for Shibaura's shareholders in making their investing decisions. Shibaura understands that in other cases, the contents of the valuation report obtained in accordance with the laws and regulations in Taiwan are disclosed. Also, if YAGEO has obtained the valuation report itself from the third-party valuation firm, the statement, "the Tender Offeror has not obtained a valuation report or … from a third-party valuation firm" in the announcement would be different from the truth. Please consider correcting the contents of disclosure.

- Under the Securities and Exchange Act in Taiwan and related regulations, when a listed company acquires securities from another company and the transaction value exceeds a certain threshold, it is required to obtain a fairness opinion stating that the consideration to be paid by the listed company is fair to its shareholders from a financial point of view. Therefore, YAGEO requested Trust and Assist CPAs ("Trust and Assist"), an independent third-party valuation institution independent from YAGEO and Shibaura, to issue a fairness opinion stating that the Tender Offer Price of 4,300 yen is fair from a financial perspective for YAGEO's shareholders. YAGEO obtained this opinion on February 5, 2025. Trust and Assist is not a related party of YAGEO or Shibaura and has no material interest in the Tender Offer. Furthermore, as the above Securities and Exchange Act in Taiwan and related regulations do not require any valuation of the value of the shares of the target company to be acquired, YAGEO did not request Trust and Assist to conduct a valuation of Shibaura's shares. Additionally, as the opinion was obtained in accordance with the Securities and Exchange Act in Taiwan and related regulations to fulfill YAGEO's duty to its shareholders, it was prepared by an external expert (accountant) to assess the fairness of the Tender Offer Price, and the opinion was not used as a reference in determining the Tender Offer Price. Please examine the validity of the Tender Offer Price with Shibaura's financial advisor or third-party evaluation firm.
- YAGEO will consider correcting the contents of the disclosure regarding the fact that YAGEO has obtained a fairness opinion.

② Shibaura has announced a year-end dividend forecast of JPY 150 per share for the fiscal year ending March 31, 2025. Please explain whether the Tender Offer Price of 4,300 yen set by YAGEO was determined on the assumption that Shibaura will pay a year-end dividend for the fiscal year.

- The Tender Offer Price assumes that Shibaura will pay a year-end dividend of 150 yen per share for the fiscal year ending March 31, 2025, in reference to the most recent dividend forecast by Shibaura. The Tender Offer Price is conditional to the assumption where no dividend will be paid after the year-end dividend for the fiscal year ending March 31, 2025.

5) Given that the minimum number of shares to be purchased for this Tender Offer has been set to 7,624,000 shares (50.01%), we understand that there is a possibility that YAGEO may not acquire more than two-thirds of Shibaura's voting rights after the Tender Offer is consummated. While YAGEO expects that the shareholders that do not tender their shares in the Tender Offer but are expected to exercise their voting rights in favor of the proposal for a share consolidation after the Tender Offer will make up an Ownership Ratio of approximately 11.59%, and that the requirements for the approval of the proposal for share consolidation are expected to be met in light of the ratio of voting rights exercised at our most recent five regular general meetings of shareholders, there is a possibility that these shareholders may not approve the share consolidation or that the voting rights exercise ratio at the general meeting of shareholders at which the proposal for share consolidation will be discussed may increase. In such case, Shibaura understands that YAGEO will continue to acquire additional shares of Shibaura until the number of shares reaches an amount equal to the number of voting rights at the next general meeting of shareholders multiplied by two-thirds of the voting rights. However, in such a case, we believe a considerable amount of time will be required from the consummation of the Tender Offer to the completion of the squeeze-out procedure, and even if the Tender Offer is consummated, there is a possibility that shareholders who did not tender their shares in the Tender Offer will remain

as minority shareholders. As such, Shibaura believes that a certain degree of coercion exists in this Transaction. YAGEO has explained that YAGEO can eliminate coercion by assuming a flexible Tender Offer Period, but please explain in detail why YAGEO is not considering the option of increasing the minimum number of shares to be purchased.

- First, YAGEO believes that this Transaction qualifies as a "desirable acquisition" under the Guidelines for Corporate Takeovers, and that this Transaction will not only contribute to the improvement of Shibaura's corporate value but is also an attractive transaction for Shibaura's shareholders and business partners. We are confident that many shareholders, including corporate shareholders, will support and tender their shares. However, YAGEO recognizes that a certain number of shareholders may not tender their shares in the Tender Offer, including those who (i) hold Shibaura's stock for policy holding or similar purposes and will not tender their shares regardless of Shibaura's opinion, and (ii) if Shibaura expresses an opinion other than in support of the Tender Offer, will refrain from tendering their shares as a demonstration of their alignment with such opinion of Shibaura's board of directors.
- We intend to proceed with the Tender Offer with the aim of obtaining Shibaura's support, but as explained below, it is possible that we may proceed even without Shibaura's support. In such a case, taking into account the actions of the shareholders with the attributes described in (i) and (ii) above as well as their respective shareholding ratios, we have set the minimum number of shares to be purchased at a level reasonably expected to secure approval for a share consolidation as a squeeze-out procedure following the Tender Offer. The Announcement also outlines the plan in the event that the share consolidation proposal is rejected at an extraordinary shareholders' meeting. However, as stated in the Announcement, the voting rights exercise ratio of shareholders (excluding the Tender Offeror and its specially related parties) for the share consolidation proposal (squeeze-out proposal) tends to be significantly lower compared to the voting rights exercise ratio at regular annual general meetings of shareholders. Therefore, we believe the likelihood of a share consolidation proposal being rejected in practice is extremely low. We also believe it would be detrimental to both Shibaura and its shareholders if this "desirable acquisition" is blocked solely because we are unable to obtain Shibaura's support. Accordingly, we do not intend to raise the minimum number of shares to be purchased in the Tender Offer at this time.
- In addition, (i) we have not set a maximum number of shares to be purchased in the Tender Offer and have committed in advance to implement the squeeze-out procedure at the same price as the Tender Offer, and (ii) if the total number of tendered shares reaches the minimum number of shares to be purchased during the Tender Offer Period, we will publicly announce this and extend the Tender Offer Period by an additional ten business days. We believe that coercion has been eliminated by providing separate opportunities for the shareholders to indicate their approval or disapproval of the Transaction and their intention to tender their shares in the Tender Offer.

