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(Securities Code: 6976)
June 7, 2018

To Those Shareholders with Voting Rights:

Shoichi Tosaka,
President and Chief Executive Officer
Taiyo Yuden Co., Ltd.
6-16-20, Ueno, Taito-ku, Tokyo, Japan

NOTICE OF CONVOCATION OF THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 77th Ordinary General Meeting of Shareholders of Taiyo Yuden Co., Ltd. (the "Company"), which will be held as described below.

1. **Date and Time:** 2:00 p.m., June 28, 2018 (Thursday) (Reception desk opens at 1:00 p.m.)
2. **Place:** JP Tower Hall & Conference (KITTE 4th Floor) Hall,
   2-7-2 Marunouchi, Chiyoda-ku, Tokyo, Japan
3. **Agenda of the Meeting:**

Matters to be reported: Details of the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 77th Fiscal Term (from April 1, 2017, to March 31, 2018), and results of the audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board

Matters to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Six (6) Directors

4. Matters to be resolved upon convocation of the 77th Ordinary General Meeting of Shareholders

Exercise of voting rights by proxy

(1) If you are unable to attend the meeting, you may exercise your voting rights by either voting in writing or voting via the Internet. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights so that your vote will arrive by 5:00 p.m., June 27, 2018 (Wednesday).

(2) If you are unable to attend the meeting, you may exercise your voting rights through a proxy, who must be another shareholder of the Company with voting rights. Such proxy will be required to submit a document certifying his/her authority as proxy.

Disclosure via the Internet

(1) Among documents which shall be provided with this Convocation Notice, the following documents are posted on the Company website in accordance with laws and regulations, and Article 14 of the Articles of Incorporation. Therefore, they are not included in the attached documents to this Convocation Notice. The documents attached to this Convocation Notice and the documents listed below were audited in preparing the Auditors' Report by Audit & Supervisory Board Members and Independent Auditors' Report by Accounting Auditors.

- Issues relating to Share Acquisition Rights
- Basic policy on the Control over the Company
- Notes to Consolidated Financial Statements, and
- Notes to Non-consolidated Financial Statements

(2) In case any revisions are made after the dispatch of this Convocation Notice up till the day prior to the date of the General Meeting of Shareholders, the revised contents will be disclosed on the following Company website.

The Company's website: http://www.t-yuden.com/

End

[Requests]

- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. Please bring this Convocation Notice with you in order to conserve resources.
- It is prohibited to take photographs or record sound at the venue.
- On the day of the Meeting, the Company will adopt "Cool Biz" attire, a summer business style without tie/jacket. Accordingly, participants are also encouraged to attend the Meeting in light clothing.
- Please visit the Taiyo Yuden Group's product exhibition at the meeting venue.
- Please note that the souvenir will be provided to the shareholders attending the meeting on a "one for each attendee" basis.

Guidelines on Exercising Voting Rights

Voting in the General Meeting of Shareholders is an important right that allows shareholders to participate in the management of the Company. We urge you to exercise your voting right after referring to the following three voting methods.

If you are able to attend the Meeting:
Exercising voting rights in person at the Meeting
Please present the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the Meeting.
In addition, please bring this Notice of Convocation with you to the Meeting to use for your reference.
If you are attending the Meeting in person, you do not need to exercise your voting rights in writing or via the Internet.
Meeting date and time: June 28, 2018 (Thursday) Meeting starts: 2:00 p.m. Reception desk opens: 1:00 p.m.

If you are unable to attend the Meeting:
Exercising voting rights in writing (using the Voting Rights Exercise Form)
Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return the form by post.
Voting deadline: June 27, 2018 (Wednesday) Must be received by 5:00 p.m.

Exercising voting rights via the Internet

Please input your vote for or against the proposals on the Company's designated voting website (https://soukai.mizuho-tb.co.jp/).

Voting deadline: June 27, 2018 (Wednesday) Until 5:00 p.m.

1. Exercising voting rights via the Internet

Please access the Company's designated voting website (https://soukai.mizuho-tb.co.jp/), enter your code and password for exercising voting rights provided on the Voting Rights Exercise Form, and follow the guidelines on the screen to cast your vote.

(1) For security reasons, you will be required to change your password upon your first login.

(2) The code and password for exercising voting rights are printed in the bottom right-hand corner of the Voting Rights Exercise Form enclosed with the Notice of Convocation.

2. Security

We are using encrypted communication for the Company's voting website to prevent spoofing or tampering of data by third parties, so you can cast your vote securely.

Additionally, the code and password for exercising voting rights provided on your Voting Rights Exercise Form are essential for verifying the identity of the Shareholder. Please keep your code and password secret. Under no circumstances will the Company ask for your password.

3. Matters to be acknowledged when exercising voting rights via the Internet

Before exercising your voting rights via the Internet, please acknowledge the following.

(1) Please note that the code and password for the exercise of voting rights, which are provided on your Voting Rights Exercise Form enclosed with the Convocation Notice, are necessary for exercising voting rights via the Internet.

(2) The code and password for exercising voting rights provided on this occasion are only valid for this General Meeting. A new code and password will be issued for the next General Meeting.

(3) Shareholders shall bear any costs related to the use of the Internet (such as Internet provider connection fees and data transmission fees).

(4) Please confirm the information on the voting rights exercise website regarding the computer operating environment necessary for exercising voting rights via the Internet.

(5) If you vote both in writing and via the Internet, only your vote cast via the Internet shall be deemed valid.

(6) If you vote via the Internet more than once, only the last of the votes you cast shall be deemed valid.

4. Inquiries regarding exercising voting rights via the Internet

Internet Help Dial, Stock Transfer Agent Department, Mizuho Trust & Banking Co., Ltd. Toll free phone: 0120-768-524 Available 9:00 a.m. to 9:00 p.m. weekdays (unavailable on weekends and national holidays)

[To institutional investors]

Institutional investors may use the electronic voting platform operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

Under the policy to distribute plentiful returns to all shareholders after ensuring the Company's stable and sustainable earnings structure and acceptable balance sheet including positive net cash, the year-end dividend for the fiscal year ended March 31, 2018, shall be ¥10 per share as follows.

1. Year-end dividend

(1) Type of dividend property:
Cash

(2) Matters regarding the allocation of dividend property to shareholders and its total amount:
¥10 per share (common stock of the Company) Total amount: ¥1,178,361,350

(3) Effective date for dividends of surplus:
June 29, 2018

Proposal No. 2: Election of Six (6) Directors

The terms of office of all of the seven (7) Directors will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company hereby requests that six (6) Directors be elected.
The candidates for Director are as follows:

The content of this proposal had been deliberated at the voluntary Nomination Committee chaired by an independent Outside Director. Based on the Committee's opinions, this proposal has been made.

