



Annual financial statements as at 31 March 2023 and management report

TRANSLATION – AUDIT REPORT

**TDK-Lambda Germany GmbH
Achern, Germany**

**KPMG AG
Wirtschaftsprüfungsgesellschaft**

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

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Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units, percentages, etc.) may occur.

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1 Audit engagement

At the shareholders' meeting held in October 2022 of

TDK-Lambda Germany GmbH, Achern,

– hereinafter also referred to as 'TDK -Lambda' or the 'Company' –

we were elected as auditor for the financial year from 1 April 2022 to 31 March 2023. Accordingly, management has engaged us to audit the annual financial statements for the year ended 31 March 2023, together with the accounting records and the management report.

The terms governing this engagement are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on 1 January 2017, which are attached to this report as Appendix 4. Our liability is governed by Clause 9 of the General Engagement Terms. Our liability towards third parties is defined under Clauses 1 (2) and 9 of the General Engagement Terms.

2 **Reproduction of the independent auditor's report**

Based on the results of our audit, we have issued the following unqualified auditor's report:



Independent Auditor's Report

To TDK-Lambda Germany GmbH, Achern

Opinions

We have audited the annual financial statements of TDK-Lambda Germany GmbH, Achern, which comprise the balance sheet as at 31 March 2023, and the income statement for the financial year from 1 April 2022 to 31 March 2023, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of TDK-Lambda Germany GmbH for the financial year from 1 April 2022 to 31 March 2023.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2023, and of its financial performance for the financial year from 1 April 2022 to 31 March 2023, in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further

described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of Management for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Freiburg im Breisgau, 6 October 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Penzkofer
Wirtschaftsprüfer
[German Public Auditor]

[signature] Schlitzer
Wirtschaftsprüfer
[German Public Auditor]

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3 Evaluation of management's assessment of the Company's position

In our opinion, the following key statements in the management report are noteworthy:

- Revenue in financial year 2022/2023 exceeded the budget by 45.1% and was up year on year by 35.2%.
- TDK-Lambda Germany GmbH generated total revenue of KEUR 111,145 (PY: KEUR 81,602) and other income of KEUR 2,842 (PY: KEUR 1,124) in financial year 2022/2023.
- Net income for the year increased by KEUR 2,722 from KEUR 3,185 to KEUR 5,907. Lower earnings had been expected for financial year 2022/2023. Earnings before taxes were up by KEUR 3,809 over the prior year, which was largely due to the increase in revenue.
- Personnel expenses (KEUR 8,380) increased in comparison to prior year 2021/2022 by KEUR 890 to KEUR 9,270. Besides higher headcount, this was also due by inflation compensation payments.
- Total assets amounted to KEUR 60,309 as at 31 March 2023 (PY: KEUR 44,875). Thus, intangible assets and property, plant and equipment decreased slightly while current assets increased. The increase in current assets was especially driven by the increase in inventories by KEUR 10,366 and receivables by KEUR 5,258.
- An equity ratio of 54.4% (PY: 63.6%) is shown on the equity and liabilities side of the balance sheet. This decrease was driven primarily by a rise in liabilities to affiliated companies, tax provisions and other liabilities.
- Based on current market estimates and customer forecasts, net income is expected to decline slightly in financial year 2023/2024 along with a slight decrease in order intake. Revenue will be on par with the prior year. We also continue to assume that operating cash flows will be sufficient to cover our current financing needs.
- Since a significant portion of our purchases of goods is priced in US dollars, we are subject to exchange rate risks. Where possible, we attempt to counter these risks by invoicing our customers in US dollars for goods that are sourced in US dollars. At the same time, it remains our aim to reduce, as far as possible, goods sourced in US dollars. This risk is considered to be medium.
- The potential for a resurgence of coronavirus-related restrictions in Asia, the still ongoing (customs-related) political developments as well as the conflicts in Ukraine and postponed delivery dates on the part of our customers have exposed TDK-Lambda Germany GmbH to the risk of bottlenecks in terms of sourcing of components and finished products from China/Taiwan/United Kingdom and, thus, a slump in order intake/drop in revenue. This risk is considered to be medium.

As a result of our audit, we found that the management report, as a whole, provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Please refer to Appendices 2 and 3 for the Company's business profile and legal status.

4 Performance of the audit

4.1 Scope of the audit

We have audited the annual financial statements of TDK-Lambda Germany GmbH, which comprise the balance sheet, the income statement and notes to the financial statements, including the accounting records, and the management report for the financial year ended 31 March 2023.

Our responsibility is to express an opinion on the annual financial statements and the management report based on our audit.

An audit only covers compliance with other regulations to the extent that these other regulations can be expected to have an impact on the annual financial statements or the management report.

Pursuant to Section 317 (4a) HGB, an audit is not intended to extend to whether the Company's ability to continue as a going concern or the effectiveness and efficiency of management can be assured.

