

# Corporate Governance Report

Last Update: October 29, 2021

TAIYO YUDEN CO., LTD.

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Securities Code: 6976

<https://www.yuden.co.jp/ut/>

The corporate governance of TAIYO YUDEN CO., LTD. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views Update

The TAIYO YUDEN Group (the “Group”) is committed to corporate social responsibilities and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Group from a global viewpoint to put into practice and realize “Mission”, “Management philosophy” and “Vision”.

Based on the views, the Company has been established Basic Policy of Corporate Governance, and emphasizes transparency and fairness of corporate management, the Company is making efforts to enhance corporate governance under the supervision of the Board of Directors, including the development of structures and mechanisms that enable timely and appropriate information disclosure, thorough compliance, and speedy decision making and execution of duties.

#### 【Mission】

Stronger and more socially aware through the wonders of science

#### 【Management Philosophy】

Employee Well-being

Betterment of Local Communities

Responsibility to Provide Returns to Shareholders

#### 【Vision】

To be an excellent company that enjoys the trust and highest regard from all stakeholders

Basic Policy for Corporate Governance

<https://www.yuden.co.jp/ut/ir/management/governance/>

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code] Update

[Supplemental Principles 2-4-1: Ensuring diversity in the promotion to core human resources]

In order to realize the "employee well-being", an objective of our management philosophy, the Company recognizes the "value of being different" so that individual employees are motivated to exercise their abilities in order to perform well. As also, the Company is working to promote diversity that brings together unique individuals as an important management issue.

As for the appointment of female managerial positions, the Company has disclosed the results. However, as the ratio of candidates for managerial positions to the total number of employees is small, the Company has not yet established measurable numerical targets.

We will continue to strengthen recruitment to secure candidates for managerial positions for the population,

and work to support career development and promote activities.

**[Disclosure Based on the Principles of the Corporate Governance Code]** Update

**[Principles 1-4: Cross-Shareholdings]**

Policies for holding and reducing cross-shareholdings and standards for exercising voting rights for cross-shareholdings and individual verification of the appropriateness of holdings are listed in Chapter 2, 4-(1). (2). (3) of the “Basic Policy for Corporate Governance”.

**[Principle 1-7: Create appropriate procedures and frameworks for transactions between related parties]**

Our policy regarding transactions between related parties is described in Chapter 3, 3-(1)-(2) of the article “Basic Policy for Corporate Governance” on the Company's website.

**[Principles 2-6: Roles of Corporate Pension Fund as Asset Owner]**

The Company has no corporate pension system.

The Company shall implement a defined contribution corporate pension plan to build stable assets for employees, and shall provide education and training regarding asset management.

**[Principle 3-1: Full disclosure]**

1. Our mission, management philosophy, vision, management strategy and business plans are disclosed in the financial statement briefing materials, integrated reports and on the Company's website.

2. Our fundamental concepts of corporate governance as well as basic policies are disclosed in the financial reports and corporate governance reports and on the Company's website.

3. Policies and procedures for the Board to determine director remuneration are disclosed in the financial reports and the notice of convocation of the General Meeting of Shareholders.

4. Policies and procedures for the nomination of candidates for Director and Audit & Supervisory Board Member are disclosed in the financial reports and corporate governance reports.

5. Individual reasons regarding the selection of candidates for Director and Audit & Supervisory Board Member are disclosed in the notice of convocation of the General Meeting of Shareholders.

6. Policies and procedures for appointment and dismissal of Officers are disclosed in the notice of convocation of the General Meeting of Shareholders.

**[Supplemental Principles 3-1-3: Initiatives on sustainability]**

The Company has formulated the “Medium-term Management Plan 2025,” which is scheduled to start in Fiscal 2021. The Company aim to increase corporate value by increasing both economic and social value, and set KPI(numerical targets) related to economic and social value after clarifying the Materiality(important issues). The initiatives to achieve the targets are disclosed in the integrated reports and on the Company's website.

**[Supplemental Principle 4-1-1: Scope of delegation to the management]**

A synopsis of the scope of delegation to the management can be found in Chapter 5, Section 2, 2-(1). (2). (3) of the article “Basic Policy for Corporate Governance” on the Company's website.

**[Principles 4-9: Independence Criteria and Qualification for Outside Director]**

The Board of Directors shall select candidates for Independent Outside Director based on the “Officer Appointment and Dismissal Standards” and the “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members,” and shall clearly state the reasons for their appointment in a notice of convocation of the General Meeting of Shareholders when proposing candidates at a General Meeting of Shareholders. The “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members” shall be disclosed on the Company's website.

**[Supplemental Principles 4-10-1: The mandates and roles of the Nomination Committee and the Remuneration Committee]**

To strengthen the independence and objectivity of the functions of the Board of Directors concerning the nomination and remuneration for Directors and Operating Officers and to fulfill its accountability, the Company has established two voluntary advisory panels: Nomination Committee and Remuneration Committee.

Each committee is composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, with the majority of Independent Outside Directors. In addition, each committee is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The mandates and roles of each committee can be found in “Supplementary Explanation” of “Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee” on this report.

[Supplemental Principle 4-11-1: Ensuring effectiveness of the Board of Directors]

The concepts regarding the balance of knowledge, experience and skills of the Board (as a whole) as well as its size are described in Chapter 5, Section 2, 3-(2) of the article “Basic Policy for Corporate Governance” on the Company's website. The skills matrix of the Board of Directors of the Company is disclosed in the notice of convocation of the General Meeting of Shareholders and the integrated reports.

[Supplemental Principle 4-11-2: Posts held concurrently by Outside Directors and Outside Audit & Supervisory Board Members]

Directors concurrently holding other positions are discussed in Chapter 5, Section 5, 2-(1). (2) of the article “Basic Policy for Corporate Governance” on the Company's website. Important concurrent posts held by Outside Directors are disclosed in the notice of convocation of the General Meeting of Shareholders, financial statements, and corporate governance reports.

[Supplemental Principle 4-11-3: Analysis and assessment regarding the effectiveness of the Board as a whole]

1. Questionnaire

Method of Evaluation

Self-evaluation by questionnaire survey

The Company conducts the deeper identification of issues by a multiple-choice method (to choose issues on which sufficient discussion has not been conducted at Board of Directors meetings) and a questionnaire on strengths and weaknesses of the Board of Directors.