Candidate No.	Name	Position	Responsibilities	Attendance at meetings of the Board of Directors	Terms of office
1. Reappointment	Shoichi Tosaka	President and Chief Executive Officer	R&D/Engineering	100% (17/17 times)	12 years
2. Reappointment	Shinji Masuyama	Director and Executive Operating Officer	Management Planning	100% (17/17 times)	5 years
3. Reappointment	Osamu Takahashi	Director and Executive Operating Officer	Integrated Module & Device Business	100% (17/17 times)	7 years
4. Reappointment	Katsuya Sase	Director and Executive Operating Officer	Electronic Components Business	100% (17/17 times)	2 years
5. Reappointment Outside Independent	Masashi Hiraiwa	Outside Director (Independent Director)	—	100% (17/17 times)	2 years
6. New appointment Outside Independent	Seiichi Koike	—	—	—	—

Notes: 1. Positions and responsibilities above are as of the date when this Notice of Convocation is dispatched.
2. Terms of office shown are as of the conclusion of this Ordinary General Meeting of Shareholders.

1. Shoichi Tosaka (Date of birth: August 5, 1955)



■Reappointment

■Number of Company shares held
13,100 shares

■Attendance at meetings of the Board of Directors
100%

■Term of office
12 years

Career summary, position and responsibilities

March 1979	Joined the Company
June 2006	Director, Senior Operating Officer of the Company
April 2007	Senior Executive Director, Senior Operating Officer of the Company
July 2010	Director and Senior Executive Operating Officer of the Company
June 2012	Director and Executive Operating Officer of the Company
April 2015	Director and Senior Executive Operating Officer of the Company
October 2015	Representative and Senior Executive Operating Officer of the Company
November 2015	President and Chief Executive Officer, in charge of R&D/Engineering of the Company (to the present)

Reasons for appointment of candidate for Director

Having engaged in management of various areas such as the production, R&D/Engineering, quality assurance and corporate business planning divisions, Mr. Shoichi Tosaka has abundant experience and a good track record as a corporate manager and an engineer. Since Mr. Tosaka assumed the post of President and Chief Executive Officer of the Company, he has been striving to transform the business model into a highly profitable one, and with his powerful leadership, has strove to enhance the corporate value to lead the Company to the next step. For these reasons, it was judged that Mr. Shoichi Tosaka would be able to properly execute such duties as taking management initiatives for the enhancement of corporate value over the medium- to long-term as the top management of the Taiyo Yuden Group, making important managerial decisions and supervising business execution, and the Company believes utilizing his capabilities will be the best for the Company, therefore he was reappointed as a candidate for Director.

Note: No special interests exist between the Company and Mr. Shoichi Tosaka.

2. Shinji Masuyama (Date of birth: February 28, 1957)



■Reappointment

■Number of Company shares held
4,500 shares

■Attendance at meetings of the Board of Directors
100%

■Term of office
5 years

Career summary, position and responsibilities

March 1980	Joined the Company
January 2004	Operating Officer of the Company
July 2011	Senior Operating Officer of the Company
June 2013	Director and Senior Operating Officer of the Company
April 2015	Director and Executive Operating Officer of the Company
April 2016	Director and Executive Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters of the Company (to the present)

Reasons for appointment of candidate for Director

Mr. Shinji Masuyama has abundant experience and a good track record through practical business in various areas such as production system R&D/engineering and business divisions since joining the Company. He presently oversees management planning as Director and Executive Operating Officer, thereby contributing to smooth business operation, risk reduction and the improvement of corporate governance. Mr. Masuyama was reappointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as Director.

Note: No special interests exist between the Company and Mr. Shinji Masuyama.

3. Osamu Takahashi (Date of birth: November 25, 1955)



■Reappointment

■Number of Company shares held
5,500 shares

■Attendance at meetings of the Board of Directors
100%

■Term of office
7 years

Career summary, position and responsibilities

March 1980	Joined the Company
April 2003	Operating Officer of the Company
July 2010	Senior Operating Officer of the Company
July 2011	Director and Senior Operating Officer of the Company
April 2016	Director and Executive Operating Officer, in charge of Integrated Module & Device Business, Chief of Integrated Module & Device Business Headquarters of the Company (to the present) Chairman and Director, TAIYO YUDEN Mobile Technology Co., Ltd. (to the present)

Significant concurrent positions and relationship with the Company

Organizations where concurrent positions are held	Position	Business relationship between the Company and the organizations where concurrent positions are held
TAIYO YUDEN Mobile Technology Co., Ltd.	Chairman and Director	The Company's subsidiary

Reasons for appointment of candidate for Director

Mr. Osamu Takahashi has built up abundant experience and a good track record through practical business, since joining the Company, in various areas, both domestic and overseas, such as engineering, marketing, management and administration, and corporate-planning divisions, and as the president of sales subsidiaries mainly in Taiwan. He is presently contributing to strengthening product competitiveness and the expansion of customers in the Group's Integrated Modules & Devices business as Director and Executive Operating Officer. For these reasons, Mr. Takahashi was reappointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as Director.

Note: No special interests exist between the Company and Mr. Osamu Takahashi.

4. Katsuya Sase (Date of birth: January 12, 1964)



■Reappointment

■Number of Company shares held
4,400 shares

■Attendance at meetings of the Board of Directors
100%

■Term of office
2 years

Career summary, position and responsibilities

April 1986	Joined the Company
June 2013	Operating Officer of the Company
April 2015	Senior Operating Officer of the Company
April 2016	Executive Operating Officer of the Company
June 2016	Director and Executive Operating Officer, in charge of Electronic Components Business, Chief of Electronic Components Headquarters of the Company (to the present)

Reasons for appointment of candidate for Director

Mr. Katsuya Sase has abundant experience and a good track record through engaging, since joining the Company, in operations in various areas such as the engineering and business divisions and leading the capacitors business, which is the Company's principal business. Presently, as Director and Executive Operating Officer, Mr. Sase makes use of his knowledge and experience as a leading engineering expert by overseeing the electronic components business, thereby contributing to strengthening engineering capability and improving productivity. For these reasons, Mr. Sase was reappointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as Director.

Note: No special interests exist between the Company and Mr. Katsuya Sase.

5. Masashi Hiraiwa (Date of birth: December 4, 1952)



■Outside/Independent Officer

■Reappointment

■Number of Company shares held
0 shares

■Attendance at meetings of the Board of Directors
100%

■Term of office
2 years

■Number of officer positions concurrently held at listed companies
0

Career summary, position and responsibilities, and significant concurrent positions

April 1981	Admitted to the Japan Federation of Bar Association (to the present)
April 1981	Joined OHHARA LAW OFFICE (to the present)
August 2005	Supervisor, LCP, Inc. (retired in March 2013)
October 2012	Supervisor, Japan Logistics Fund, Inc. (retired in May 2015)
June 2016	Outside Director of the Company (to the present)

Significant concurrent positions and relationship with the Company

Organizations where concurrent positions are held	Position	Business relationship between the Company and the organizations where concurrent positions are held
OHHARA LAW OFFICE	Attorney	Not applicable

Reasons for appointment of candidate for Outside Director

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 a candidate for 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.