4.2 Nature and scope of audit procedures

The general principles of our audit approach are already presented in the "Reproduction of the independent auditor's report" (see Section 2 of this report). In addition, we provide the following information on our audit approach and audit performance:

Phase I: Development of an audit strategy focused on business risks

Obtaining an understanding of the Company's business as well as knowledge of the accounting systems and the internal control system

Establishing audit focus areas based on our risk assessment:

- Audit of the process of preparing the annual financial statements
- Existence and valuation of inventories
- Existence and accuracy of trade receivables
- Revenue recognition cut-off

Establishing the audit strategy and timeline for the audit

Selecting the audit team

Phase II: Selection and implementation of control-based audit procedures

Selection of control-based audit procedures based on risk assessments and knowledge of business processes and systems

Assessment of the design and effectiveness of selected accounting-related controls

Phase III: Tests of details and analytical review of items in the annual financial statements

Performance of analytical reviews of items in the annual financial statements

Tests of details on a sample basis and assessment of individual items with a view to the accounting options and judgements exercised, e.g.:

- Obtaining confirmations from lawyers and credit institutions
- Obtaining confirmations of balances from customers and suppliers based on representative sampling or deliberate sampling

Review of disclosures in the notes and assessment of the management report

Phase IV: Overall assessment of audit results and reporting

Formation of opinions on the basis of the overall assessment of audit results

Reporting in the audit report and the independent auditor's report

Detailed oral presentation of audit results to management

We performed our audit (with interruptions) in the months of May to October 2023, until 6 October 2023. We performed a preliminary audit in May 2023.

All explanations and evidence requested by us were provided. The management confirmed in writing that the accounting records, the annual financial statements, and the management report are complete.

5 Findings on accounting and financial reporting

5.1 Accounting records and related documents

The Company's accounting records have been properly kept and maintained. The accounting records and related documents are properly authorised, sufficiently explained and filed in an orderly manner. Based on our findings, the accounting records and related documents comply with German legal requirements.

5.2 Annual financial statements

The annual financial statements as at 31 March 2023, presented to us for audit, were properly derived from the Company's accounting records and related documents. The opening balance sheet figures were properly carried forward from the prior year's financial statements. The German legal recognition, presentation and measurement requirements have been observed, in all material respects.

The balance sheet and income statement have been prepared, in all material respects, in accordance with the provisions of German commercial law applicable to corporations, including German legally required accounting principles. The notes to the financial statements include all legally required information.

The protective clause referred to in Section 286 (4) HGB has been properly applied.

5.3 Management report

The management report prepared by management, in all material respects, complies with German legal requirements.

6 Conclusion on the overall presentation of the annual financial statements

We are of the opinion that the annual financial statements give a true and fair view of the assets, liabilities and financial position of the Company and of its financial performance in accordance with German legally required accounting principles.

7 Concluding remarks

This audit report has been prepared in accordance with the principles of Auditing Standard 450 (as amended) (10.2021), promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

We hereby confirm pursuant to Section 321 (4a) HGB that we have conducted our audit in accordance with the applicable independence regulations.

The independent auditor's report is presented in Section 2.

Freiburg im Breisgau, 6 October 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Penzkofer
Wirtschaftsprüfer
[German Public Auditor]

Schlitzer
Wirtschaftsprüfer
[German Public Auditor]

Appendices

Appendix 1

Annual financial statements as at 31 March 2023 and management report

1.1 Balance sheet

1.2 Income statement

1.3 Notes to the financial statements

1.4 Management report

TDK-Lambda Germany GmbH, Achern

Balance sheet as at 31 March 2023

Assets

| | 31 Mar. 2023 | | 31 Mar. 2022 | |
|--|---------------|----------------------|---------------|----------------------|
| | EUR | EUR | EUR | EUR |
| A. Fixed assets | | | | |
| I. Intangible assets | | | | |
| 1. Software acquired for a consideration | 430,853.89 | | 519,369.24 | |
| 2. Advance payments | 51,185.00 | 482,038.89 | 29,231.25 | 548,600.49 |
| II. Property, plant and equipment | | | | |
| 1. Leasehold improvements | 78,401.80 | | 100,553.26 | |
| 2. Other equipment, operating and office equipment | 727,541.83 | 805,943.63 | 816,749.17 | 917,302.43 |
| III. Financial assets | | | | |
| Shares in affiliated companies | | 15,494,415.06 | | 15,494,415.06 |
| | | 16,782,397.58 | | 16,960,317.98 |
| B. Current assets | | | | |
| I. Inventories | | | | |
| 1. Raw materials and supplies | 610,212.77 | | 517,554.83 | |
| 2. Work in process | 965,135.47 | | 629,320.39 | |
| 3. Finished goods and merchandise | 21,642,041.22 | 23,217,389.46 | 11,703,948.06 | 12,850,823.28 |
| II. Receivables and other assets | | | | |
| 1. Trade receivables | 12,432,175.42 | | 8,700,369.58 | |
| 2. Receivables from affiliated companies | 5,735,598.24 | | 5,287,247.93 | |
| 3. Other assets | 1,900,484.57 | 20,068,258.23 | 822,383.70 | 14,810,001.21 |
| III. Cash and cash equivalents | | 4,271.36 | | 45,110.02 |
| | | 43,289,919.05 | | 27,705,934.51 |
| C. Prepaid expenses | | 236,393.68 | | 208,853.39 |
| | | 60,308,710.31 | | 44,875,105.88 |