Implementation period

February 2021

Subjects

Directors and Audit & Supervisory Board Members (including Outside Officers)

Evaluation items

1) The operation (7 questions) and composition (1 question) of the Board of Directors, 2) Management strategies (3 questions) and sustainable growth initiatives (2 questions), 3) Corporate ethics and risk management (2 questions), monitoring (1 question), and dialogue with shareholders (1 question), 4) Nomination Committee and Remuneration Committee (3 questions), 5) Provision of information (1 question)

2. Analysis/Evaluation

Analysis and evaluation meetings were conducted first separately by Operating Officers and Non-operating Officers based on the results of the questionnaire with Directors and Audit & Supervisory Board Members, and then a discussion is conducted at a Board of Directors meeting based on the results of those meetings.

We employed an external organization and received advice on the question design, analysis, possible response measure, etc. to improve the objectivity and the transparency of evaluation.

3. Evaluation results

The external organization commented favorably that the Company is working seriously on the evaluation of the effectiveness of the Board of Directors and is striving to improve its corporate value further by steadily identifying issues and implementing measures to address them. In particular, the external organization's evaluation improved significantly on items on which the Company implemented measures based on issues identified in the previous year, and the external organization commented that the measures have been effective. Regarding “Medium-term plan and long-term management strategies (what we should become in 10 years)” and “Human resource development and strategies,” which were among the issues identified in the previous year, the Company held discussion forums of Directors including Outside Directors separately from Board of Directors meetings and has formulated a new medium-term management plan based on the discussion there. Regarding “Revision of the risk map,” the Company modified the corporate governance structure to establish the Risk Management Subcommittee, which is responsible for the management of risk map, under the Internal Control Committee in order to revamp and strengthen the risk management structure itself.

The effectiveness of the Board of Directors has generally been ensured.

#### 4. For Further Improvement of Effectiveness

The following three issues were identified as a result of the effectiveness evaluation of the Board of Directors in the current fiscal year. The Board of Directors will endeavor to enhance the effectiveness of the Board of Directors and further strengthen corporate governance by continuing to address these matters systematically.

- “Enhancement of opportunities for corporate officers to acquire knowledge and skills”
- “Effective use of digital technologies”
- “Initiatives on sustainability”

[Supplementary principles 4-14-2: Principles for Training of Directors and Audit & Supervisory Board Members]

Principles for training of Directors and Audit & Supervisory Board Members are listed in Chapter 5, Section 5, 3-(4) of the “Basic Policy for Corporate Governance” on the Company's website.

[Principles 5-1: Policies for Constructive Dialogue with Shareholders]

The Company shall designate a Director in charge of IR and conduct IR activities to promote a constructive dialogue with shareholders and investors.

The Company shall also report to the Board of Directors any opinions and requests from shareholders and investors collected through IR activities.

Specifically, the following activities are to be included in the Company’s organizational structure.

- (1) Strengthening collaboration between the management of the IR department and other departments through the Director responsible for IR.
- (2) Results briefings with securities analysts and institutional investors (quarterly).
- (3) Handling group meetings and individual meetings with major foreign and domestic individual investors.
- (4) Explanations to major investors regarding General Meeting of Shareholders proposals.
- (5) Publishing consolidated reports to enhance the understanding of the Company’s mid- and long-term value creation.
- (6) Conducting investigations of shareholder findings through external survey organizations.

For fairness in the disclosure of information and to prevent leaks of inside information, the information disclosed in dialogues with major shareholders and investors shall be within the bounds previously determined for disclosure.

## 2. Capital Structure

Foreign Shareholding Ratio	Update	more than 30%
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[Status of Major Shareholders] Update

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,206,100	27.23
Custody Bank of Japan, Ltd. (Trust Account)	13,607,600	10.83
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	3,614,900	2.87
GOVERNMENT OF NORWAY	2,345,043	1.86
The Iyo Bank, Ltd.	2,000,100	1.59
Sumitomo Mitsui Banking Corporation	2,000,000	1.59
Sato Traffic Orphan Welfare Fund	1,916,640	1.52
JP MORGAN CHASE BANK 385632	1,777,381	1.41

BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818	1,766,400	1.40
STATE STREET BANK WEST CLIENT - TREATY 505234	1,740,600	1.38

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation [Update](#)

1. The information above concerns large shareholders as of September 30, 2021.
2. The Company holds 4,631,227 shares of treasury shares (3.61% of total shares outstanding) but is excluded from the major shareholders listed above.
3. The following Statement of Large-Volume Holdings (including the Change Report) is available for public inspection. However, the table above does not include the portion of the Company's actual holdings that cannot be confirmed as of March 31, 2021.

Large holder	Submitted documents	submission date	number of share certificates, etc. held	share certificate holding ratio
Asset Management One Co., Ltd. and 1 other company	Change report	May 12, 2021	8,055,700	6.19%( as of April 30, 2021)
Sumitomo Mitsui DS Asset Management Company, Limited and 2 other companies	Change report	May 12, 2021	5,632,725	4.33%( as of April 30, 2021)

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange <b>First Section</b>
Fiscal Year-End	<b>March</b>
Type of Business	<b>Electric Appliances</b>
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	<b>More than 1000</b>
Sales (consolidated) as of the End of the Previous Fiscal Year	<b>From ¥100 billion to less than ¥1 trillion /</b>
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	<b>From 10 to less than 50</b>