6) While YAGEO stated in the press as a precondition to the Tender Offer that *"A resolution by the board of directors of the Target Company has been passed, stating the board of directors' opinion in favor of the Tender Offer, such opinion has been disclosed in accordance with applicable laws and regulations, and such favorable opinion has not been modified or withdrawn"*, this precondition may be waived by YAGEO. While YAGEO believes it is important that Shibaura's Board of Directors fully understands and support YAGEO's offer as an attractive proposal for Shibaura and Shibaura's shareholders, please explain the reason for leaving the possibility of implementing the Transaction without the

support of Shibaura's Board of Directors. Please also explain in what specific situations YAGEO expect to waive this precondition.

- As stated in the Announcement, YAGEO hopes to ensure Shibaura's shareholders fully understand that our proposal is designed to maximize the corporate value of Shibaura, and that the terms of the Tender Offer, including the Tender Offer Price determined based on this corporate value maximization, represents an attractive proposal for Shibaura and its shareholders. YAGEO believes that for shareholders to make an informed decision on whether to tender their shares, it is crucial for Shibaura's board of directors to fully understand and support our proposal and to convey that support to Shibaura's shareholders. To achieve this, YAGEO is committed to providing a sincere and thorough explanation of our proposal. As a demonstration of our utmost respect for Shibaura's board's opinion, we have made "a resolution by the board of directors of the target company has been passed, stating the board of directors' opinion in favor of the Tender Offer, such opinion has been disclosed in accordance with applicable laws and regulations, and such favorable opinion has not been modified or withdrawn" as one of the preconditions to the Tender Offer.
- On the other hand, if Shibaura continues to refuse good-faith discussions with us or fail to fully recognize the value of our proposal despite our sincere explanations, and if YAGEO determines that this Transaction will enhance the corporate and shareholder value of Shibaura even without Shibaura's support, we may waive the condition to obtain support above and proceed with the Tender Offer.

7) YAGEO stated as the background that leads to this Announcement in the press that *"YAGEO first delivered a request on October 11, 2024 that the Founder and Chairman of YAGEO would like to meet with the President of the Target Company to explore the possibility of business collaboration. Since then, YAGEO requested multiple meetings with the Target Company, but since all requests were rejected by the Target Company, YAGEO submitted a Letter of Intent concerning the Transaction (the "Letter of Intent") to the Target Company's board of directors on December 30, 2024 with the aim of engaging in friendly discussions regarding the Transaction with the Target Company's board of directors, in accordance with the objective of the "Guidelines for Corporate Takeovers - Enhancing Corporate Value and Securing Shareholders' Interests" (the "Guidelines for Corporate Takeovers") published by the Ministry of Economy, Trade and Industry on August 31, 2023, which recommends the board of directors to seriously consider any takeover proposal to acquire control of a company it receives"*. Regarding the *"requested multiple meetings"* mentioned in the statement, please provide the specific date the requests were made. Other than the meeting request made via Mitsubishi UFJ Morgan Stanly Securities on October 11, 2024 and the meeting request made via Mitsubishi UFJ Morgan Stanly Securities on November 4, 2024, Shibaura is not aware of any request was made between October 11, 2024 and December 30, 2024, the date of the Letter of Intent.

- Consistent with Shibaura's understanding, YAGEO has requested a meeting on October 11, 2024 and November 4, 2024 between October 11, 2024 and December 30, 2024. Shibaura has refused YAGEO's request of October 11, 2024 on October 21, 2024 and YAGEO's request of November 4, 2024 with the response *"We have duly received your letter dated November 4,2024. According to this letter, we understand that you have a variety of proposals for our company and that you have asked for a meeting with our company. We are truly sorry but we would like to respectfully decline this request"* without any specific reason explained. We would like to add that YAGEO has attempted to conduct meetings with you in the past, for example, by requesting meetings through a financial advisor to knock the door.