Equity and liabilities

| | 31 Mar. 2023 | 31 Mar. 2022 |
|---|----------------------|----------------------|
| | EUR | EUR |
| A. Equity | | |
| I. Subscribed capital | 200,000.00 | 200,000.00 |
| II. Capital reserve | 4,957,000.00 | 4,957,000.00 |
| III. Retained earnings | 21,761,947.42 | 20,201,653.44 |
| IV. Net income for the year | 5,907,768.81 | 3,185,137.98 |
| | 32,826,716.23 | 28,543,791.42 |
| B. Provisions | | |
| 1. Tax provisions | 1,936,287.12 | 437,556.00 |
| 2. Other provisions | 1,849,969.99 | 1,134,315.55 |
| | 3,786,257.11 | 1,571,871.55 |
| C. Liabilities | | |
| 1. Trade payables | 928,904.01 | 778,580.87 |
| 2. Liabilities to affiliated companies | 19,488,274.88 | 12,304,557.96 |
| 3. Other liabilities | 3,278,558.08 | 1,676,304.08 |
| – thereof for taxes: | | |
| EUR 3,127,067.28 (PY: EUR 1,521,106.53) – | | |
| – thereof for social security: | | |
| EUR 2,328.45 (PY: EUR 4,013.62) – | | |
| | 23,695,736.97 | 14,759,442.91 |
| | 60,308,710.31 | 44,875,105.88 |

TDK-Lambda Germany GmbH, Achern

Income statement for the period from 1 April 2022 to 31 March 2023

| | 2022/2023 | | 2021/2022 | |
|--|--------------|---------------------|--------------|---------------------|
| | EUR | EUR | EUR | EUR |
| 1. Revenue | | 111,144,798.61 | | 81,602,334.07 |
| 2. Increase in finished goods and work in process | | 102,604.18 | | 5,101.66 |
| 3. Other operating income | | 2,841,822.60 | | 1,123,665.15 |
| 4. Cost of materials | | | | |
| Cost of raw materials, supplies and purchased goods | | 87,028,258.24 | | 63,751,213.09 |
| 5. Personnel expenses | | | | |
| a) Wages and salaries | 7,845,149.48 | | 7,069,156.30 | |
| b) Social security, pension and other benefits | 1,424,669.99 | 9,269,819.47 | 1,310,371.40 | 8,379,527.70 |
| – thereof for pensions: | | | | |
| EUR 201,391.01 (PY: EUR 182,699.73) – | | | | |
| 6. Amortization of intangible assets and depreciation of property, plant and equipment | | 331,283.20 | | 239,710.43 |
| 7. Other operating expenses | | 9,167,143.31 | | 5,829,487.84 |
| 8. Other interest and similar income | | 36,142.56 | | 1,969.94 |
| – thereof from affiliated companies: | | | | |
| EUR 36,143.56 (PY: EUR 1,934.16) – | | | | |
| 9. Interest and similar expenses | | 38,935.11 | | 44,871.30 |
| – thereof to affiliated companies: | | | | |
| EUR 37,146.15 (PY: EUR 43,006.76) – | | | | |
| 10. Income taxes | | 2,352,724.73 | | 1,266,658.13 |
| 11. Earnings after taxes | | 5,937,203.89 | | 3,221,602.33 |
| 12. Other taxes | | 29,435.08 | | 36,464.35 |
| 13. Net income for the year | | 5,907,768.81 | | 3,185,137.98 |

General information

These annual financial statements were prepared in accordance with Sections 242 et seqq. and Sections 264 et seqq. of the German Commercial Code [HGB] and the relevant provisions of the German Limited Liability Companies Act [GmbHG]. The provisions applicable to large corporations apply.

The income statement was prepared using the nature of expense method.

To enhance clarity of presentation, we have adjusted the designation of individual balance sheet items in accordance with Section 265 (6) HGB.

The largest consolidated group is TDK Corporation in Tokyo, Japan. The consolidated financial statements are available at the headquarters of TDK Corporation in Tokyo, Japan, and can be viewed at www.tdk.co.jp.

Accounting policies

The following accounting policies were applied unchanged in preparing the annual financial statements.

Acquired **intangible assets** are stated at cost and, if they have a limited life, amortised on a straight-line basis over their respective useful lives of one to five years. Goodwill acquired for a consideration is initially recognised based on an expected useful life of 15 years in line with the tax regulations of Section 7 (1) of the German Income Tax Act [EStG]. This is also in accordance with the expected useful life of long-term business relationships with customers.