Independence of the candidate

The candidate meets the requirements for Independent Officer defined by the Tokyo Stock Exchange and is registered with the Exchange to that effect. In addition, the candidate meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." (An outline is shown on pages 16 and 17.) Therefore, the candidate is judged to be sufficiently independent.

Notes: 1. No special interests exist between the Company and Mr. Masashi Hiraiwa.
2. Mr. Masashi Hiraiwa is a candidate for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
3. Mr. Masashi Hiraiwa does not fall under any of the following facts: 1) the candidate was a business operator or an officer of the Company or any of its subsidiaries in the past; 2) the candidate is currently or was in the past five (5) years a business operator or an officer of a business concern that has specific relations with the Company; 3) the candidate is going to receive or has received in the past two (2) years a considerable amount of cash and/or other assets from the Company or such business concern; or 4) the candidate is a spouse, a relative within the third (3rd) degree of kinship of a business operator or an officer of the Company or such business concern, or any other equivalent person.
4. In accordance with Article 427, Paragraph 1, of the Companies Act, an agreement to limit any liability for damages prescribed in the provision of Article 423, Paragraph 1 of the said Act is in force between the Company and Mr. Hiraiwa. If his appointment is approved, the Company plans to continue said agreement. The limit on liability for damages under the said agreement is set at the minimum liability amount provided in Article 425, Paragraph 1, of the Companies Act.

6. Seiichi Koike (Date of birth: January 3, 1956)



■Outside/Independent Officer

■New appointment

■Number of Company shares held
0 shares

■Attendance at meetings of the Board of Directors
—

■Term of office
—

■Number of officer positions concurrently held at listed companies
0

Career summary, position and responsibilities, and significant concurrent positions

April 1980	Joined Toyo Kogyo Co., Ltd. (Currently Mazda Motor Corporation)
March 1982	Joined Honda R&D Co., Ltd.
April 1993	General Manager, Advanced Material Research Laboratory, R&D Center of Honda R&D Co., Ltd.
April 2004	General Manager, Automobile R&D Center Brazil of Honda R&D Co., Ltd.
April 2008	Executive Officer, General Manager, Development Engineering Headquarters of Honda Foundry Co., Ltd.
June 2011	Director of Honda Foundry Co., Ltd. (retired in June 2013)
June 2012	Director of Metts Corporation (retired in June 2013)
June 2013	Audit & Supervisory Board Member of Metts Corporation (retired in June 2016)
	Audit & Supervisory Board Member of Honda Foundry Co., Ltd. (retired in June 2017)

Significant concurrent positions and relationship with the Company

Organizations where concurrent positions are held	Position	Business relationship between the Company and the organizations where concurrent positions are held
—	—	—

Reasons for appointment of candidate for Outside Director

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 & 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 a candidate for Independent Outside Director.

Independence of the candidate

The candidate meets the requirements for Independent Officer defined by the Tokyo Stock Exchange. In addition, the candidate meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." (An outline is shown on pages 16 and 17.) Therefore, the candidate is judged to be sufficiently independent.
Furthermore, if the election of Mr. Seiichi Koike is approved, the Company intends to register him as an Independent Officer as defined by the Tokyo Stock Exchange.

Notes: 1. No special interests exist between the Company and Mr. Seiichi Koike.
2. Mr. Seiichi Koike is a candidate for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
3. Mr. Seiichi Koike does not fall under any of the following facts: 1) the candidate was a business operator or an officer of the Company or any of its subsidiaries in the past; 2) the candidate is currently or was in the past five (5) years a business operator or an officer of a business concern that has specific relations with the Company; 3) the candidate is going to receive or has received in the past two (2) years a considerable amount of cash and/or other assets from the Company or such business concern; or 4) the candidate is a spouse, a relative within the third (3rd) degree of kinship of a business operator or an officer of the Company or such business concern, or any other equivalent person.
4. The Company has established in its Articles of Incorporation the right to enter into agreements with Non-executive Directors which limit any liability for damages caused in relation to a failure to perform their duties. If Mr. Seiichi Koike's appointment is approved, the Company plans to enter into said agreement with him. The limit on liability for damages under the said agreement is set at the minimum liability amount provided in Article 425, Paragraph 1, of the Companies Act.

[Reference]

Expertise of Outside Directors/Outside Audit & Supervisory Board Members

Expertise of Outside Directors/Outside Audit & Supervisory Board Members (if Proposal No. 2 is approved)

Name	Position	Expertise			
		Corporate Management	Finance and Accounting	Law	Research and Development
Masashi Hiraiwa	Outside Director			●	
Seiichi Koike	Outside Director	●			●
Hajime Yoshitake	Outside Audit & Supervisory Board Member	●	●		
Kazuhiro Yamakawa	Outside Audit & Supervisory Board Member			●	

Messages to Shareholders

Masashi Hiraiwa, Outside Director

I believe that corporate governance means “making a profitable company by making it free and open.” As an Independent Outside Director, an advocate for shareholders, and as an expert on corporate law at the same time, I intend to contribute to the improvement of the corporate value of the Company by striving to create a free and open company and one that can engage in proactive management, with actions including visiting production sites as much as possible and listening to feedback from people working there, and expressing my frank views to management, and encouraging them at appropriate times, at meetings of the Board of Directors, etc.

Seiichi Koike, Candidate for Outside Director

The increasing globalization and digitization of business means that we are quickly entering a time where the corporate management environment is changing in a dynamic manner. I believe the keys to maximizing corporate value in this rapidly changing management environment are “creating technological innovation” and “human resources development.” Both these issues require time to achieve, and we must focus on them with strong commitment. The Taiyo Yuden Group must never stop facing new challenges if it is to continue providing value to society in future. I intend to refine my sensibilities and increase my capabilities as an Independent Outside Director, as I fulfill my duties with a constant awareness of how I can enhance the brand value of the Taiyo Yuden Group.

[Reference]

Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members (Summary)

In order to objectively judge the independence of Outside Directors and Outside Audit & Supervisory Board Members, the Company has established its own "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." These standards were developed by reference to other standards for independence established by financial instrument exchanges and organizations advising the exercise of voting rights, including the "Securities Listing Regulations" set forth by the Tokyo Stock Exchange. It has been confirmed that the Outside Directors and Outside Audit & Supervisory Board Members of the Company are not categorized under any of the following, and have been elected as independent directors who do not pose any risk of conflict of interest with the Company's general shareholders.