8) YAGEO stated as the background that led to this Announcement in the press that, *"In light of such situation, YAGEO sent a letter on January 13, 2025 to the President of the Target Company to request a meeting with the President including specific proposed dates. However, YAGEO received a letter from the Target Company on January 16, 2025, indicating that they were not be able to engage in discussions with YAGEO without the execution of a non-disclosure agreement, for which YAGEO received the Target Company's Draft NDA on January 22, 2025. The Target Company's Draft NDA imposed one sided confidentiality obligations on YAGEO and prohibited YAGEO from acquiring shares of the Target Company and making disclosures related to or commencing this Transaction for a certain period of time. Since YAGEO's purpose for the discussion was for the sole purpose of explaining the contents of the proposal to the Target Company in person and not to receive information from the Target Company, we believe that the Target Company's response that the Target Company's Draft NDA would have to be entered into in order to have the meeting is practically a rejection of the request".* Shibaura has explained to YAGEO that signing an NDA was necessary as a listed company from the perspective of information management, given that it is unclear what kind of exchanges would take place during the meeting. Additionally, as Shibaura has offered an NDA on the premise of setting up a meeting, the situation was not *"practically a rejection"* of a meeting with YAGEO. Please explain why YAGEO unilaterally concluded that Shibaura was refusing to meet with YAGEO in spite of such circumstances.

- YAGEO will answer together with (9).

9) YAGEO sent the Letter of Intent to Shibaura on December 30, 2024, the last business day of the year for many Japanese companies, and then made a unilateral request to set up a meeting in a short timeline without giving Shibaura sufficient time to consider the request. YAGEO also made a unilateral request to have exclusive discussions between the two companies and to announce a friendly Tender Offer on February 5, 2025, without informing Shibaura of the reason. Shibaura requested an NDA as a precondition to confidential discussions in relation to YAGEO's Letter of Intent, and the content of the NDA was a one-sided NDA with reasonable content for the confidential discussions with YAGEO. Shibaura understands that a seller's request of a one-side NDA to a buyer is a very common procedure in light of the practices of the M&A transactions. Additionally, according to the *"Guidelines for Corporate Takeovers －Enhancing Corporate Value and Securing Shareholders' Interests－"* published by METI on August 31,2023, it is justifiable to negotiate provisions in the NDA with the buyer, such as not disclosing the acquisition plan without target's consent, not launching a Tender Offer, or not acquiring the target's shares (standstill), in order to build a relationship of mutual trust. Even though YAGEO was a sincere buyer and intended for friendly discussions, there was no consideration or any markup to the NDA, hence, it may be considered YAGEO had no intention of entering into an NDA. Please explain YAGEO's opinion regarding the deviation of YAGEO's actions from the "friendly discussions" which YAGEO requested. Please also explain YAGEO's opinion regarding the fact that YAGEO did not consider the NDA at all while seeking "friendly discussions".

- YAGEO understands that the treatment of NDAs in Japanese M&A transaction is as follows:
  - It is common practice for parties to execute or for one party to unilaterally enter into (*sashi-ire*) NDAs that obligate one or both parties, when both parties are perceived to be willing to seriously consider an M&A transaction.
  - As it is stated in the Guideline of Corporate Takeovers *"Confidentiality agreements may be required when a target company provides an acquiring party with information*

necessary to further formulate an acquisition offer, or when an acquiring party provides a target company with information necessary to consider or evaluate its proposal", the purpose of having the NDA entered into or offered is to protect the confidential information of the provider of information when providing such information.

- Although the Guidelines for Corporate Takeovers states that *"In order to foster mutual trust, it may be reasonable to consider ensuring adequate time and opportunity to negotiate an acquisition proposal through negotiations of certain clauses in a confidentiality agreement between the target company and the acquiring party, such as prohibiting the acquiring party from publicly disclosing the acquisition proposal, commencing a Tender Offer, and purchasing additional shares (a standstill), respectively during a specified reasonable time without consent of the target company. Although these clauses may not be a strong deterrent as takeover response policies, by agreeing to these types of provisions in a confidentiality agreement, if an acquiring party is in pursuit of a sincere acquisition attempt, to a certain extent, the time and information necessary for negotiation can be secured without adopting a response policy or invocating countermeasures"*, it does not necessarily argue that the execution of an NDA should be a precondition for considering the Transaction.
- Furthermore, as stated below, in comparison to the purpose of allowing YAGEO to explain the details of its proposal, provisions such as standstills proposed by Shibaura imposes excessively large restrictions on YAGEO, especially considering that, at this stage, it is entirely uncertain whether Shibaura will even consider YAGEO's proposal. Moreover, under the Guidelines for Corporate Takeovers, it is not required that an acquirer must accept conditions that significantly restrict the acquirer's actions, such as standstills, in order to explain its proposal.

- YAGEO received a letter stating that the execution of the NDA is required for the consideration of the Transaction on January 16, 2025, and received a draft NDA from you on January 22, 2025. YAGEO reviewed the proposed NDA and determined that it was not necessary to execute the NDA, given that the purpose of the meeting requested by YAGEO was to explain the YAGEO's offer directly, not to receive information from Shibaura, and YAGEO does not require an NDA as the provider of the information. YAGEO has explained the above-mentioned reasons to Shibaura. However, we understand that Shibaura continued to insist that the execution of the NDA was necessary to conduct a meeting. As described below, the proposed NDA contained terms and conditions that were extremely difficult to accept at a stage where it was unclear whether Shibaura was even willing to consider YAGEO's proposal. We could easily see time passing pointlessly once markups started being exchanged. YAGEO's request prioritized an early meeting and requested a meeting within a scope that did not require an NDA, but the reality is that Shibaura stubbornly refused such meeting.
- YAGEO has determined that the NDA proposed by Shibaura was in effect a rejection of YAGEO's request of a meeting, based on the following points:
  - In light of the fact that you had continuously refused YAGEO's repeated requests for meetings without a specific explanation, YAGEO was in a situation where YAGEO could not recognize Shibaura's intention to sincerely consider YAGEO's proposal.
  - YAGEO explained that the purpose of the meeting was to have Shibaura receive an explanation from YAGEO; in other words, for YAGEO to provide information to Shibaura, and not YAGEO to receive information from Shibaura. Despite of YAGEO's explanation, Shibaura did not compromise on the execution of the NDA as a condition of the meeting interviews without any reasonable explanation.
  - Despite the circumstances above, Shibaura proposed an NDA that not only imposed one-way confidentiality obligations on YAGEO, the provider of information, but also contained terms that prohibited YAGEO from acquiring Shibaura shares and announcing