Property, plant and equipment are recognised at cost and depreciated on a straight-line basis over their estimated useful lives of one to 16 years.

Low-value assets costing between EUR 250 to EUR 1,000 are recognised at cost and depreciated over five years (straight-line method). Low-value assets costing less than EUR 250 are fully expensed in the year of acquisition.

With the exception of the rule relating to low-value assets, additions to intangible assets and property, plant and equipment are amortised or depreciated pro rata temporis.

Shares in affiliated companies are stated at cost or the lower fair value if impairment is expected to be permanent. If the reasons for the write-down no longer apply, then the impairment loss is reversed.

Raw materials and supplies as well as merchandise are recognised at the respective purchase price plus ancillary purchase costs and at the respective exchange value on the date of the transaction if the purchase is denominated in foreign currency. Valuation uses the FIFO method.

Finished goods and work in process are stated at cost based on the costs that have to be capitalised. These include the direct costs of production and material as well as appropriate shares of production and material overheads and depreciation, to the extent that these are incurred as a result of production.

All recognisable risks in **inventories** resulting from above-average storage periods, limited marketability and lower replacement costs are accounted for using appropriate write-downs.

Receivables and other assets are carried at nominal value. The general credit risk is covered by general allowances.

Deferred taxes are calculated especially for temporary differences between the values recognized for inventories and provisions for financial reporting and tax purposes. These are measured using the applicable tax rate for corporation and trade tax totalling 28%. Pursuant to the option set out in Section 274 (1) sentence 2 HGB, deferred tax assets are not recognised.

Provisions recognise all identifiable risks and contingent liabilities at the amount deemed necessary according to prudent commercial judgement.

Liabilities are stated at their settlement amount.

Current receivables and liabilities denominated in **foreign currency** are stated at the average spot rate prevailing on the reporting date in accordance with Section 256a HGB. There are no long-term receivables and liabilities in foreign currencies.

Explanatory notes on the balance sheet

Fixed assets

Movements in individual fixed assets – taking into account depreciation, amortisation and write-downs during the financial year – are presented in the statement of movements in fixed assets (appendix to the notes).

Financial assets

Shares in affiliated companies relate to shares (100%) in Nextys SA in Quartino, Switzerland.

Nextys SA's equity and net income for the year amounted to KEUR 6,311 (PY: KEUR 6,402) and KEUR -89 (PY: KEUR -646), respectively, on 31 March 2023.

Movements in financial assets are presented in the statement of movements in fixed assets (appendix to the notes).

Receivables and other assets

All receivables have a remaining term of up to one year.

Receivables from affiliated companies include trade receivables of KEUR 4,359 (PY: KEUR 3,054) and a receivable from the cash pool of KEUR 1,377 (PY KEUR 2,233).

Prepaid expenses mainly include prepaid insurance and maintenance charges.

Subscribed capital

The subscribed capital amounts to KEUR 200 (PY: KEUR 200).

Other provisions

Other provisions were mainly recognised for personnel-related obligations of KEUR 933 (PY: KEUR 802), partial retirement benefits of KEUR 562 (PY: KEUR 149), warranties of KEUR 133 (PY: KEUR 151), audit and advisory fees of KEUR 97 (PY: KEUR 74) as well as outstanding invoices of KEUR 55 (PY: KEUR 36).

Liabilities

Liabilities to affiliated companies include trade payables of KEUR 14,455 (PY: EUR 7,305). The increase in trade payables was due to the increase in volume driven by a change in the min./max. planning of inventories and goods in transit, which was caused by longer delivery times and difficult delivery conditions from Asia.

Similarly, liabilities to affiliated companies include an uncollateralised loan of KEUR 5,000 (PY: KEUR 5,000), which was granted by TDK Europe SA, Luxembourg. The loan is due in March 2024 but – in accordance with the existing confirmation from the lender – will be renewed as required. There is no liability from the cash pool at financial year-end.

As in the prior year, all other liabilities have a remaining term of up to one year and are also not secured.

Liabilities to affiliated companies include liabilities payable to the shareholder, TDK-Lambda Corporation, Japan, of KEUR 4,343 (PY: KEUR 2,112). The liabilities are regular trade payables.

Other financial obligations

As at the balance sheet date, the Company had liabilities arising from rent and leasing agreements totalling KEUR 2,886 (PY: KEUR 3,246). Of the financial obligations, amounts totalling KEUR 630 are due within one year. The other obligations have a term of between two and six years. No increase in funding requirements and no liquidity drain arose from the concluded contracts at the time of the investment, although there is a steady outflow of liquidity over the duration of the agreements. This is contrasted by planning security and the use of up-to-date technology.

Explanatory notes on the income statement

Revenue is broken down into the following geographically defined markets: Europe KEUR 88,186 (PY: KEUR 69,275), Asia KEUR 11,997 (PY: KEUR 6,610) and the USA KEUR 3,719 (PY: KEUR 1,408). Furthermore, revenue includes KEUR 4,071 (PY: KEUR 2,208) in recharged freight costs and KEUR 2,975 (PY: KEUR 2,101) in recharged management fees.