Relationships with Shareholders

1) A director, audit & supervisory board member, accounting advisor, executive officer, operating officer, or employee of any of the major shareholders (holding 10% or more) of the Company
2) An individual who in the past five (5) years has been an officer or employee of any of the current major shareholders of the Company
3) An individual who is a director, accounting advisor, executive officer, operating officer or employee of a company for which the Company is a major shareholder

Relationship with Corporate Clients

1) An individual of whom the Company or one of its current subsidiaries is a major corporate client (accounting for 2% or more of the previous year's consolidated gross revenue)
2) An individual of whom the Company or one of its current subsidiaries has been a client in the last three (3) years
3) An individual who is a major client of the Company, or who has been a major client of the company in the last three (3) years

Relationships of Financial Interest

An individual who is a current director, accounting advisor, executive officer, operating officer or employee of a company or of one of its parent or subsidiary companies that employs a director or audit & supervisory board member from the Company or one of the Company's current subsidiaries.

Providers of specialized services

1) An individual who is an employee, partner, or working staff member of a certified public accountant or auditing firm that is an accounting auditor or accounting advisor of the Company or of one of its current subsidiaries.
2) An individual not fulfilling any of the above criteria, but who is a certified public accountant, tax accountant, attorney, or other kind of consultant, and who, apart from director remuneration, has received from the Company or one of its current subsidiaries money or other property benefits averaging ¥10 million or more annually in the last three (3) years.

Close relatives

1) A relative within two (2) degrees of kinship of, or living together with, an executive director, operating officer, major shareholder, major client, or an officer of a major creditor of the Company or of one of its current subsidiaries.
2) An individual who has a relative within two (2) degrees of kinship, or a relative living together with the individual, who is an employee or partner of an accounting auditing firm of the Company or one of its current subsidiaries.
3) An individual who has a relative within two (2) degrees of kinship, or a relative living together with the individual, who is an attorney or other kind of consultant who, apart from director remuneration, has received from the Company or one of its current subsidiaries money or property benefits averaging ¥10 million or more annually for the last three (3) years.

4) An individual who has a relative within two (2) degrees of kinship, or a relative living together with the individual, who is a director, audit & supervisory board member, accounting advisor, executive officer, or corporate officer of a company that employs a director or audit & supervisory board member from the Company or one of the Company's current subsidiaries.

Note: The above content is a general overview of the Company's "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members," and is not an exact statement of the relevant bylaws, Companies Act, or other regulations.

Attached Documents

BUSINESS REPORT

(from April 1, 2017 to March 31, 2018)

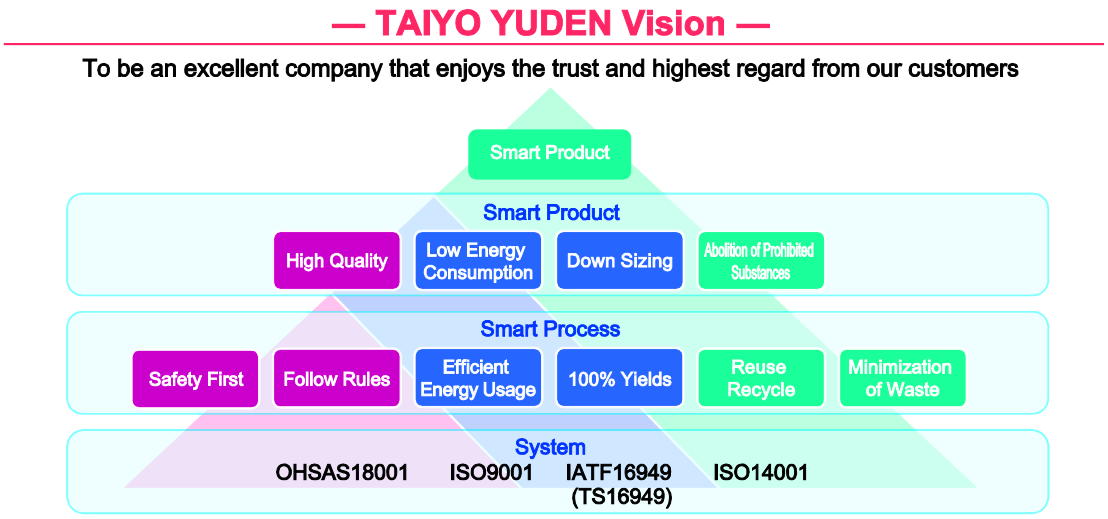
1. Corporate Philosophy and Management Vision

The management philosophy of the Company is to practice the three principles of "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." As for its basic management stance, the Company believes in corporate social responsibility and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Company from a global viewpoint.

The management vision of the Company is "to be an excellent company that enjoys the trust and highest regard from our customers." The Company, therefore, aims to be an excellent company by meeting and even surpassing the expectations of customers based on the original technologies and proposal capabilities nurtured since its foundation.

Management Philosophy of the Taiyo Yuden Group

Employee Well-being
Betterment of Local Communities
Responsibility to Provide Returns to Shareholders



2. Current Status of the Taiyo Yuden Group

(1) Review of operations and results

During the fiscal year under review (from April 1, 2017 to March 31, 2018), the business environment surrounding the Taiyo Yuden Group maintained a tone of moderate recovery for the global economy as a whole. Although the recovery trend is expected to continue going forward, the situation continues to be unpredictable; such as the outlook for China and emerging economies in Asia, the impact of monetary policy in individual countries, and exchange rate trends.

The Group aims to achieve its medium-term targets and management vision by focusing on growth markets such as communication equipment and automotive and industrial equipment centered on the solution business that leverages the Group's core technologies, in addition to cutting-edge products and high reliability products that draw on the Group's strengths of research and development and production technology. Moreover, the Group is strengthening its manufacturing capabilities in order to build a structure that can enhance profitability and meet the future increase in demand for components. In addition to enhancing production capacity, the Group is accelerating improvements in production efficiency by promoting advances in underlying technologies and transforming production methods.

In the communication device market, advances in smartphone functionality and performance have continued, and demand for capacitors increased. Demand for large, high voltage resistant, high reliability components also increased in the automotive and industrial equipment markets along with the increased use of automotive electrical equipment and the further advances of electronic components in industrial equipment. As a result, sales of capacitors expanded significantly, leading to growth in sales and profit.

Consolidated net sales for the fiscal year under review totaled ¥244,117 million, which is an increase of 5.8% compared to the previous fiscal year. Operating profit was ¥20,221 million, an increase of 63.3%, and ordinary profit was ¥20,553 million, an increase of 83.5% compared to the corresponding period of the previous fiscal year. As a result, profit attributable to owners of parent company amounted to ¥16,355 million, up by 201.3% from the same period of the previous fiscal year.

The average exchange rate during the fiscal year under review of ¥111.44 per US dollar represents a depreciation of ¥3.01 compared with the average value of the yen in the previous fiscal year of ¥108.43 per US dollar.