or commencing the Transaction for 6 months, which is an unreasonably lengthy duration. Such terms restrict YAGEO's ability to announce or execute the Transaction beyond a reasonable extent. In particular, light of the purpose of the meeting as repeatedly explained by YAGEO and that there were no reasons to include such terms in the NDA, Shibaura could have easily imagined that YAGEO would not accept such terms. The fact that Shibaura included such terms nonetheless was significantly influenced YAGEO's conclusion that Shibaura had no intention to actually enter into the NDA.

- YAGEO still continues to hope for Shibaura's understanding of the value of YAGEO's proposal and support for the Transaction. With regards to the original intent of the phrase "to secure a certain amount of time and information for negotiations" in the Guidelines for Corporate Takeovers quoted by Shibaura, YAGEO believes that it has secured an appropriate negotiation period and opportunity, taking into consideration that the Tender Offer is planned to commence on May 7, 2025. YAGEO would like to continue to respond sincerely to any request for additional information from Shibaura and the special committee.

(Q41) Please explain the following points.
1) YAGEO stated that "It is common practice for parties to execute or for one party to unilaterally enter into (sashi-ire) NDAs that obligate one or both parties, when both parties are perceived to be willing to seriously consider an M&A transaction". However, we understand that in Japan's M&A practice, even at the initial M&A stage, the fact that a company is considering M&A may itself qualify as confidential information, and that listed companies are subject to insider trading regulations, so it is extremely common practice to enter into an NDA before the start of specific discussions. The contents of the Letter of Intent submitted by YAGEO were also confidential, and Shibaura believes that YAGEO cannot deny the existence of such practices (for the record, we would be willing to consider if YAGEO were to request a bilateral NDA.). Furthermore, given that the execution of an NDA is mandatory in practice when conducting due diligence which YAGEO requested in the Letter of Intent (, which Shibaura understand that this would not be disputed by YAGEO), we do not see any significant problem in executing an NDA prior to the start of discussions. Please explain why YAGEO has unilaterally rejected entering into an NDA without ever discussing or negotiating the contents of the NDA.
2) YAGEO has stated that "the fact that you had continuously refused YAGEO's repeated requests for meetings without a specific explanation, YAGEO was in a situation where YAGEO could not recognize Shibaura's intention to sincerely consider YAGEO's proposal" was the reason YAGEO had determined that Shibaura rejected YAGEO's request for an interview. However, Shibaura do not believe that Shibaura's refusal to accept YAGEO's request for an interview prior to the submission of the Letter of Intent was in any way unreasonable as it is not a usual practice for the top management of a listed company to always accept a request for an interview upon request. And after receiving the Letter of Intent, as mentioned above, Shibaura have responded that Shibaura would appropriately consider YAGEO's proposal and that Shibaura would not reject the interview itself. Please explain why you have nonetheless determined that Shibaura would not be considering YAGEO's proposal sincerely.
3) While YAGEO stated "6 months, which is an unreasonably lengthy duration", the NDA draft Shibaura proposed included the standstill clause from the date of execution of the NDA to June 30, 2025, and considering that it was proposed on January 22 of the same year, it was not about 6 months, but about 5 months, and it was also stipulated that the restriction period would end at the point if the discussions between the two parties were terminated early. In addition, when Shibaura proposed a NDA draft to YAGEO, Shibaura did not state that Shibaura would not accept amendment proposals or markups, and Shibaura assumed that we would discuss and negotiate the contents of the NDA with YAGEO .In M&A transactions, there are many cases where it takes more than six months from receipt of the Letter of Intent to the announcement

and it would have been possible to have discussions on deletion or shortening the standstill period, etc. of the NDA proposal if YAGEO wished to have a friendly discussion with Shibaura. Please explain why YAGEO did not so and why YAGEO unilaterally considered the period to be an unreasonable long period without taking such action.
4) While YAGEO stated that "With regards to "to secure a certain amount of time and information for negotiations", YAGEO believes that it has secured an appropriate negotiation period and opportunity, taking into consideration that the Tender Offer is planned to commence on May 7, 2025.", it was not necessary to make the Announcement on February 5, 2025, and Shibaura believe that YAGEO could make an announcement after the discussion with Shibaura. In fact, it cannot be considered that YAGEO's understanding of Shibaura's business is necessarily accurate based on the First Response. Please explain the reason why you made the Announcement unilaterally in such a situation on February 5, 2025, without prior contact and discussion with Shibaura.
5) Based on the background and content above, it is assumed that YAGEO were planning the Announcement of TOB (or its notice) without consent of Shibaura from the time YAGEO submitted the Letter of Intent. Please explain the following points.
a) Why YAGEO did not state in the Letter of Intent that YAGEO would announce the TOB (or its notice) without consent
b) Even if a friendly transaction was assumed at the time of the submission of the Letter of Intent, did YAGEO not contact Shibaura in advance after that when YAGEO decided to make the Announcement without Shibaura's consent
c) How YAGEO thinks of the integrity of YAGEO's series of responses before the Announcement