Other operating income includes income relating to other periods in the amount of KEUR 271 (PY: KEUR 247) and exchange rate gains of KEUR 2,411 (PY: KEUR 698).

Other operating expenses include exchange rate losses of KEUR 2,287 (PY: KEUR 751), rent for buildings of KEUR 495 (PY: KEUR 387), travel expenses of KEUR 259 (PY: KEUR 78) and expenses relating to other periods of KEUR 176 (PY: KEUR 82).

The interest effects from the compounding/discounting of provisions are recognised in the financial result. As the provisions largely relate to short-term liabilities, the interest effects are negligible in terms of their amount.

Subsequent events

There have been no significant events after the balance sheet date.

Appropriation of profit

Management proposes carrying forward the reported net income for the year of KEUR 5,908 together with the retained earnings brought forward of KEUR 21,762 to financial year 2023/2024.

Other disclosures

Management

The management function is performed by:

Matthew Cotton, Knutsford, United Kingdom, Managing Director, TDK Lambda EMEA

Gustav Erl, Forstern, General Manager of TDK-Lambda Germany GmbH

Alan Dykes, Ilfracombe, United Kingdom, Director of Finance, TDK Lambda EMEA

Kazuhiko Sekimoto, Yokohama City, Kanagawa Prefecture, Japan

As only one managing director receives remuneration from the Company, we make use of the exemption clause set forth in Section 286 (4) HGB.

Employees

An average of 88 full-time employees (PY: 76), 25 part-time employees (PY: 27) and 5 trainees (PY: 5) were employed by the Company in financial year 2022/2023. Of these, 107 are salaried staff (PY: 103) and 6 industrial employees (PY: 5).

Auditor's fee

The auditor's fee totalling KEUR 42 (PY: KEUR 42) is divided into KEUR 38 (PY: KEUR 37) in fees for auditing the financial statements and KEUR 4 (PY: KEUR 5) for tax advisory services.

Group affiliation

The financial statements are included in the consolidated financial statements of TDK Corporation, Tokyo, Japan, as the largest consolidated group and in the consolidated financial statements of TDK-Lambda Corporation, Japan, as the smallest consolidated group. The consolidated financial statements of TDK Corp. are published at and available from the registered office of TDK Corp., and filed at the Tokyo Stock Exchange under code no. 6762.

The consolidated financial statements of TDK Corporation, Tokyo, Japan, exempt the Company – in accordance with Section 292 HGB – from the obligation to prepare consolidated financial statements and a group management report. The consolidated financial statements and group management report of TDK Corporation are prepared pursuant to IFRS and published in the German Federal Gazette [Bundesanzeiger]. The main differences between IFRS and financial reporting under German commercial law are primarily in how fixed assets are reported and measured, how allowances on receivables are recognised and how provisions are recognised and measured.

TDK-Lambda Germany GmbH is entered in the commercial register B of the Mannheim District Court under the number HRB 220905.

Achern, 6 October 2023

Management

Matthew Cotton

Gustav Erl

Alan Dykes

Kazuhiko Sekimoto

TDK-Lambda Germany GmbH, Achern

Movements in fixed assets in the 2022/2023 financial year

| Cost | | | | | |
|--|----------------------|-------------------|------------------------|-------------------|----------------------|
| | 1 Apr. 2022 | Additions | Reclassifi- cations | Disposals | 31 Mar. 2023 |
| | EUR | EUR | EUR | EUR | EUR |
| I. Intangible assets | | | | | |
| 1. Software acquired for a consideration | 1,052,102.59 | 40,728.01 | 0.00 | 0.00 | 1,092,830.60 |
| 2. Goodwill | 1,942,981.78 | 0.00 | 0.00 | 0.00 | 1,942,981.78 |
| 3. Advance payments | 29,231.25 | 163,457.61 | 0.00 | 141,503.86 | 51,185.00 |
| | 3,024,315.62 | 204,185.62 | 0.00 | 141,503.86 | 3,086,997.38 |
| II. Property, plant and equipment | | | | | |
| 1. Leasehold improvements | 487,719.99 | 714.82 | 0.00 | 0.00 | 488,434.81 |
| 2. Other equipment, operating and office equipment | 2,166,600.98 | 92,152.23 | 0.00 | 42,954.47 | 2,215,798.74 |
| | 2,654,320.97 | 92,867.05 | 0.00 | 42,954.47 | 2,704,233.55 |
| III. Financial assets | | | | | |
| Shares in affiliated companies | 15,494,415.06 | 0.00 | 0.00 | 0.00 | 15,494,415.06 |
| | 21,173,051.65 | 297,052.67 | 0.00 | 184,458.33 | 21,285,645.99 |