Consolidated Sales by Product

Consolidated sales by product are as follows:

Product	77th Term (current fiscal year)		Year-on-year changes	
	Amount	Percentage of total	Amount	Percentage of change
	(Millions of yen)	(%)	(Millions of yen)	(%)
Capacitors	142,858	58.5	25,192	21.4
Ferrite and applied products	40,977	16.8	(296)	(0.7)
Integrated modules & devices	56,838	23.3	(8,742)	(13.3)
Other	3,443	1.4	(2,753)	(44.4)
Total	244,117	100.0	13,400	5.8

Note: The total amounts listed above are rounded down to the nearest million yen.

(2) Principal business activities (as of March 31, 2018)

[Capacitors]
Main products: Multilayer ceramic capacitors

Outline of performance in the fiscal year under review:

Net sales totaled ¥142,858 million, which is an increase of 21.4% compared to the corresponding period of the previous fiscal year. This was due to a year-on-year increase in sales for use in all applications.

[Ferrite and applied products]
Main products: Winding inductors, multilayer chip inductors

Outline of performance in the fiscal year under review:

Net sales decreased by 0.7% to ¥40,977 million as compared to the previous fiscal year. Product sales for consumer products and automobiles/industrial equipment were higher as compared to the previous fiscal year. This was offset by a decrease in sales for information equipment and communication equipment.

[Integrated Modules & Devices]
Main products: FBAR/SAW devices for mobile communications, power supply modules, high-frequency modules, embedded-parts multilayer wiring substrate "EOMIN™," device mounting business conducted by subsidiary companies

Outline of performance in the fiscal year under review:

Sales for FBAR/SAW devices for mobile communications decreased year over year. This resulted in a 13.3% decrease in net sales for this product classification year over year to ¥56,838 million.

Other
Main products: Energy devices

Outline of performance in the fiscal year under review:

Net sales in this classification decreased significantly to ¥3,443 million, down 44.4% year over year.

(3) Summary of assets and cost-volume-profits

Business terms	Fiscal 2013 (73rd Term)	Fiscal 2014 (74th Term)	Fiscal 2015 (75th Term)	Fiscal 2016 (76th Term)	Fiscal 2017 (77th Term) (current fiscal year)
Net sales (Millions of yen)	208,222	227,095	240,385	230,716	244,117
Operating profit (Millions of yen)	11,358	13,153	23,370	12,385	20,221
Operating margin (%)	5.5	5.8	9.7	5.4	8.3
Ordinary profit (Millions of yen)	12,192	15,653	22,263	11,200	20,553
Profit attributable to owners of parent (Millions of yen)	6,989	10,919	14,751	5,428	16,355
Comprehensive income (Millions of yen)	13,897	23,421	3,571	3,092	18,245
Total assets (Millions of yen)	247,596	265,454	268,380	271,149	289,135
Net assets (Millions of yen)	128,556	150,856	153,381	154,150	170,118
Basic earnings per share (Yen)	59.38	92.74	125.27	46.08	138.80
Net assets per share (Yen)	1,090.26	1,278.07	1,299.75	1,305.96	1,440.79
Equity ratio (%)	51.8	56.7	57.1	56.8	58.7
Rate of return on equity (%)	5.7	7.8	9.7	3.5	10.1
Price-earnings ratio (Times)	21.4	18.9	8.8	30.5	13.0
Dividend payout ratio (%)	16.8	10.8	12.0	43.4	14.4
Cash flows from operating activities (Millions of yen)	29,724	24,896	38,278	29,692	33,944
Cash flows from investing activities (Millions of yen)	(18,947)	(20,964)	(35,374)	(28,806)	(26,918)
Cash flows from financing activities (Millions of yen)	8,404	(21,249)	(2,050)	(4,342)	953
Cash and cash equivalents at end of period (Millions of yen)	54,611	41,476	39,944	36,094	43,837
Research and development expenses (Millions of yen)	7,353	8,237	9,024	10,008	10,574
Capital investment (Millions of yen)	19,126	18,773	41,261	33,161	24,549
Depreciation (Millions of yen)	20,750	21,813	23,767	24,908	25,589

(4) Capital investment, financing and major creditors

1) Capital investment

Capital investment during the fiscal year under review amounted to approximately ¥24,549 million at the acceptance and inspection (previous fiscal year: ¥33,161 million). Major investments were primarily to enhance production capacity for multilayer ceramic capacitors, which are seeing continued strong demand for automotive applications, industrial equipment, and telecommunication devices, such as smartphones. In addition, in the next fiscal year, the Group will conduct large-scale capital investments, including building a new factory building at subsidiary Niigata Taiyo Yuden Co., Ltd. The Group intends to continue actively making capital investments, in anticipation of further development in automotive electrification, IoT and AI, and the increased use of data centers, etc.

2) Financing

During the fiscal year under review, the Company procured funds of ¥10.0 billion through long-term loans. For the purpose of financial stability, a commitment line of ¥10.0 billion effective for three (3) years has been established. However, the Company had not used the line as of March 31, 2018.

3) Major creditors (as of March 31, 2018)

Creditor	Loan outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	13,262
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,456
The Iyo Bank, Ltd.	6,425
The Gunma Bank, Ltd.	2,950
The Towa Bank, Ltd.	2,581

(5) Status of research & development

Research and development expenses in the fiscal year under review were ¥10,574 million.

The Group believes in commercializing products from the material development stage and is committed to research and development to create an electronic component that contributes to the technical evolution of electronic equipment based on the original underlying technology nurtured since its foundation. The Group also intends to develop and stably supply "smart products" that provide high quality and reduce environmental burdens. By realizing smart products at a higher level through its research and development activities, the Group aims to realize the management vision "to be an excellent company that enjoys the trust and highest regard from our customers."

For the telecommunication market centering on smartphones, we promote the development of cutting-edge products that contribute to a higher functionality and performance, as well as dense packaging of modules. In addition, we strive to develop high-reliability products and solution-oriented products for focus markets such as automotive and industrial equipment, healthcare, and environmental and energy.

For capacitors, our focus is on developing compact, low-profile, high-value and high-reliability multilayer ceramic capacitors. We are continuously working to develop cutting-edge, multilayer ceramic capacitors by sophisticating dielectric materials technologies, thin-film and high-capacitance technologies, production technology for ultra-small capacitors.

For ferrite and applied products, the Group is working to develop small, thin inductors with high current ratings, and also large, high-reliability inductors targeting the automotive and industrial equipment markets. We are sharpening our competitive edge through advances in material development as well as wire-winding and multilayer process technologies.

For integrated modules and devices, we are focusing on developing new products with cores drawing on technologies for FBAR/SAW devices for mobile communications and LTCC technologies, next-generation products for fifth generation telecommunication systems, as well as solution-based products in combination with our core technologies for focus markets. In addition, the Group is focusing on developing energy devices for automotive electrical equipment and high-reliability product markets.