- As YAGEO explained in the Announcement and "Responses to Shibaura Electronics' the List of Questionnaires" on March 6, 2025, YAGEO believe that YAGEO's series of responses are as follows.
  - For clarity, YAGEO believes that YAGEO's proposal contributes to the maximization of the corporate value of Shibaura and also contributes to the value of stakeholders such as Shibaura's shareholders, employees, and business partners, and therefore falls under "desirable acquisition" under the Guidelines for Corporate Takeovers. Therefore, YAGEO believes that Shibaura's Board of Directors and Special Committee will continue to consider YAGEO's proposal as part of the corporate value improvement measures and will support YAGEO's proposal.
  - This may be the reiteration of background led to the Announcement, but YAGEO has requested meetings on October 11, 2024 and November 4, 2024, but all of them were rejected by SHIBAURA without a reason presented and could not be held. In addition, although YAGEO submitted a letter of intent regarding this Transaction to SHIBAURA's Board of Directors on December 30, 2024, stating that YAGEO is "ready to discuss this Proposal with you face-to-face at the venue of your choice." In response to this, YAGEO received a very short letter from Shibaura on January 9, 2025, stating that Shibaura would consider YAGEO's proposal appropriately, but in view of the fact that both of YAGEO's requests for a meeting on October 11, 2024 and November 4, 2024 were completely refused, YAGEO thought that YAGEO should first hold a meeting to explain what kind of company YAGEO is and to explain YAGEO's proposal and Shibaura's future plans. So YAGEO sent a letter to Shibaura dated January 13, 2025, requesting that a meeting be arranged for the purpose of explaining the above matters directly to Shibaura orally, and not for the purpose of receiving information from Shibaura. In response, on January 17, 2025, Shibaura informed YAGEO through Shibaura's financial advisor that the meeting could not be conducted without signing an NDA and provided YAGEO with a draft NDA on January 22, 2025. However, Shibaura's Draft NDA imposed unilateral

confidentiality obligations on YAGEO and prohibited YAGEO from acquiring shares of Shibaura and making public disclosures related to or commencing this Transaction for a certain period of time. Both of the conditions were were totally unacceptable to YAGEO since YAGEO, as a publicly listed company in Taiwan, has obligation to protect its confidential information and shareholder interest. YAGEO could not agree to delay its planned schedule without any justifiable reasons. In view of the circumstances up to that point, YAGEO had to assume that the Shibaura's response that Shibaura's Draft NDA would have to be entered into in order to have the meeting was practically a rejection of the request. YAGEO have also confirmed with YAGEO's external legal advisor that it is reasonable to hold such meeting without entering into such a confidentiality agreement in light of the purpose of the meeting explained in the letter to Shibaura dated January 13, 2025.

- To supplement, although Shibaura, only at this point, states that the proposed NDA terms including deletion of the proposed standstill were negotiable, YAGEO had to, in view of Shibaura's response to YAGEO's request to hold a meeting at that moment, conclude that Shibaura had substantially no intention to hold a meeting or discussion with YAGEO by presenting such NDA which was obviously unacceptable to YAGEO, as explained in YAGEO's previous answer.
- Since YAGEO had hoped to move forward with this Transaction after obtaining the understanding of Shibaura, YAGEO continued to request for a meeting, explaining to Shibaura that entering into Shibaura's Draft NDA should not be a precondition to engaging in discussions; however, as of the announcement of the Transaction, no such opportunity has been provided. In light of the current circumstances where YAGEO has been unable to receive a reasonable explanation from Shibaura regarding not being provided with such opportunity, YAGEO, out of concern that the shareholders of Shibaura may not be provided with an opportunity to consider YAGEO's proposal, through a transparent process, encourages the proper and proactive disclosure of information that will assist shareholders of Shibaura in making informed decisions by YAGEO and Shibaura, aims to secure circumstances that would allow shareholders of Shibaura to make the most optimal decision for Shibaura and its shareholders in relation to the approval or disapproval as well as terms and conditions with respect to the Transaction, and has decided to announce its plans regarding the Transaction. Please note that the prior consultation with the Kanto Local Finance Bureau was initiated in order to avoid any undue delay in the scheduled announcement date in accordance with the TOB practice in Japan, and it does not mean that YAGEO did not intend to explore the possibility of friendly consultation with Shibaura from the outset.
- YAGEO believes that the series of backgrounds leading to the Announcement and the process management to ensure the fairness of the procedures in the Transaction based on the Guidelines for Corporate Takeovers stated in the Announcement is evidence of YAGEO's most sincere approach to the Transaction. As mentioned above, given the situation at the time regarding Shibaura's response to YAGEO's request for a meeting, and the fact that YAGEO was presented with the NDA containing provisions that YAGEO would never accept as a condition for holding a meeting, YAGEO determined that Shibaura had no intention of discussing YAGEO's proposal. Therefore, we decided to first issue the Announcement to allow your shareholders to consider YAGEO's proposal, and then to seek Shibaura's understanding through a transparent process. YAGEO repeatedly communicated YAGEO's intention of publicly announcing this Transaction on February 5, 2025, and YAGEO does not believe it necessary to specifically indicate that the announcement is to be made even without Shibaura's consent. Nor do we believe it necessary to provide a prior notice to Shibaura before the public announcement in light of the circumstance at that moment.