| Accumulated amortisation, depreciation and write-downs | | | | Book value | |
|--|--|------------------|---------------------|----------------------|----------------------|
| 1 Apr. 2022 | Amortisation, depreciation and write-downs during the financial year | Disposals | 31 Mar. 2023 | 31 Mar. 2023 | 31 Mar. 2022 |
| EUR | EUR | EUR | EUR | EUR | EUR |
| 532,733.35 | 129,243.36 | 0.00 | 661,976.71 | 430,853.89 | 519,369.24 |
| 1,942,981.78 | 0.00 | 0.00 | 1,942,981.78 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 51,185.00 | 29,231.25 |
| 2,475,715.13 | 129,243.36 | 0.00 | 2,604,958.49 | 482,038.89 | 548,600.49 |
| 387,166.73 | 22,866.28 | 0.00 | 410,033.01 | 78,401.80 | 100,553.26 |
| 1,349,851.81 | 179,173.56 | 40,768.46 | 1,488,256.91 | 727,541.83 | 816,749.17 |
| 1,737,018.54 | 202,039.84 | 40,768.46 | 1,898,289.92 | 805,943.63 | 917,302.43 |
| 0.00 | 0.00 | 0.00 | 0.00 | 15,494,415.06 | 15,494,415.06 |
| 4,212,733.67 | 331,283.20 | 40,768.46 | 4,503,248.41 | 16,782,397.58 | 16,960,317.98 |

TDK-Lambda Germany GmbH, Achern

Management report for financial year 2022/2023

General information

TDK-Lambda Germany GmbH is part of the Japanese TDK Group and one of the global leaders in manufacturing products for AC/DC and DC/DC power supplies. The business purpose of TDK-Lambda Germany GmbH, as part of this Group and having its registered office in Achern, is the distribution and servicing of electronic components and devices for power supplies. In addition, locally developed, customised value added solutions are offered.

The sales regions where we sell to third-party customers include Germany, Austria, Switzerland, Eastern Europe and Scandinavia.

Our target markets are industrial mechanical engineering, medical technology, process automation and measurement technology.

TDK-Lambda Germany GmbH is also responsible for European logistics and warehousing of TDK-Lambda products manufactured in Asia and Israel and for power supply products which have been purchased from external sources. Affiliates and their customers in the EMEA region are supplied from the distribution centre in Achern.

The Company has sales offices in Austria, Switzerland and Denmark, each of which has one sales representative, as well as a subsidiary, Nextys SA, in Quartino, Switzerland.

Our Company's key financial performance indicators include revenue, order intake and net income for the year.

Sector and business development

German market indicators for the German electrical industry (most important users of AC/DC and DC/DC power supplies) showed a slight increase of approx. 5% in 2023.

Revenue in the reporting year exceeded the budget by 45.1% and was up year on year by 35.2%. The increase in revenue was due to a change in customer behaviour on account of the coronavirus pandemic.

A year-on-year increase in order intake of 56.9% (= KEUR 40,949) was reported for the full year. Thus, total orders received during the year under review – taking cash discounts into account – amounted to KEUR 112,681 (PY: KEUR 102,518). Excluding IC business, order volume for the next six months amounts to KEUR 26,183. The rise in overall incoming orders is affected by the longer delivery times (coronavirus pandemic, uncertainty due to Brexit, material shortages) and, thus, the longer-term planning of customers.

At 78.2%, the cost-of-material ratio was slightly up over the prior year (PY: 78.1%).

The number of employees increased by 6 to 114. This includes 25 part-time staff and 5 trainees.

Investments in intangible assets and property, plant and equipment amounted to KEUR 297 (PY: KEUR 1,026). These mainly included KEUR 47 in hardware, KEUR 31 in machinery and tools, KEUR 5 in office equipment, KEUR 41 in software and KEUR 10 in low-value assets. In addition, KEUR 51 was invested as advance payments for intangible assets.

Shares in affiliated companies of KEUR 15,494 are disclosed under financial assets. This relates to subsidiary Nextys SA in Quartino, Switzerland.

Our company is certified in accordance with BS ISO 9001:2015.

Explanatory notes on financial performance

In the 2022/2023 financial year, TDK-Lambda Germany GmbH generated revenue of KEUR 111,145 (PY: KEUR 81,602) and other operating income of KEUR 2,842 (PY: KEUR 1,123).

The cost of materials amounted to KEUR 87,028 in financial year 2022/2023 (PY: KEUR 63,751) and, thus, increased by 36.5%, which was in line with the rise in revenue.

Other operating income rose from KEUR 1,124 to KEUR 2,842, primarily as a result of high foreign currency gains.

This led to a gross profit of KEUR 27,061, which was up by KEUR 8,093 over the prior year (PY: KEUR 18,968).

Personnel expenses increased year on year by KEUR 890 to KEUR 9,270 (PY: KEUR 8,380). Besides higher headcount, this was also due by payment to compensate for inflation.

Other operating expenses rose from KEUR 5,829 to KEUR 9,167, which was especially due to higher currency translation expenses and costs for trade fairs.