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

None
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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President and Chief Executive Officer
Number of Directors	7
Number of Outside Directors	3
Number of Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Masashi Hiraiwa	Attorney												
Seiichi Koike	From another company												
Emiko Hamada	Scholar	△											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masashi Hiraiwa	○	OHHARA LAW OFFICE Attorney	<p>[Reasons for election] Mr. Masashi Hiraiwa has served as an officer or in a similar position at investment corporations, and possesses abundant experience and high-level expertise as an attorney specializing in corporate legal affairs. He has demonstrated a high sense of ethics by offering constructive opinions and organizing points of discussion or debate from an objective perspective, and fulfilling the monitoring function over the Company's overall management such as governance and legal compliance including internal control, at meetings of the Company's Board of Directors. For these reasons, it was judged that he would be able to fulfill his duties as Independent Outside Director who supervises business execution. Therefore, he was reappointed as an Outside Director. Although Mr. Hiraiwa has not been involved in corporate management in ways other than being an outside officer, it was judged for the above-mentioned reasons that he would be able to appropriately execute the duties of Outside Director.</p> <p>[Independence] He meets the requirements for Independent Officer defined by the Tokyo Stock Exchange and is registered with the Exchange to that effect. In addition, he meets the "Standards for the Independence of Outside Directors/Outside Audit &amp; Supervisory Board Members." Therefore, he is judged to be sufficiently independent.</p>
Seiichi Koike	○	—	<p>[Reasons for election] Mr. Seiichi Koike has engaged in material development for automotive components and research and development related to production technology at an automotive maker over many years, and possesses wide-ranging expertise in relation to the automotive electronics business. In addition, the Company also believes it will be valuable to the Group for his wide-ranging expertise from an investor's perspective to be reflected in the management of the Company, utilizing his abundant experience, including corporate management in the automotive components industry and strengthening governance systems as an Audit &amp; Supervisory Board Member. For these reasons, it was judged that he will be able to provide valuable advice and suggestions regarding overall management at meetings of the Company's Board of Directors, and therefore he was appointed as an Independent Outside Director.</p> <p>[Independence] He meets the requirements for Independent Officer defined by the Tokyo Stock Exchange. In addition, he meets the "Standards for the Independence of Outside</p>

			Directors/Outside Audit & Supervisory Board Members.” Therefore, he is judged to be sufficiently independent.
Emiko Hamada	○	<p>NGK INSULATORS, LTD. Outside Director</p> <p>Ms. Hamada worked for the Company from April 1984 to April 2007 as a business operator, there has been no transaction to be noted between Ms. Hamada and the Company, and no special interests currently exist between her and the Company.</p> <p>She serves as an Outside Director of NGK INSULATORS, LTD. However, the amounts transactions with the said company accounted for less than 0.1% of the Company’s consolidated net sales, and there is no possibility of conflicts of interest with general shareholders.</p>	<p>[Reasons for election] While Ms. Emiko Hamada was employed by the Company, she engaged in the development and commercialization of CD-R and DVD-R. After she left the Company, she has conducted research activities for many years as a university professor mainly focusing on industry-academia-government collaboration projects. She also has experience in serving as an Outside Director at another company. The Company believes her suggestions of business execution and management supervision as an Outside Director will be valuable to the Group. For these reasons, it was judged that she will be able to provide advice and suggestions regarding overall management at the meetings of the Company’s Board of Directors, and therefore she was appointed as an Independent Outside Director.</p> <p>[Independence] Other than the left she meets the requirements for Independent Officer defined by the Tokyo Stock Exchange. In addition, he meets the “Standards for the Independence of Outside Directors/Outside Audit &amp; Supervisory Board Members.” Therefore, he is judged to be sufficiently independent.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee’s Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Nomination Committee	Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0



Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	1	1
Chairperson	Outside Director	Outside Director

Supplementary Explanation Update

#### 1. Nomination Committee

The Nomination Committee is composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, with the majority of Independent Directors. In addition, the committee is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Nomination Committee deliberates on, among others, the nomination of candidates for Officer (including candidates for reappointment), any proposal for dismissal of Officers including the President and Chief Executive Officer, any proposal for the selection of a rank for or dismissal of each Operating Officer, and disciplinary matters based on the “Officer Appointment and Dismissal Standards” and reports the deliberation results to the Board of Directors. The consent of the Audit & Supervisory Board is obtained in advance for the nomination of a candidate for Audit & Supervisory Board Member.

##### <Members>

Masashi Hiraiwa, Chairman (Independent Outside Director)  
 Shoichi Tosaka, Member (President and Chief Executive Officer)  
 Seiichi Koike, Member (Independent Outside Director)  
 Emiko Hamada, Member (Independent Outside Director)  
 Hajime Yoshitake, Member (Independent Outside Audit & Supervisory Board Member)

##### <Status of activities>

The Nomination Committee held three (3) meetings during the fiscal year under review, and all members attended all of the meetings. Main activities are as follows:

- Selection of the Chairman of the Nomination Committee
- Deliberations on the selection of the Representative Director and the Chairman of the Board of Directors
- Deliberations on candidates for Officer (including candidates for reappointment)
- Deliberations on the appointment of Operating Officers
- Deliberations on human resources strategy (succession plan) as part of preparation for medium-term plan

#### 2. Remuneration Committee

The Remuneration Committee is composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, with the majority of Independent Directors. In addition, the committee is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Remuneration Committee deliberates on remuneration plans and specific remuneration content of individual Officers and reports the deliberation results to the Board of Directors.

##### <Members>

Seiichi Koike, Member (Independent Outside Director)  
 Shoichi Tosaka, Member (President and Chief Executive Officer)  
 Masashi Hiraiwa, Chairman (Independent Outside Director)  
 Emiko Hamada, Member (Independent Outside Director)  
 Toshio Mishuku, Member (Audit & Supervisory Board Member)

##### <Status of activities>

The Remuneration Committee held six (6) meetings during the fiscal year under review, and all members attended all of the meetings. Main activities are as follows:

- Selection of the Chairman of the Remuneration Committee

- Deliberations on the evaluation and performance-based remuneration (bonuses) of individual Operating Officers
- Deliberations on stock remuneration (stock compensation-type stock options)
- Setting issues to be addressed by the Remuneration Committee and its schedule for the current fiscal year
- Deliberations on the framework of officers' remuneration and revision of their evaluation
- Deliberations on corporate officer remuneration policy in relation to the amendment of the Companies Act

**[Kansayaku]**

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	5
Number of <i>Kansayaku</i>	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments Update

Three parties consisting of Accounting Auditors, Internal Audit Departments, and *Kansayaku* hold regular joint meetings, including information exchange meetings for supporting the audit of each party. In collaboration with Internal Audit Departments, we exchange opinions on risk assessment, mutually report and exchange opinions on audit plans and results, and conduct joint audits, among others. In association with Accounting Auditors, we exchange opinions on risk assessment, conduct hearing of the audit plan by Accounting Auditors, perform on-site audits, conduct hearing of audit results, evaluate Accounting Auditors, and provide feedback on the evaluation results to Accounting Auditors.