– YAGEO is prepared to provide a bona fide explanation to Shibaura's Board of Directors and the Special Committee to support the Tender Offer prior to the commencement of the Tender Offer, and will take seriously any requests from your Board of Directors and the Special Committee to provide information reasonably necessary to form an opinion on the Tender Offer. Therefore, YAGEO has proposed a revised NDA which YAGEO reasonably believed to be aligned with market practice. YAGEO is looking forward to constructive dialogue between Shibaura and YAGEO to serve the interests of all Shibaura's and YAGEO's stakeholders, including the interests of shareholders of Shibaura.

10) In connection with the Announcement and the launch of Tender Offer, please explain whether there has been or will be any communication or discussion with third parties, including shareholders of Shibaura. If there is or will be any such communication or discussion, please provide specific details.

- Upon the notice of commencement of the Tender Offer, YAGEO has not communicated or discussed with any third party, including Shibaura's shareholders.
- In preparation for the commencement of the Tender Offer, YAGEO expects to communicate appropriately with Shibaura's shareholders and other stakeholders, including explaining the significance of the Transaction, as necessary, in order to gain their understanding of the Transaction.

11) Shibaura understands that an intermediate holding subsidiary to be established by YAGEO will acquire 100% of the shares of Shibaura for cash consideration, using YAGEO's cash reserves. Please explain YAGEO's view and the policy for maintaining financial solvency post-transaction in relation to the increased financial risk due to the Transaction.

- YAGEO expects to use cash on hand for the settlement amount of the Tender Offer (JPY 66 billion). YAGEO Group's cash and cash equivalents as of September 30, 2024 amounted to JPY 426 million (NTD 92 billion converted at the rate of NTD 1 / JPY 4.52 (as of the same date)), which means that YAGEO is already prepared to fund the settlement and there is no concern for settlement funds, even in light of possible exchange rate fluctuations.
- Additionally, YAGEO's market capitalization is JPY 1,288 billion as of March 5, 2025 (NTD 284 billion converted at the rate of NTD 1 / JPY 4.53 (as of the same date)) and its total assets and net assets were JPY 1,620 billion and JPY 700 billion (NTD 358 billion and NTD 155 billion converted at the rate of NTD 1 / JPY 4.52 (as of the same date)) respectively as of September 30, 2024.
- Therefore, there are no concerns about YAGEO's financial solvency as a result of the Transaction. There will also be no impact on the allocation of financial resources to Shibaura after the Transaction.

12) Please provide specific details regarding YAGEO's business operations policy following the implementation of the Transaction. In particular, if you are considering a restructuring within the group, please provide details on YAGEO's businesses to be involved (including financial information, regions of operation, locations, and number of employees), the timing of restructuring, and relevant details beyond the integration of the circuit protection business and sensor business. Additionally, please explain if there are any KPIs, financial reporting requirements, or other operational and management policies that will be applied to the group companies.

- As mentioned in (15), regarding the business operations policy, YAGEO anticipates making decisions on the optimal policies and plans through discussions with Shibaura as YAGEO respects the independence of the current management team.
- As for the restructuring within the group, we also anticipate making decisions on the optimal policies and plans through discussions with Shibaura.

13) Please explain YAGEO's views on the management structure, governance, and treatment of employees after the Transaction. Specifically, please explain YAGEO's expectations regarding the post-transaction executive structure (whether changes will be made) and YAGEO's policy on the retention of employees. While YAGEO has explained that future personnel arrangements will be determined through discussions with Shibaura, please indicate whether it is possible for YAGEO to consider a policy of maintaining the employment of Shibaura's employees in principle.

- Please refer to (15) for the responses regarding management structure and governance.
- YAGEO values the interests of its stakeholders, including your employees, and will maintain the employment of your employees in principle. Furthermore, in order for your company to continue growing together with YAGEO group, we would like to maintain not only the principle employment for your employees, but also the excellent corporate culture that you have cultivated, and we would like to make every effort to ensure that your employees, who represent that corporate culture, are highly motivated, hopeful, and are able to work proactively in their work.

14) Please provide detailed figures for the post-merger business plan, investment plan, and cash-flow plan related to the management policy after the Transaction. Particularly, with regards to YAGEO's cash management plan, please provide specifics on YAGEO's group's approach to capital and dividend policy.

- Post-merger business plans, investment plans and cash management plans (including capital and dividend policy) should not be decided solely by YAGEO, but rather should be decided flexibly through discussions with you along with the overall management policy. We would appreciate the opportunity to discuss this with you separately as necessary.
- As for cash management plans, YAGEO will provide additional financial resources to support your growth as you further expand your R&D and manufacturing capabilities.

15) While YAGEO stated in the press release that *"While YAGEO intends to discuss and determine the specific personnel allocation with the Target Company in the future on the assumption of making all the necessary decisions based on the best interests of the company, YAGEO plans to keep the dispatch of officers from YAGEO group to the minimum extent upon completion of the Transaction, as is the case with other group companies that have joined YAGEO"*, it seems that five of the eight directors and auditors seem to have been appointed from YAGEO according to the announcement made by Tokin Corporation, a subsidiary of YAGEO, as of February 1, 2024. Please provide specifics regarding the minimum extent to which YAGEO will appoint directors from Shibaura after this Transaction.