At KEUR -2, the financial result improved by KEUR 41, which was largely attributable to an increase in interest income from cash pool balances.

Apart from that, our financial performance did not change significantly year on year.

Total earnings after taxes amounted to KEUR 5,937 (PY: KEUR 3,222). Thus, earnings rose by 84% over the prior year. Net income for the year increased by KEUR 2,722 from KEUR 3,185 to KEUR 5,907. Lower earnings were expected for the financial year ended. Earnings before taxes were up by KEUR 3,809 over the prior year, which was largely due to the increase in revenue.

The return on assets was 9.8% in financial year 2022/2023 (PY: 7.1%).

Explanatory notes on assets, liabilities and financial position

As at 31 March 2023, total assets amounted to KEUR 60,309 (PY: KEUR 44,875) and consisted of KEUR 1,288 (PY: KEUR 1,466) in fixed assets, KEUR 15,494 (PY: KEUR 15,494) in financial assets, KEUR 43,290 (PY: KEUR 27,706) in current assets and KEUR 237 (PY: KEUR 209) in prepaid expenses. Thus, intangible assets and property, plant and equipment decreased slightly while current assets increased. The increase in current assets was especially driven by the increase in inventories by KEUR 10,366 and receivables by KEUR 5,258.

The equity ratio stood at 54.4% (PY: 63.6%). This decrease was driven primarily by a rise in liabilities to affiliated companies, tax provisions and other liabilities.

The KEUR 7,184 increase in intercompany liabilities was mainly due to the rise in trade payables. The increase in other liabilities of KEUR 1,603 was due primarily to liabilities for import VAT amounting to KEUR 1,667. At KEUR 929 (PY: KEUR 779), trade payables to third parties rose by 19%.

Apart from that, provisions totalling KEUR 3,786 were recognised (PY: KEUR 1,572). Provisions mainly relate to warranty and personnel obligations as well as tax provisions.

Besides the expected continuing operating cash flows, the Company's liquidity is guaranteed at all times by TDK's cash pool.

Cash flows for the 2022/2023 financial year amounted to KEUR 6,239 (PY: KEUR 3,425). Cash flows are calculated on the basis of net income for the year plus amortisation, depreciation and write-downs. Cash flows were mainly used for expanding the German business.

The Company is in an overall stable position due to new products for medical technology, measurement technology, as well as expansion of distribution in other EU countries and its solid financial position.

Research and development

The Company is mainly active in trade and distribution and carries out only limited research and development. Nevertheless, customised power supplies are developed, or standard products modified for a few strategic customers.

Risks of future development

At present, there are no identifiable risks which could jeopardise or materially impair TDK-Lambda Germany GmbH's planned development.

Since a significant portion of our purchases of goods is priced in US dollars, we are subject to exchange rate risks. Where possible, we attempt to counter these risks by invoicing our customers in US dollars for goods that are sourced in US dollars. At the same time, it remains our aim to reduce, as far as possible, goods sourced in US dollars. This risk is considered to be medium.

The potential for a resurgence of coronavirus-related restrictions in Asia, the still ongoing (customs-related) political developments as well as the conflicts in Ukraine and postponed delivery dates on the part of our customers have exposed TDK-Lambda Germany GmbH to the risk of bottlenecks in terms of sourcing of components and finished products from China/Taiwan/United Kingdom and, thus, a slump in order intake/drop in revenue. This risk is considered to be medium.

As at the balance sheet date, there were no pending transactions.

Outlook and opportunities of future development

TDK-Lambda is a market leader in supplying energy for industrial and medical devices. (WAWT 2021)

Based on current market estimates and customer forecasts, net income is expected to decline slightly in financial year 2023/2024 along with a slight decrease in order intake. Revenue will be on par with the prior year. We also continue to assume that operating cash flows will be sufficient to cover our current financing needs.

The expansion of direct sales in Switzerland and the Scandinavian sales region will continue to be advanced.

Investments will also be made to expand our sales network and build up strategic customers and distribution channels.

The transfer of the Din Rail business to Nextys SA means we expect this business segment to expand in the future, combined with the global sales of Din Rail products, as well as market share and revenue to go up.

The Company's solid financial position is the basis for an upbeat future overall outlook.