Accounting Auditors

The primary certified accountants executing the auditing tasks include

Kiyoshi Hirai, CPA  
Shingo Iwamiya, CPA  
Hiromasa Niinaya, CPA

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	2
Number of Independent <i>Kansayaku</i>	2

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hajime Yoshitake	From another company													
Tomomi Fujita	Attorney													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Hajime Yoshitake	○	Adjunct Lecturer of Meiji University Professional Graduate School  General Manager of The Institute of Internal Auditors – Japan	[Reasons for election] Mr. Hajime Yoshitake has many years' experience of auditing operation at financial institutions and internal control consulting operation at business corporations, is qualified as a certified Internal Auditor, etc., has contributed to audit-related meetings in Japan and overseas, and possesses exceptional insight, abundant experience and a good track record regarding auditing operation. As an Audit & Supervisory Board Member of the Company, based on his knowledge and experience, he has actively helped establish a highly transparent, fair system for auditing management of the Company, carried out auditing on the appropriateness of deliberation and decision-making on important matters, and diligently conducted on-site audits of other sites. Thus, he was elected as an Outside Auditor. [Independence] He has no particular interests involving the company. He satisfies the Company's "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" and all requirements for Independent Directors as prescribed by the Tokyo Stock Exchange. We have asked him to perform auditing tasks (as an Independent Director) to ensure objectivity and neutrality while verifying the overall effectiveness of the Board.
Tomomi Fujita	○	Attorney of Innoventier LPC  Outside Director (Audit & Supervisory	[Reasons for election] Ms. Tomomi Fujita has abundant experience as an attorney and a thorough knowledge of legal affairs in general and corporate legal affairs in particular. As such, she has sufficient insight to audit corporate management. For these reasons, Ms. Fujita was appointed as candidate

		Committee Member) of TAKUMA CO., LTD.	for Independent Outside Audit & Supervisory Board Member as she is expected to be able to audit management decisions at meeting of the Board of Directors and business execution by Directors objectively based on her strong expertise. [Independence] She has no particular interests involving the company. She satisfies the Company's "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" and all requirements for Independent Directors as prescribed by the Tokyo Stock Exchange. We have asked him to perform auditing tasks (as an Independent Director) to maintain objectivity and neutrality while verifying the overall effectiveness of the Board.
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**[Independent Directors/*Kansayaku*]**

Number of Independent Directors/ <i>Kansayaku</i>	5
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Matters relating to Independent Directors/*Kansayaku*

Although the Company's five Independent Directors meet the requirements imposed by the Corporation Act and the Company's "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members," they do not qualify for any of the requirements outlined in Section 211, Subsection 4-5 of the Securities Listing Regulations Enforcement Guidelines. Therefore, the five Directors are considered to be Independent Directors.

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options /
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Supplementary Explanation

Described in the "Director Remuneration" section.

Recipients of Stock Options	Inside Directors / Other
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Supplementary Explanation

The details of the stock options are as follows.  
Name: Taiyo Yuden Co., Ltd. Stock Options Issued July 2021  
Total number of options: 530  
Those eligible for stock options, their number and the number of options granted include Company Board members (excluding outside Board members): 4 persons, 270 options  
Company Operating Officer (excluding those also serving on the Board): 9 persons, 260 options  
Type and number of shares underlying options: 53,000 shares of common stock in the Company

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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#### Supplementary Explanation

Remuneration of Directors for the period ending March 2021 (80th term) is as follows:

- Directors: 456,000,000yen (paid to 8 persons)
- Audit & Supervisory Board Members: 80,000,000yen (paid to 5 persons)

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Outline of the policy to determine the contents of remuneration paid to Corporate Officers

At its meeting held on March 1, 2021, the Board of Directors of the Company passed a resolution on the policy to determine the contents of remuneration paid to each Director. The Board of Directors sought and received advice from the Remuneration Committee before passing this resolution.

##### 1. Policy to determine the remuneration paid to Corporate Officers

- (1) The Company shall provide remuneration that emphasizes the linkage with financial results and medium- to long-term corporate value, to share the same value with shareholders.
- (2) Remuneration shall be set at levels that can attract and retain excellent human resources with global competitiveness.
- (3) Remuneration shall emphasize transparency and fairness to be able to fulfill accountability.

##### 2. Process to determine remuneration paid to Corporate Officers and content of remuneration

In order to ensure the transparency and fairness of the process to determine remuneration for Officers, a Remuneration Committee has been established as an advisory panel to the Board of Directors.

The Remuneration Committee is composed of the President and CEO, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberations. It deliberates and reports on matters pertaining to remuneration for Officers such as remuneration policy, plan, calculation methods, and specific remuneration content of individual Officers.

Within the limit of remuneration approved at the General Meeting of Shareholders, specific remuneration of Directors is deliberated on an individual basis by the Remuneration Committee based on the amounts of remuneration calculated based on the relevant rules and regulations established by the Company and are determined by the Board of Directors based on the deliberation results of the Remuneration Committee.

Specific remuneration of each Audit & Supervisory Board Member is discussed at the Audit & Supervisory Board meeting.

##### Remuneration structure

Type of remuneration	Remuneration item	Description	Form of payment
Basic remuneration	Fixed remuneration	<ul style="list-style-type: none"> <li>• Levels are determined in consideration of, among others, the economic climate and the growth potential of the Company.</li> <li>• Fixed monthly remuneration based on roles and responsibilities.</li> </ul>	Cash
Performance-based bonus	Performance-based remuneration (Single year)	<ul style="list-style-type: none"> <li>• Given the responsibility of Executive Directors for meeting Group performance targets each year, consolidated profit is chosen as the relevant performance indicator to establish a clearer linkage between factor contributing to the enhancement of corporate/shareholder value and remuneration.</li> </ul>	Cash

		<ul style="list-style-type: none"> <li>The amount of bonus for each individual is determined by allocating the total theoretical capital amount calculated based on consolidated profit using the ratio determined based on one's position and by multiplying the result by a coefficients related to performance evaluation of the organization in his or her charge and strategic behavior evaluation of the individual. The bonus is paid annually at a certain time of the year. The total theoretical capital amount is 0.76% of consolidated profit for the fiscal year under review.</li> </ul>	
Stock compensation-type stock options	Stock remuneration (Medium- to long-term)	<ul style="list-style-type: none"> <li>Introduced as an incentive toward medium- to long-term enhancement of corporate value, and to nurture shared value with shareholders and Directors' awareness to stock price.</li> <li>The number of share acquisition rights granted to each Director is determined based on his or her position and rank by the Board of Directors at its meeting held after the conclusion of each Ordinary General Meeting of Shareholders.</li> <li>The holder of the share acquisition rights may exercise his or her rights only within ten (10) days from the day following the forfeiture of all the positions as Director and Operating Officer of the Company.</li> </ul>	Shares (Share acquisition rights)

Composition of remuneration by position

Executive Directors	<ul style="list-style-type: none"> <li>Their remuneration consists of "basic remuneration," "performance-based bonus," and "stock compensation-type stock options."</li> <li>If they achieve the targets underlying "performance-based bonus," their remuneration will consist of 40% of basic remuneration, 40% of performance-based bonus, and 20% of stock compensation-type stock options.</li> </ul>
Outside Directors	In the interest of maintaining independence, Outside Directors receive only "basic remuneration," with no performance-based remuneration.
Audit & Supervisory Board Members	In the interest of promoting audits of legality, Audit & Supervisory Board Members receive only "basic remuneration."