- Regarding the post-transaction management structure and management policies, YAGEO respects the independence of the current management team. Therefore, from the perspective of enhancing corporate value, YAGEO anticipates making decisions on the optimal management policies, governance structure, and organizational structure through discussions with Shibaura. However, YAGEO believes that a certain degree of governance structuring is necessary for its group companies, hence, we anticipate dispatching a certain amount of directors and auditors to Shibaura as well. Regarding the specific number of personnel to be dispatched, we intend to determine this flexibly through discussions with your company, considering the overall organizational structure.

(Q42) In the first questionnaire, Shibaura asked YAGEO about its plans to minimize the number of directors to be dispatched to Shibaura after the Transaction. However, it seems that YAGEO changed the phrase from “to minimize the number” to “to dispatch a certain number of directors and auditors”. Shibaura believes that the number of YAGEO’s directors dispatched to Tokin is beyond the minimum level and concerned about the possibility that the independence of the acquired companies may not be respected. Please explain your thoughts regarding this point and the reason why you changed the phrase from “minimum” to “a certain number”.

- Regarding the number of dispatched directors to TOKIN, in principle, YAGEO has simply adhered to the number of directors dispatched by KEMET to Tokin before YAGEO acquired KEMET, which is a direct parent company of TOKIN. We are mindful that Tokin’s case, where there was a 100% parent company before acquisition by YAGEO and governance system based on the dispatch of directors from parent company were a given for YAGEO, is different from Shibaura's case in terms of the minimum level of the directors/auditors to be dispatched.
- As a listed company responsible for its shareholders, YAGEO believes that it is necessary to establish a minimum system to ensure a certain degree of governance for its group companies. However, YAGEO believes that this does not conflict with YAGEO’s policy of respecting the independence of current management. In fact, the composition of TOKIN BOD is determined based on the discussion with TOKIN management. In addition, based on the above, it would be appreciated if Shibaura could understand that YAGEO has not changes its approach to dispatching officers now.
- Furthermore, YAGEO believes that it is difficult for YAGEO to provide a one-sided response to the minimum range at this stage where the meeting with Shibaura has not been realized. YAGEO would like to flexibly determine the specific number of people, etc. based on discussions with Shibaura and Shibaura’s thoughts, along with the overall organizational structure.

16) Please explain any other changes YAGEO plans to make to the organization structure, decision-making structure, fiscal year end or accounting standards.

- There are no specific plans regarding changes to the organization structure, decision-making structure, fiscal year and accounting standards at this time. We intend to coordinate with Shibaura and flexibly consider and plan post-transaction governance structures and financial control structures.

17) YAGEO stated in the press release that YAGEO will *“carefully consider maintaining”* Shibaura’s brand. Please provide details on the following points:

① Please explain what specific factors will be considered in deciding whether Shibaura’s brand will be maintained after the Transaction.

- Given Shibaura's strong brand in the NTC sensor market, we plan on keeping the brand to maximize the value. The key factor is the brand recognition in the market. If it is respectable and well-known, we do not see any strong reason to retire it.

② Even if the brand is maintained, there are concerns over the fact that a foreign company becoming Shibaura's parent company may lead to customer attrition. Please explain how YAGEO plans to address this issue and what level of new business opportunities YAGEO expects to generate.

- Given YAGEO's global footprint and its reputation as a key solution provider, we do not foresee any reason any customer would consider ending their business relationship abruptly. If there is any risk, we believe it will be manageable. The risk might arise if the acquirer has a strong NTC portfolio, which does not apply to YAGEO, there will be business loss due to the need for second sourcing.

18) YAGEO stated in the press release that *"the first step toward the Target Company becoming a company capable of sustainable growth, and that it is of utmost importance that the Target Company continues to grow together with YAGEO group in the long term after the Transaction. To this end, YAGEO believes that it is necessary to maintain the excellent corporate culture that the Target Company has cultivated to date, and that it is essential for the employees of the Target Company, who are the bearers of such corporate culture, to work proactively with high motivation and high hopes, as before."* Please provide details on the following points:

① In general, it is unlikely that joining the umbrella of an overseas company would help maintain motivation and future aspirations. Please explain YAGEO's thoughts, rationale, and background on this point.

- We do not believe that this general statement above is accurate. The important factor is still to have clear and frequent communication while setting the right KPI for the managers and employees to strive and succeed and feel a sense of achievement. As a truly global company, YAGEO is willing to promote any talent within the organization to senior positions as long as it is the best fit for each division of the company to succeed. As you can see from the leadership slide provided in our previous communication, many of our top managers are promoted from within with very diverse backgrounds and nationalities.

(Q43) Regarding "the right KPI", please explain in detail what KPI Shibaura expects to set for Shibaura.

- We believe the right KPIs should be jointly determined by YAGEO and Shibaura with a thorough understanding and discussion, and after reaching a clearer consensus on the direction to Shibaura's development direction. As each company may need different KPI and YAGEO is refraining from making any assumption to the possible KPIs at this moment.
- YAGEO 's normal practice is to base financial KPIs on the annual budget, which is prepared and presented by the local management team, which is a standard management performance index among technology companies.