[Reference]

Research & Development Policy

"Shift to the "Incomparable"

Anticipation

Technical development precedes product development and goes beyond the common level.

Reproducibility

The reproducibility of developed technology is logically proved.

Versatility

Developed technology is versatile and can be applied not only to specific products.

Reasonable Environmental Compliance

Developed technology is reasonably acceptable for production and environment-friendly.

(6) Acquisitions or disposal of the stock, equity interests, or share acquisition rights of other companies

The meeting of the Company's Board of Directors held on February 26, 2018 resolved to conclude an agreement to enter into a capital and business alliance with ELNA CO., LTD. and to make ELNA into a subsidiary of the Company through the underwriting of a capital increase by way of third-party allotment that ELNA will implement.

On April 3, 2018, the Company acquired 76,924 thousand shares of common stock of ELNA CO., LTD., and thereby made ELNA CO., LTD. a consolidated subsidiary.

(7) Issues to be addressed

As communication devices such as smartphones have come to be equipped with high functionality and performance, evolving transmission methods and dense packaging of modules, there is an increasing requirement for cutting-edge compact/slim electronic components that have such attributes. Meanwhile, in the focus markets of automotive electrical equipment, industrial equipment, healthcare, and environmental and energy, in which the built-in use of electrical equipment is spreading, demand for electronic components has increased and higher quality and/or reliability are increasingly requested.

The Company quickly develops cutting-edge products with a competitive edge that should contribute to technical evolution of devices in the aforementioned markets. Positioning the markets of automotive electrical equipment, industrial equipment, healthcare, and environmental and energy as focus markets, we strive to promote sales of high-reliability products, reinforce system solution proposals and expand and diversify distribution channels. In addition, in response to vigorous demand and to ensure steady supply, we intend to bolster our production capacity in Japan and overseas in anticipation of further sales increases. Furthermore, we will streamline our operating structure to be less susceptible to cost reductions and foreign exchange fluctuations through high-efficiency production and improved manufacturing capabilities and by maximally leveraging our overseas production bases.

The Company intends to raise its community value by meeting the requests and expectations of interested parties to fulfill its social responsibility while also enhancing its economic value. Thus, the Company's activities comply with its responsible attitude in terms of the safety and quality of products, as well as initiatives in such fields as labor and human rights, safety and health, the environment and corporate ethics.

(8) Basic policy regarding dividends of surplus, etc.

The Company considers one of the most important issues for management to be the distribution of plentiful returns to its shareholders and has set a target for the total return ratio, including the purchase of treasury shares, of 30%.

	Fiscal 2013 (73rd Term)	Fiscal 2014 (74th Term)	Fiscal 2015 (75th Term)	Fiscal 2016 (76th Term)	Fiscal 2017 (77th Term) (current fiscal year)
Dividend per share (Yen)	10.00	10.00	15.00	20.00	20.00
Total dividends (Millions of yen)	1,177	1,177	1,766	2,356	2,356
Dividend payout ratio (%)	16.8	10.8	12.0	43.4	14.4

(9) Basic policy of cross-shareholdings

1) Policy of holding cross-shareholdings

If the Company concludes that it would be conductive to maintain and strengthen transactional relationships with business partners, as well as to increase its medium- to long-term corporate value and the sustainable growth of both the Company and the share issuer, the Company, upon decision by the Board of Directors, may hold the stocks of several joint-stock corporations, which are transactional counterparts of the Company. The Board of Directors examines and verifies the significance of continuing the respective cross-holdings with said corporations on an annual basis.

2) Exercise of voting rights

The exercise of voting rights for such cross-shareholdings is one of the important means through which the Company could use its influence on management of said corporations and, by extension, have some influence on the Company's improvement of corporate value. Accordingly, the Company exercises its voting rights of such cross-shareholdings by judging the pros and cons after taking into account several factors such as non-infringement of any laws and/or regulations, non-involvement in any antisocial actions and the fact that the relevant proposal can be judged to have sound content.

3) Total amount of the carrying value in the balance sheet and the percentage thereof accounted for in the balance sheet for the invested stocks held by the Company for purposes other than net investment (as of March 31, 2018)

Total amount of the carrying value in the balance sheet	Ratio thereof accounted for in the balance sheet accounting
¥5,093 million	1.8%

4) 10 stock names of which carrying value in the balance sheet is top-ranked among the invested stocks that the Company holds for purposes other than net investment (as of March 31, 2018)

Stock name	Number of shares	Amount of the carrying value in the balance sheet (Millions of yen)	Purpose for holding
ALPS ELECTRIC CO., LTD.	501,800	1,308	Maintain and strengthen transactional relationship
KYOCERA Corporation	105,000	630	Maintain and strengthen transactional relationship
FUJI MACHINE MFG. CO., LTD.	302,200	629	Maintain and strengthen transactional relationship
Sumitomo Metal Mining Co., Ltd.	135,500	607	Maintain and strengthen transactional relationship
NICHICON CORPORATION	320,500	385	Maintain and strengthen transactional relationship
Hosiden Corporation	258,700	351	Maintain and strengthen transactional relationship
Sumitomo Mitsui Financial Group	58,900	262	Maintain and strengthen financial trading relationship
Ryosan Company, Limited	45,600	174	Maintain and strengthen transactional relationship
MinebeaMitsumi Inc.	69,300	157	Maintain and strengthen transactional relationship
The Iyo Bank, Ltd.	142,000	113	Maintain and strengthen financial trading relationship

Note: Sumitomo Metal Mining Co., Ltd. conducted a share consolidation at a ratio of 2 shares to 1 share on October 1, 2017.

(10) Status of principal subsidiaries (as of March 31, 2018)

1) Principal subsidiaries

Name	Location	Capital stock	Percentage of equity participation of the Company (%)	Principal business
TAIWAN TAIYO YUDEN CO., LTD.	Taiwan	NT$333 million	100.0	Sale of Electronic Components
KOREA TAIYO YUDEN CO., LTD.	Korea	10,000 million WON	100.0	Production and Sale of Electronic Components
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	Korea	61,884 million WON	100.0	Production of Electronic Components
HONG KONG TAIYO YUDEN CO., LTD.	Hong Kong	HK$20,400 thousand	100.0	Sale of Electronic Components
TAIYO YUDEN (GUANGDONG) CO., LTD.	China	US$85,550 thousand	100.0 (9.3)	Production of Electronic Components
TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	China	US$223 thousand	100.0 (10.3)	Sale of Electronic Components
TAIYO YUDEN (SINGAPORE) PTE, LTD.	Singapore	S$18,555 thousand	100.0	Sale of Electronic Components
TAIYO YUDEN (PHILIPPINES), INC.	The Philippines	P.P.490 million	100.0	Production of Electronic Components
TAIYO YUDEN (SARAWAK) SDN. BHD.	Malaysia	MYR100 million	100.0	Production of Electronic Components
TAIYO YUDEN (U.S.A.) INC.	U.S.A.	US$3,154 thousand	100.0	Sale of Electronic Components
TAIYO YUDEN EUROPE GmbH	Germany	EUR 1,000 thousand	100.0	Sale of Electronic Components
Niigata Taiyo Yuden Co., Ltd.	Niigata	¥1,000 million	100.0	Production of Electronic Components
TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD.	Gunma	¥100 million	100.0	Production and Sale of Electronic Components
FUKUSHIMA TAIYO YUDEN CO., LTD.	Fukushima	¥100 million	100.0	Production of Electronic Components
WAKAYAMA TAIYO YUDEN CO., LTD.	Wakayama	¥100 million	100.0	Production of Electronic Components
TAIYO YUDEN Mobile Technology Co., Ltd.	Tokyo	¥100 million	100.0	Production of Electronic Components