**[Supporting System for Outside Directors and/or *Kansayaku*]**

Outside Board members and Outside Auditors may request various departments to provide information to gather the information required to perform their duties.  
In addition, the Company has established a system that makes available important Company's information to Outside Board Members and Outside Auditors, as necessary. The Company has also appointed a person responsible for promptly providing required Company's information to outside Board members and Outside Auditors upon request.

**[Retired presidents/CEOs holding advisory positions (*Sodanyaku, Komon, etc.*)]**

Information on retired presidents/CEOs holding advisory positions (*Sodanyaku, Komon, etc.*)

Name	Job title/position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/CEO ended	Term
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Number of retired presidents/CEOs holding advisory positions ( <i>Sodanyaku</i> , <i>Komon</i> , etc.)	0
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Others
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The Company do not have the system such as the senior executive advisor ( <i>Sodanyaku</i> ) or advisor ( <i>Komon</i> ) that the person who retired from the president and representative director take office.
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## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Update

<p>1. Roles and responsibilities of the Board of Directors</p> <p>(1) The Board of Directors shall aim for corporate management to be an excellent company that enjoys the trust and highest regard from all stakeholders, including shareholders to accomplish the fiduciary responsibility entrusted by shareholders and increase the Company's interests and the common interests among shareholders.</p> <p>(2) The Board of Directors shall deliberate and determine important matters for the entire Group with ample time, including management policies, management strategies, business plans, capital policy and the matters on internal control, for the purpose of continuously increasing corporate value from a long-term perspective.</p> <p>(3) The Board of Directors shall strengthen the management system for risk factors surrounding corporate management of the Company and always monitor the execution of business operations.</p> <p>2. Delegation of authority by the Board of Directors to top management</p> <p>(1) To ensure the effective decision making by the Board of Directors, the Management Committee shall deliberate in advance policy matters regarding business operations for Group management, whereas the TM (Top Management) Meeting shall deliberate in advance matters concerning personnel, organization and remuneration systems for the entire Group. Both organs shall determine matters delegated by the Board of Directors.</p> <p>(2) Operating Officers are in place in order to further clarify roles and responsibilities of Directors who monitor and supervise the management of business and persons who execute business operations. The Operating Officers shall conduct business flexibly and quickly as an executor responsible for the section he or she is in charge, under the direction of the President and Chief Executive Officer, in accordance with management policies and strategies determined at meetings of the Board of Directors.</p> <p>3. Effectiveness of the Board of Directors</p> <p>(1) To ensure the fairness of meetings and strengthen the authority of management oversight, the Board of Directors shall be chaired by the Chairman of the Board of Directors. If the Chairman of Board of Directors is absent, the President and Chief Executive Officer shall be chaired the Board of Directors. (2) At the Board of Directors meeting, the Directors and the Audit &amp; Supervisory Board Members shall evaluate by themselves the effectiveness of the Board of Directors every year. The Board of Directors shall disclose issues to be addressed and others based on analysis results and address how to resolve such issues.</p> <p>4. Directors</p> <p>(1) The Board of Directors shall be composed of not more than ten (10) Directors, not less than one third (1/3) of whom shall be Independent Outside Directors.</p> <p>(2) To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one (1) year.</p> <p>(3) The composition of the Board of Directors ensures ample diversity in terms of gender and nationality and adequate balance. The candidates for Director are selected based on the "Officer Appointment and</p>
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Dismissal Standards” and the “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members”.

- (4) Except for Outside Directors, the Directors concurrently serve as Operating Officers who are in charge of both oversight and the execution of operations. Directors shall report with emphasis on the business performance and oversight operations of the divisions/departments they are in charge of to the Board of Directors.

#### 5. Independent Outside Director

- (1) The Board of Directors shall select candidates for Independent Outside Director based on the “Officer Appointment and Dismissal Standards” and the “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members”. The “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members” shall be disclosed on the Company's website.
- (2) Based on extensive insight using their expert knowledge and management experience, Independent Outside Directors shall express their opinions from a professional perspective and the perspectives of shareholders and other stakeholders, independently from the execution of operations, and participate in the decision-making process to enhance the supervisory function of management, and thus contribute to the sustainable growth of the Company, as well as the enhancement of corporate value in the medium to long term.
- (3) To actively contribute to the discussions of the Board of Directors, Independent Outside Directors shall participate in important meetings other than the Board of Directors meetings as observers where necessary, and share information, while exchanging opinions with Directors, Operating Officers, Internal and Outside Audit & Supervisory Board Members, and the Internal Audit Department.
- (4) The head of Independent Outside Directors shall be selected by mutual vote as necessary.

#### 6. Audit & Supervisory Board and Audit & Supervisory Board Members

- (1) The Company has adopted an Audit & Supervisory Board Members system. The Audit & Supervisory Board meeting is held monthly, in principle.
- (2) The Audit & Supervisory Board shall be composed of not more than five (5) Audit & Supervisory Board Members, a majority of whom shall be Independent Outside Audit & Supervisory Board Members. The Company elects persons who have adequate experience and skills as well as sufficient knowledge of finance, accounting, and legal affairs as Audit & Supervisory Board Members to ensure the effectiveness of audits.
- (3) To raise the effectiveness of audits, each Audit & Supervisory Board Members attend Board of Directors meetings and attends meetings related to the execution of business operations and other important meetings by sharing the tasks with each other. Moreover, Audit & Supervisory Board Members strive to strengthen the auditing system through frequent communications with the Accounting Auditors and the internal audit department by meeting regularly, witnessing accounting audits as observers and conducting joint audits with the internal audit department.
- (4) The Audit & Supervisory Board has its own dedicated staff to conduct highly effective auditing operations such as information communications and data management.