Achern, 6 October 2023

Management

Matthew Cotton

Gustav Erl

Alan Dykes

Kazuhiko Sekimoto

Business profile

| | |
|-----------------------------------|--|
| Field of activity | The Company distributes electronic equipment and components, in particular AC/DC power supplies, and manufactures small volumes of customised power supplies. |
| Business premises | The Company operates its business in Achern, Karl-Bold-Strasse 40, in leased office and warehouse premises. |
| Personnel | <p>The Company employed an average of 88 full-time employees, 25 part-time employees and 5 trainees in reporting year 2022/2023.</p> <p>The average number of employees during the financial year, broken down by category, is presented in the Company's notes to the financial statements (Appendix 1.3).</p> |
| Pension and other benefits | <p>The Company offers individual employees a company pension as part of a defined contribution benefit plan. Pension commitments are provided via Gerling Unterstützungskasse für die gesamte Wirtschaft e. V., Cologne, based on the model of a reinsured benefits fund. Both the employer and employee are entitled to make contributions to the pension scheme.</p> |
| Significant contracts | <p>Lease agreement The original lease agreement dated 7 August 2006 ended on 31 August 2014 and was automatically renewed for a further five years since it was not terminated by one of the contractual partners with advance notice of twelve months to the end of the term.</p> <p>By supplementary agreement dated 12 July 2011 to the main lease agreement of 7 August 2006, additional space, further parking spaces and a new storage and shipping warehouse with office spaces were leased. The new lease agreement ended on 31 March 2021 and was renewed for a further five years as it was not terminated with advance notice of twelve months to the end of the lease term. These notice periods apply to both the main lease agreement and the supplementary agreement. The annual rent currently amounts to KEUR 396.</p> <p>Agreements with affiliated companies With effect from 1 January 2004, a written service agreement for the provision of various services (management support, finance, sales and marketing, etc.) was signed between TDK-Lambda UK Ltd., Ilfracombe, Great Britain, and TDK-Lambda as service provider.</p> |

**Significant contracts
(continuation)**

The term of the agreement was initially twelve months. The agreement was automatically renewed for an indefinite period as neither contracting party submitted notice of termination. The period of notice is six months on both sides.

There are additional **service agreements** with the following companies:

- TDK Lambda Italy S.r.l., Milan, Italy,
- TDK Lambda France SAS, Les Ulis, France, and
- Nemic Lambda Israel Limited, Karmiel 20101, Israel.

The Company participates in the **cash pool** of TDK Europe S.A., Windhof, Luxembourg. The agreement is dated 17 February 2020. The leading banks are Deutsche Bank AG and Citibank Europe plc, Germany branch.

A **loan agreement** in the amount of EUR 6.7 million was signed with TDK Europe S.A., Windhof, Luxembourg, on 7 January 2019. The loan has a term of three years and must be repaid by TDK-Lambda by 7 January 2022 upon its final maturity. On 24 May 2022, a new **loan agreement** of EUR 5 million was concluded between TDK Europe S.A. Bascharage, Luxembourg and TDK-Lambda. The loan is due on 28 May 2024.

Legal status

| | |
|--|--|
| Date of formation | The Company was formed by Memorandum of Association and Articles of Association dated 5 December 2003. |
| Registered name | TDK-Lambda Germany GmbH |
| Registered office | Achern |
| Articles of Association | The Articles of Association dated 5 December 2003 are applicable, last amended and entered in the commercial register on 18 September 2008. |
| Commercial register | The Company is registered under no. HRB 220905 at the Mannheim District Court. The latest extract available to us is dated 17 May 2023. |
| Company's purpose | <p>The purpose of the Company is the development, manufacture, distribution and servicing of electronic devices and components, particularly power supplies, as well as the operation of any business activities serving this business purpose either directly or indirectly.</p> <p>The Company is authorised to acquire interests in other entities and establish subsidiaries both in and outside of Germany.</p> |
| Financial year | 1 April of any given year to 31 March of the following year. |
| Share capital | <p>The Company's share capital amounts to EUR 200,000.00. It is fully paid in.</p> <p>The sole shareholder is TDK-Lambda Corporation, Tokyo, Japan.</p> |
| Prior year's financial statements | <p>At the shareholders' meeting held in October 2022,</p> <ol style="list-style-type: none"> (1) the annual financial statements as at 31 March 2022, prepared by management, audited by us and provided with an unqualified auditor's report, were presented together with the management report, and the annual financial statements were approved; (2) it was resolved that the net income for the year reported as at 31 March 2022 of EUR 3,185,137.98 be carried forward to the following year; (3) management was granted discharge; (4) KPMG AG Wirtschaftsprüfungsgesellschaft, Freiburg im Breisgau, was appointed auditor for the 2022/2023 financial year. |
| Size of the Company | The Company is a large corporation as defined by Section 267 (3) of the German Commercial Code [HGB]. |

| | |
|-----------------------------|---|
| Affiliated companies | The Company belongs to TDK Corporation, Tokyo, Japan, which prepares consolidated financial statements for the largest group of companies. All companies of the TDK Group are affiliated companies of TDK-Lambda. TDK-Lambda Corporation, Tokyo, Japan, prepares the consolidated financial statements for the smallest group of companies. |
| Managing Directors | The members of management are listed in the Company's notes to the financial statements (Appendix 1.3). |
| Tax status | The Company files with the Offenburg Tax Office, tax number 14061/61257. The last tax audit for the assessment period of 2015 through 2018 for corporation and trade tax was concluded in the 2022/2023 financial year. |

Appendix 4

General Engagement

Terms

General Engagement Terms

for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.