Notes: 1. Figures in parentheses shown under "Percentage of equity participation of the Company" is the percentage of indirect ownership.
2. The Company has 26 consolidated subsidiaries including the 16 companies listed in "Status of principal subsidiaries" above, 1 equity-method company, and 1 associate not accounted for by the equity method.
3. The consolidated business performance in this fiscal year under review is described in the above "(1) Review of operations and results."

2) Specified wholly owned subsidiaries

Not applicable

(11) Principal offices and plants (as of March 31, 2018)

1) Principal business locations of the Company

Site type	Office/Plant name	Location
Main offices	Head Office	Chuo-ku, Tokyo
	Takasaki Global Center	Takasaki-shi, Gunma
Sales offices	Sendai	Sendai-shi, Miyagi
	Gunma	Takasaki-shi, Gunma
	Metropolitan	Chuo-ku, Tokyo
	Nagoya	Nagoya-shi, Aichi
	Kansai	Osaka-shi, Osaka
	Fukuoka	Fukuoka-shi, Fukuoka
Production sites	Haruna Plant	Takasaki-shi, Gunma
	Nakanojo Plant	Agatsuma-gun, Gunma
	Tamamura Plant	Sawa-gun, Gunma
Development site	Yawatabara Plant	Takasaki-shi, Gunma
	R&D Center	Takasaki-shi, Gunma
	Akashi Device R&D Center	Akashi-shi, Hyogo

2) Principal business locations of subsidiaries

Described in the above "(10) Status of principal subsidiaries."

(12) Employees (as of March 31, 2018)

1) Employees of the Taiyo Yuden Group

Number of employees	Increase (decrease) from the previous fiscal year
19,011 persons	Increase of 258 persons

Note: The number of employees is the number currently at work and does not include temporary employees.

2) Employees of the Company

Number of employees	Increase (decrease) from the previous fiscal year	Average age	Average years of service
2,590 persons	Increase of 4 persons	42.9 years old	18.3 years

(13) Other important matters concerning the current status of the Taiyo Yuden Group

Not applicable

[Reference]

Dialogue with Shareholders

(1) Information disclosure policy

Based on the policy to widely communicate with society, the Company strives to disclose corporate information in a timely and appropriate manner. Based on the basic stance of disclosing information to the public with the full understanding that the Company's corporate information such as management information contributes to investors' interests, the Company enhances the information disclosure system and discloses the content on the Company's Web site, etc.

(2) Dialogue policy

1) Aside from explaining management policy and Mid-term Management Plan etc. through meetings to explain financial results, to address requests for dialogue (interviews) from domestic and overseas shareholders, the Company sets up interviews with individuals or small meetings within a reasonable range.

   With regard to opinions collected from shareholders, etc., through the meetings to explain financial results and individual interviews, the Company's Director in charge of IR reports to the Board of Directors to share the information.

2) Positioning the General Meeting of Shareholders of the Company as its highest decision-making function and with the recognition of the meeting as a valuable venue for communicating with shareholders, the Company improves the environment whereby all shareholders of the Company including those who are unable to attend the Company's General Meeting of Shareholders can exercise their voting rights appropriately.

   Specifically, to ensure that shareholders of the Company have enough time to inspect and think about each proposal on the agenda of a General Meeting of Shareholders to exercise their voting rights appropriately, the Company dispatches a Notice of Convocation of Ordinary General Meeting of Shareholders (or the "Convocation Notice" below) no later than three (3) weeks prior to the date when the General Meeting of Shareholders takes place. Also, from the perspective of swift information disclosure, the content of the Convocation Notice is disclosed on the Company's Web site, the Tokyo Stock Exchange and the electronic voting platform, etc., before the date when the Convocation Notice is dispatched.

3) To allow many shareholders to attend a General Meeting of Shareholders, the Company sets up an optimal meeting venue with consideration of convenience for shareholders and sufficient capacity. The date of the General Meeting of Shareholders is determined by prioritizing the securing of an optimal meeting venue.

3. Shares of the Company (as of March 31, 2018)

(1) Total number of shares authorized to be issued: 300,000,000 shares

(2) Total number of shares issued: 120,481,395 shares
(including 2,645,260 shares of treasury shares)

(3) Number of shareholders: 17,315

(4) Major shareholders (Top 10)

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,701,100	20.1
Japan Trustee Services Bank, Ltd. (Trust Account)	11,587,900	9.8
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,199,000	6.1
Sumitomo Mitsui Banking Corporation	4,000,000	3.3
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,886,800	3.2
The Iyo Bank, Ltd.	3,000,100	2.5
Sato Traffic Orphan Welfare Fund	1,916,640	1.6
GOLDMAN, SACHS& CO. REG	1,757,000	1.4
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,715,100	1.4
Nippon Life Insurance Company	1,666,450	1.4

Notes: 1. The Company holds 2,645,260 shares of treasury shares, but it is excluded from the above-mentioned major shareholders.
2. Shareholding ratio is calculated excluding the number of treasury shares.

(5) Other important matters concerning shares of the Company

Not applicable

4. Status of Share Acquisition Rights, etc.

(1) Status, at the end of the fiscal year under review, of share acquisition rights held by Directors of the Company delivered as a consideration for the execution of their duties