#### 7. Voluntary advisory panels

- (1) The Nomination Committee is composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, with the majority of Independent Directors. In addition, the committee is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Nomination Committee deliberates on, among others, the nomination of candidates for Officer (including candidates for reappointment), any proposal for dismissal of Officers including the President and Chief Executive Officer, any proposal for the selection of a rank for or dismissal of each Operating Officer, and disciplinary matters based on the “Officer Appointment and Dismissal Standards” and reports the deliberation results to the Board of Directors. The consent of the Audit & Supervisory Board is obtained in advance for the nomination of a candidate for Audit & Supervisory Board Member.
- (2) The Remuneration Committee is composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, with the majority of Independent Directors. In addition, the committee is chaired by an Independent Outside Director to ensure the



objectivity of deliberation. The Remuneration Committee deliberates on remuneration plans and specific remuneration content of individual Officers and reports the deliberation results to the Board of Directors.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with an Audit & Supervisory Board and established organizations: Board of Directors, Audit & Supervisory Board Members and the Accounting Auditors. In addition, the Company has adopted a corporate governance structure under which all the Outside Directors and Outside Audit & Supervisory Board Members are designated as Independent Officers for whom there is no possibility of conflicts of interest with general shareholders. Consequently, the Outside Directors and Outside Audit & Supervisory Board Members work closely with the Audit & Supervisory Board Members and the internal audit department, thereby enabling the effective utilization of the Audit & Supervisory Board Members' functions and enhancing the authority of management oversight.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	We will send the notices regarding the convocation of General Meeting of Shareholders' three weeks prior to the day of the meeting to ensure that our esteemed shareholders have adequate time to review the agenda for the shareholders' meeting and properly exercise their voting rights. In addition, in the interest of more prompt disclosure, on the day prior to sending the notices, we will place them on the Company's website, the Tokyo Stock Exchange, and the Electronic Voting Platform.
Scheduling AGMs Avoiding the Peak Day	Efforts shall be made to facilitate the participation of all shareholders in General Meeting of Shareholders by setting the time of meetings in the afternoon if they fall on a so-called "concentrated date."
Allowing Electronic Exercise of Voting Rights	In the interest of the shareholders and institutional investors who cannot directly attend the shareholder's meeting, we will employ via the Internet, etc. (including Electronic Voting Platform) to exercise voting rights.
Participation in the Electronic Voting Platform	In the interest of ensuring an adequate period of review for voting purposes and early disclosure, we will utilize the Electronic Voting Platform for institutional investors run by ICJ., Co. Ltd.
Providing Notice of Convocation in English	In addition to placing an English version of the notice of convocation on the Company's website, on the day before the notice of convocation is sent, we will also provide the notice to the Electronic Voting Platform and Tokyo Stock Exchange to speed up disclosure to foreign investors.
Other	In addition to matters to be stated by law, the Notice of Convocation in the Corporate Governance Code with a view to enhancing information that contributes to the exercise of voting rights.

### 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	We have formulated a disclosure policy and disclose it on the Company's website.
Regular Investor Briefings for Analysts and Institutional Investors	A result briefing or update meeting for securities analysts and institutional investors shall be held quarterly (by tele-conference) with the President and Chief Executive Officer or Director responsible for IR in attendance.
Posting of IR Materials on Website	We have created a shareholder and investor information site on the Company's website, where we post IR materials, such as Financial Results

	and Presentation, Financial Statements, Extraordinary Report, Integrated Report, and the notice of the convocation of General Meeting of Shareholders Japanese website: <a href="https://www.yuden.co.jp/jp/ir/library/">https://www.yuden.co.jp/jp/ir/library/</a> English website: <a href="https://www.yuden.co.jp/ut/ir/library/">https://www.yuden.co.jp/ut/ir/library/</a>
Establishment of Department and/or Manager in Charge of IR	Department responsible for Public Relations Department

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The TAIYO YUDEN Group is committed to incorporate social responsibilities and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Group from a global viewpoint to put into practice and realize “Mission”, “Management philosophy” and “Vision”.
Implementation of Environmental Activities, CSR Activities etc.	We are promoting various environmental and CSR activities in line with our management philosophy. We have prepared a “Safety and Environment Report” that summarizes our annual activities in security and the environment. This report can be found on the Company's website.
Development of Policies on Information Provision to Stakeholders	We have formulated a disclosure policy and disclose it on the Company's website.
Other	—

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

1. Systems to ensure the execution of duties by Directors, Operating Officers and employees complies with laws, regulations and the Articles of Incorporation, and other systems to ensure appropriate business operations of the Company and the Group
  - (1) The Board of Directors shall resolve important matters in accordance with laws, regulations and the Articles of Incorporation, as well as the “Board of Directors Regulations” and other internal regulations.
  - (2) The Board of Directors shall strengthen the management system for risk factors surrounding the management and supervise the execution of duties by Directors.
  - (3) Audit & Supervisory Board Members shall monitor the appropriateness of resolutions by the Board of Directors, as well as the execution of duties by Directors and Operating Officers.
  - (4) An Internal Control Committee shall be established as a system to promote the Group's compliance activities. The committee shall designate a responsible person for each of the items set forth in the “Taiyo Yuden Group CSR Code of Conduct” of the Company and conduct compliance activities on an ongoing basis in accordance with the compliance management system.
  - (5) A whistleblower system shall be operated for early detection of compliance-related problems of the Group. The detected problems shall be investigated and corrective measures shall be taken to prevent a recurrence.
  - (6) Corporate information and other materials relating to the Group shall be swiftly and appropriately disclosed to shareholders and investors.
  - (7) A firm and uncompromising stance will be taken on an organizational basis against antisocial movements or groups.
  - (8) Internal control shall be streamlined and operated for the purpose of ensuring the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.
  - (9) As for the execution of business operations at subsidiaries, the relevant operating division/departments of the Company shall be the contact to grasp the circumstances thereof, and sufficient exchange of information and coordination of interests shall be conducted with regard to important information in accordance with the “Group Management Rules” to ensure appropriateness of business operations while respecting the management intentions of the respective subsidiaries.