② Given Shibaura will become a wholly owned subsidiary of YAGEO, and YAGEO will dispatch directors, how does YAGEO envision maintaining the corporate culture that Shibaura has cultivated so far. Please explain YAGEO's thoughts, rationale and background on this point.

- We still aim to retain the management of the company to grow together. We believe that the key to any success in any acquisition is the people. As such, it will be an important intermediatory for balancing the cultures of the two companies. YAGEO is proud of its inclusive culture. We hope to combine our positive attributes of the companies (for example, our agile and inclusive cultures) while maintaining the core cultures of each organization.

19) YAGEO stated in the press release that *"YAGEO's successful case with the recent integrations should provide the Target Company the comfort that it will operate independently with all the support YAGEO can bring to ensure its success."* Please provide details on the following points:

① Please explain YAGEO's opinion on the potential losses, particularly human capital losses, arising from differences in corporate culture and language environment

- Based on our past experiences, we do not foresee any significant losses in employees specifically arising from the differences in culture and the language environment. In terms of Japanese, we have many Japanese-speaking talent from our acquisition of TOKIN. We believe that this could provide comfort for Shibaura's employees in terms of the unlikely event of a serious cultural shock. We will also leverage our TOKIN managers and other resources to create an environment for success and a smooth transition for any and all Shibaura employees.

(Q44) We understand that there will not be direct capital relationship even if Tokin and Shibaura become a group company after the Transaction. Please explain why the presence of Japanese speakers in Tokin would be a reassuring factor for Shibaura.

- For clarity, similar to how Tokin has maintained its independence, YAGEO respects Shibaura's culture, organization, and environment. YAGEO believes that the existence of Tokin, a domestic group company, and its growth can create a sense of security for stakeholders including Shibaura's employees and business partners. In addition, as a domestic company belonging to the same group, it is possible to establish a place for communications and exchange of opinions as necessary, and YAGEO believes that it would be possible to gain a sense of affinity and security as a group.

② YAGEO stated in the press that *"in order to quickly realize synergies with YAGEO group using the management know-how accumulated through YAGEO's M&A and PMI experience to date, the top management of YAGEO as well as the responsible persons at the field level will visit the Target Company on an ongoing basis, and the Target Company will visit YAGEO"* in the Announcement. Please explain YAGEO's thoughts on the feasibility of maintaining Shibaura's independence.

- This has been done in the past within YAGEO, especially with our TOKIN integration. We believe that we will have a fitting plan for each organization based on the cultures. We do not aim to interfere with all of the day-to-day operations of any healthy company or division. YAGEO hopes to keep a certain level of independence while providing the necessary resources to succeed.

20) Please explain the background and reasons for this proposal of acquiring 100% of Shibaura instead of proposing a business partnership or capital business alliance, as there was no

capital relationship within the two companies when YAGEO submitted the letter of intent to Shibaura on December 30th, 2024.

- YAGEO aims to swiftly realize synergies and unlock Shibaura's potential corporate value, working together to become a leading industrial sensor manufacturer. To achieve this, we believe that privatization of Shibaura, whereby YAGEO acquires 100% of Shibaura shares, will offer significant benefits to both parties, facilitating the early realization of Shibaura's full potential corporate value.
  - In an environment where markets are evolving rapidly, we believe it is essential to adopt a mid- to long-term perspective and ensure swift and flexible decision-making. By taking Shibaura private through this Transaction, Shibaura will be able to make swift and flexible decisions based on a mid- to long-term perspective, free from the constraints of short-term financial results.
  - Additionally, from YAGEO's shareholders' perspective, privatization of Shibaura will prevent YAGEO's resources from leaking out to third parties. This will allow YAGEO to invest in Shibaura without reservation, fully leveraging its R&D resources, financial resources, business platforms, and customer networks.

21) YAGEO stated that *"as of today, YAGEO holds 1,000 shares of the Target Company's Stock (Ownership Ratio: 0.01%)"* in the Announcement. Please indicate the number of shares held by YAGEO as of the date of receiving the Questionnaire and whether YAGEO plans to purchase Shibaura shares during the period up to the commencement of the Tender Offer.

- As of the date of this response letter, the number of Shibaura shares held by the YAGEO group is 1,000 shares. Additionally, at this moment, YAGEO has no plans to acquire additional shares before the launch of the Tender Offer.

It would be appreciated if you could respond to the following question, we newly added this time.

22) In the interview by Nikkei dated February 27, 2025, YAGEO's Chairman stated that YAGEO would launch tender offer even if they do not obtain consent from Shibaura. Please explain how YAGEO believes the Transaction would affect Shibaura's business partners, employees and other stakeholders if executed without Shibaura's consent.

- YAGEO believes that with YAGEO's support will help Shibaura maximize it's corporate value. As it also contributes to the value of stakeholders such as Shibaura's shareholders, employees, and business partners, it is considered to be a "desirable acquisition" under the Guidelines for Corporate Takeovers. For this reason, YAGEO believes that Shibaura's board of directors and special committee would agree if they considered YAGEO's proposal as part of the corporate value improvement measures.
- In addition, YAGEO still believes that the Transaction will have significant potential for both parties and all stakeholders, and YAGEO is committed to deliver important information related to the Transaction through a transparent process in accordance with laws and regulations. Furthermore, given YAGEO's global presence and its reputation as an important solution provider, YAGEO hopes that Shibaura's business partners, employees and other stakeholders will understand and support YAGEO's proposal.