2. System for the storage and management of information with regard to the execution of duties by Directors and Operating Officers of the Company

- (1) The Company shall record the statutory documents such as the minutes of the General Meetings of Shareholders and the minutes of the Meetings of the Board of Directors, and the minutes of other important meetings concerning the execution of duties by Directors and Operating Officers, in the form of documents or electromagnetic media, and store and manage them together with relevant materials, in accordance with laws and regulations, as well as the respective meeting rules.
- (2) The Company shall maintain an environment that enables Directors and/or Audit & Supervisory Board Members to access said information at any time in accordance with the respective meeting rules.

3. Rules for managing risks of loss with respect to the Company and other systems

- (1) An Internal Control Committee shall be established as a system to promote risk management activities. The committee shall designate a responsible person for each risk category. Risk management activities, which consist of risk identification, evaluation of risk levels, decision and execution of risk countermeasures and monitoring/review of the status of implemented countermeasures, shall be continuously performed as per the Group risk management system.
- (2) As per the Company's Group Business Continuity and Risk Management Regulations, the effects on business activities resulting from the occurrence of any risks including natural disasters shall be preassumed, an emergency task force shall be formed depending on the scale of expected adverse effects and preventive measures shall be taken in advance during peacetime. In case a business continuity problem arises, countermeasures shall be taken in compliance with the BCP (Business Continuity Plan) put in place to enable the early resumption of business activities.

4. System for ensuring the duties of Directors of the Company are efficiently performed

- (1) To ensure that decision making by the Board of Directors is appropriate and efficient, a collegial body to deliberate important matters regarding the execution of business operations and personnel affairs shall be established.
- (2) To improve the efficiency of the execution of duties by Executive Directors, Operating Officers shall be in place.
- (3) An Internal Control Committee shall be established as a collegial body that deliberates on the internal control system and evaluates its activities, and a person responsible for promotion shall be designated for each item set forth in this resolution. The Internal Control Committee shall regularly receive reporting from the aforementioned persons responsible for promotion on the activity achievements and report the achievements to the Board of Directors.
- (4) The decision-making process shall be simplified and accelerated by proactively leveraging various computer systems for such applications as workflows, video conferences, the sharing of information and information management by leveraging IT technology.

5. System for ensuring appropriate business operations within the Group

- (1) System for reporting to the Company on matters concerning the execution of duties by Directors of the subsidiaries of the Company and other persons with similar authority
  - 1) The status of the performed business operations at subsidiaries shall be reported as per the Company's "Group Management Rules" to encourage the sharing of information with relevant departments of the Company.
  - 2) The Company shall strive to understand the management circumstances of its subsidiaries by dispatching some of its Operating Officers and/or employees to serve as Directors of the relevant subsidiaries.
- (2) Rules for managing risks of loss with respect to any subsidiary of the Company and other systems
  - 1) As per the Group risk management system, the subsidiary shall continuously perform its risk identification, evaluation of risk levels, decision and execution of risk countermeasures and monitoring/review of the status of implemented countermeasures.
  - 2) As per the Company's Group Business Continuity and Risk Management Regulations, the subsidiary shall preassume circumstances in which effects on business activities could result from the occurrence of risks including natural disasters, determine the possible formation of an emergency task force depending on the scale of expected adverse effects and take preventive measures in advance during peacetime. In case a business continuity problem arises, the subsidiary shall take countermeasures in

compliance with the BCP (Business Continuity Plan) put in place to enable the early resumption of business activities.

- (3) System for ensuring the duties of Directors, etc., of any subsidiary of the Company are efficiently performed
    - 1) The Company shall formulate its “Group Management Rules” to help subsidiaries handle their decision making efficiently, whereas the subsidiaries shall put the rules into practice.
    - 2) The Internal Audit Office of the Company monitors whether business operations of subsidiaries are conducted appropriately and efficiently from an independent standpoint. The monitoring results shall be provided appropriately as feedback to the relevant subsidiaries and to the President and CEO of the Company. The information therein also shall be shared with the Audit & Supervisory Board Members of the Company.
  - (4) System for ensuring that Directors and employees of any subsidiary of the Company perform their duties in accordance with laws, regulations and the Articles of Incorporation of said subsidiary
    - 1) As for important matters, the system to ensure the appropriateness of business operations at subsidiaries shall be streamlined and maintained as per the Company’s “Group Management Rules.”
    - 2) As a system to promote compliance activities, a responsible person for each of the items set forth in the "Taiyo Yuden Group CSR Code of Conduct" shall be designated to conduct compliance activities on an ongoing basis in accordance with the compliance management system.
6. System for ensuring effective audits by the Audit & Supervisory Board Members of the Company
- (1) Matters regarding the employees appointed to support Audit & Supervisory Board Members of the Company (Independence of said employees from Directors, ensuring effectiveness of the direction of Audit & Supervisory Board Members, etc.)
    - 1) As dedicated staff who support Audit & Supervisory Board Members’ auditing operations under the control of the Audit & Supervisory Board, employees who serve as secretariat members (the “Secretariat Staff”) shall be in place.
    - 2) Designation, transfer, performance evaluation, promotion, disciplinary actions, etc., of the Secretariat staff shall be consulted with the Audit & Supervisory Board in advance to obtain its accord.
  - (2) Treatment of expenses that derive from the execution of duties by Audit & Supervisory Board Members of the Company  
Unless otherwise recognized that such costs are not necessary with regard to the Audit & Supervisory Board Members’ duties, the Company shall incur costs that have been caused in relation to the audits by Audit & Supervisory Board Members.
  - (3) Other systems for ensuring effective auditing by the Audit & Supervisory Board Members of the Company
    - 1) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to participate in important meetings on managerial matters and audit the decision-making of Directors, as well as the execution of duties by Directors and Operating Officers.
    - 2) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to collect information in a timely manner that is necessary for their audits through communication with Directors, Operating Officers, and employees, and also request, as necessary, reports therefrom regarding the execution of their duties and inspect the relevant documents.
    - 3) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to periodically exchange information with the Internal Audit Office, and take close cooperation therewith.
    - 4) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to periodically, or on an as needed-basis, exchange information with the Accounting Auditor, and request reporting therefrom, as necessary.
7. System for reporting to Audit & Supervisory Board Members of the Company
- (1) System for reporting to Audit & Supervisory Board Members of the Company by Directors, Operating Officers and employees of the Company
    - 1) Directors, Operating Officers and employees of the Company, if any of them recognize a fact that violates any laws, regulations, the Articles of Incorporation and/or internal regulations, or a considerably improper fact that could be such a violating fact, or a fact that is feared to cause significant damage to the Company, shall immediately report thereof to the Audit & Supervisory Board Members.
    - 2) The system that allows any Director, Operating Officer or employee of the Company to directly report to an Audit & Supervisory Board Member of the Company shall be streamlined and maintained as per the Company’s internal whistleblowing rules.

- (2) System for reporting to Audit & Supervisory Board Members of the Company by Directors and employees of any subsidiary of the Company
- 1) The subsidiaries of the Company shall streamline and maintain the system that allows Directors, etc., and employees of any subsidiary to directly report to Audit & Supervisory Board Members of the Company with regard to the violation of laws, regulations and/or internal regulations by Directors, etc., as per their respective internal whistleblowing rules.
  - 2) The Board of Directors shall endeavor to facilitate communication with full-time Audit & Supervisory Board Members, Directors and employees of the subsidiaries, collect information and maintain the environment for audits.
- (3) System for ensuring that anyone who has reported to an Audit & Supervisory Board Member does not suffer from detrimental treatment for the reason of having made said report  
The Group shall stipulate a scheme to fully protect informants in its internal rules, and streamline and maintain a preventive system, under which anyone who has used the whistleblower system to report to the Audit & Supervisory Board and/or the Audit & Supervisory Board Members shall not be unfavorably treated.

## 2. Basic Views on Eliminating Anti-Social Forces

### ◇Basic Policy for Exclusion of Anti-social Forces

The Company has determined to resolutely and systematically oppose anti-social forces and organizations that pose a threat to the order and safety of civil society. (This content is taken from a Board of Directors resolution on the Basic Policy on Internal Control.)

### ◇State of Implementation of a System for Exclusion of Anti-Social Forces

The TAIYO YUDEN Group CSR Code of Conduct sets forth the following matters pertaining to the severing of relations with anti-social forces.

#### 1. Basic Policies for Antisocial Forces

- (1) The Company shall have no relationship whatsoever with antisocial forces.
- (2) The Company shall cooperate with external agencies and respond in an organized and appropriate manner to ensure no damage from antisocial forces arises.
- (3) The Company shall not respond in any form to the unreasonable demands of antisocial forces, and shall take legal measures as necessary based on the three principles of “Do not pay,” “Do not use,” and “Do not be afraid.”
- (4) The Company shall not provide any funds to, or make any secret deal with any antisocial forces.

#### 2. Creation of a department and manager responsible for the prevention of unreasonable demands.

This manager shall be the executive responsible for general affairs, and the general affairs division for each location shall handle any unreasonable demands.

#### 3. Collaboration with external professional agencies, information collection, and training.

Each business office is affiliated with a professional agency, including the Tokubouren (Japan Metropolitan Police Department’s violence prevention federation).

The Company participates in regular training sessions held by professional agencies and collects and exchanges necessary information.

#### 4. Creation of a Response Manual

A response manual that summarizes methods and a response checklist for responding via meetings and by telephone, as well as examples of consultations, etc. shall be created and distributed to the general affairs division of each work site.

5. During CSR training, we provide easy-to-understand explanations and familiarize employees with the severing of relations with anti-social forces using the CSR Code of Conduct Handbook.

## V. Other

## 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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### Supplementary Explanation

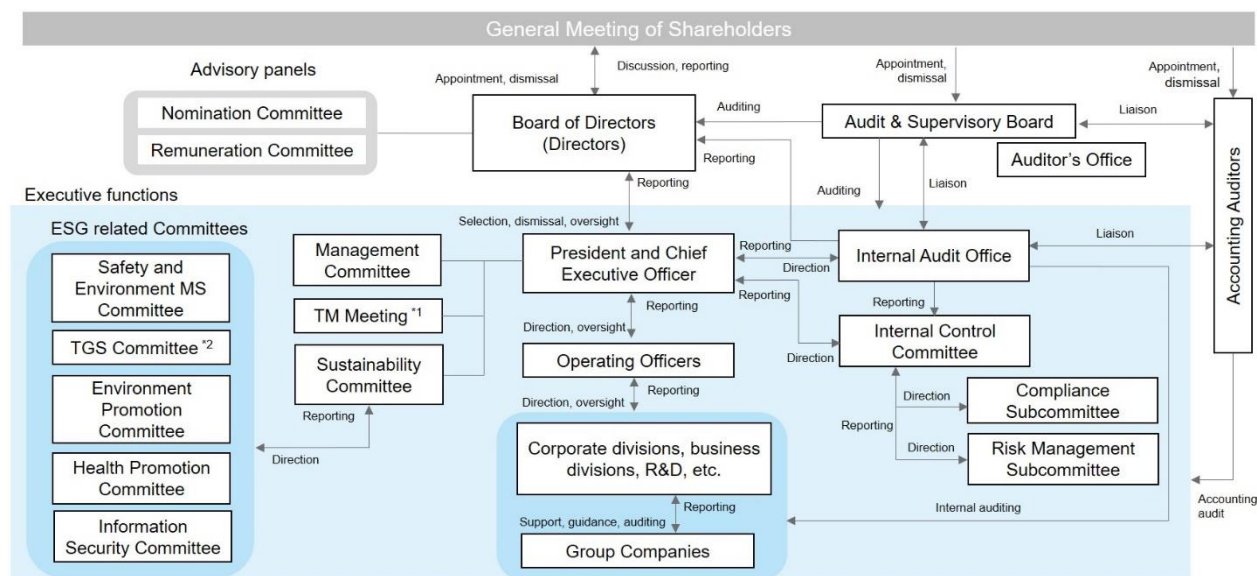
At the close of the Company's 69th General Meeting of Shareholders of the shareholders held on June 29, 2010, the Company resolved to abolish the "Anti-takeover measures regarding large-scale purchases of company shares" (the "Plan"), adopted at the Company's Board of Directors meeting held February 22, 2010.

Even after the abolition of the Plan, in the case of a large-scale purchase of company shares (to preserve and enhance joint shareholder interests), we will strive to disclose information as appropriate (and at the appropriate time) and develop a suitable response.

## 2. Other Matters Concerning to Corporate Governance System

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### Governance Structure



\*1 TM Meeting: Abbreviation of Top Management Meeting, which is a meeting body to discuss matters concerning personnel and organization.

\*2 TGS Committee: Abbreviation of Taiyo Green Strategy Committee, which is a meeting body to discuss matters concerning chemicals based on stakeholders' requirements.