Name	Date of resolution for issuance	Shareholding status	Number of share acquisition rights	Class and number of shares to be issued or transferred upon exercise of the share acquisition rights	Exercisable period for the share acquisition rights
1st July 2007 issue of share acquisition rights	June 28, 2007	1 Director (excluding Outside Directors)	3 units	3,000 shares of the common stock of the Company	July 14, 2007 through July 13, 2027
2nd July 2007 issue of share acquisition rights	June 28, 2007	1 Director (excluding Outside Directors)	6 units	6,000 shares of the common stock of the Company	July 14, 2007 through July 13, 2027
June 2008 issue of share acquisition rights	June 27, 2008	1 Director (excluding Outside Directors)	6 units	6,000 shares of the common stock of the Company	July 15, 2008 through July 14, 2028
May 2009 issue of share acquisition rights	May 25, 2009	1 Director (excluding Outside Directors)	6 units	6,000 shares of the common stock of the Company	June 10, 2009 through June 9, 2029
June 2010 issue of share acquisition rights	June 29, 2010	2 Directors (excluding Outside Directors)	9 units	9,000 shares of the common stock of the Company	July 22, 2010 through July 21, 2030
June 2011 issue of share acquisition rights	June 29, 2011	3 Directors (excluding Outside Directors)	13 units	13,000 shares of the common stock of the Company	July 14, 2011 through July 13, 2031
April 2012 issue of share acquisition rights	April 25, 2012	3 Directors (excluding Outside Directors)	13 units	13,000 shares of the common stock of the Company	May 11, 2012 through May 10, 2032
May 2013 issue of share acquisition rights	May 24, 2013	3 Directors (excluding Outside Directors)	3 units	3,000 shares of the common stock of the Company	June 10, 2013 through June 9, 2033
July 2013 issue of share acquisition rights	June 27, 2013	4 Directors (excluding Outside Directors)	17 units	17,000 shares of the common stock of the Company	July 12, 2013 through July 11, 2033
July 2014 issue of share acquisition rights	June 27, 2014	5 Directors (excluding Outside Directors)	19 units	19,000 shares of the common stock of the Company	July 14, 2014 through July 13, 2034
July 2015 issue of share acquisition rights	June 26, 2015	5 Directors (excluding Outside Directors)	25 units	25,000 shares of the common stock of the Company	July 13, 2015 through July 12, 2035
November 2015 issue of share acquisition rights	November 5, 2015	1 Director (excluding Outside Directors)	1 unit	1,000 shares of the common stock of the Company	November 20, 2015 through November 19, 2035
July 2016 issue of share acquisition rights	June 29, 2016	5 Directors (excluding Outside Directors)	30 unit	30,000 shares of the common stock of the Company	July 15, 2016 through July 14, 2036
July 2017 issue of share acquisition rights	June 29, 2017	5 Directors (excluding Outside Directors)	30 unit	30,000 shares of the common stock of the Company	July 18, 2017 through July 17, 2037

Notes: 1. Main requirements for the exercise of share acquisition rights, etc.

1) 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.

2) Notwithstanding the above condition 1), the holder of the share acquisition rights may exercise his or her share acquisition rights in the case falling under the following items within a period set forth as follows.

a) If the holder of the share acquisition rights does not become entitled to exercise the share acquisition rights within nineteen (19) years and eleven (11) months from the date of resolution for issuance, the holder of share acquisition rights may exercise his or her rights within one (1) month from the day following the day when nineteen (19) years and eleven (11) months have elapsed from the date of resolution for issuance.

b) If a proposal for a merger agreement under which the Company is to be merged as a dissolving company, or a share exchange agreement or a share transfer under which the Company is to become a wholly owned subsidiary is approved at a General Meeting of Shareholders of the Company, the holder of share acquisition rights may exercise his or her rights within ten (10) days from the day following the day when such proposal has been approved.

c) Upon the death of the holder of share acquisition rights, his or her heir (limited to one (1) heir) may exercise the share acquisition rights within three (3) months from the day following the day when the holder passed away.

3) The holder of share acquisition rights may not partially exercise any unit of the share acquisition rights.

4) Share acquisition rights shall be granted without consideration.

5) The value of assets contributed upon the exercise of share acquisition rights shall be ¥1 per share.

6) Any other terms and conditions shall be governed by a "Contract for Allotment of Share Acquisition Rights" entered into between the Company and the Director to whom the share acquisition rights have been allotted in accordance with resolutions adopted at the General Meeting of Shareholders and at the Meeting of the Board of Directors.

7) If the holder of share acquisition rights has become unable to exercise the share acquisition rights or if he or she has lost the Rights according to the "Contract for Allotment of Share Acquisition Rights," the Company may acquire the relevant share acquisition rights without consideration.

2. Share acquisition rights issued up until the 1st July 2007 issue were granted upon approval at the General Meeting of Shareholders after the end of the fiscal term. However, from the 2nd July 2007 issue onward, the form in which the Rights were granted changed due to the Rights issued being accounted for as expenses at the beginning of the fiscal term as part of Directors' remuneration.

3. Up until the May 2013 issue, the eligible service period subject to share acquisition rights was each fiscal year. However, effective from the July 2013 issue, the eligible service period subject to share acquisition rights has been revised to "up until the conclusion of the Ordinary General Meeting of Shareholders" pertaining to the fiscal year that ends within one (1) year after the Director's election.

(2) Status of the share acquisition rights delivered to Operating Officers and employees during the fiscal year under review

Name	Date of resolution for issuance	Shareholding status	Number of share acquisition rights	Class and number of shares to be issued or transferred upon exercise of the share acquisition rights	Exercisable period for the share acquisition rights
July 2017 issue of share acquisition rights	June 29, 2017	12 Operating Officers	31 units	31,000 shares of the common stock of the Company	July 18, 2017 through July 17, 2037

(3) Other important matters concerning the share acquisition rights (as of March 31, 2018)

Designation	Euro-yen zero coupon convertible bonds with share acquisition rights due in 2021
Date of resolution for issuance	January 9, 2014
Number of share acquisition rights underlying the bonds	2,000
Class and number of shares underlying share acquisition rights	The class of share underlying share acquisition rights shall be common stock. The number of shares of common stock of the Company to be delivered upon the exercise of the share acquisition rights shall be the total face value on the bonds for which a request for exercise was made divided by the conversion price.
Amount paid for share acquisition rights	No payment necessary in exchange for share acquisition rights
Description of the assets contributed upon the exercise of share acquisition rights	Upon the exercise of share acquisition rights, bonds with the share acquisition rights are contributed and the value of said bonds shall be identical to the amount paid.
Conversion price	¥2,058.5
Exercise period of share acquisition rights	From February 10, 2014 to end of bank business hours on January 13, 2021 (local time at location where exercise request is received)
Main exercise conditions of share acquisition rights	No partial exercise of each share acquisition right shall be permitted

5. Corporate Officers (as of March 31, 2018)

(1) Directors and Audit & Supervisory Board Members

Name	Position	Responsibilities in the Company and significant concurrent positions
Shoichi Tosaka	President and Chief Executive Officer	In charge of R&D/Engineering
Seiichi Tsutsumi	Director and Executive Operating Officer	In charge of New Business Planning Development and Global SCM Development
Shinji Masuyama	Director and Executive Operating Officer	In charge of Management Planning
Osamu Takahashi	Director and Executive Operating Officer	In charge of Integrated Modules & Devices Business, Chairman and Director, Taiyo Yuden Mobile Technology Co., Ltd.
Katsuya Sase	Director and Executive Operating Officer	In charge of Electronic Components Business
Hisaji Agata	Outside Director (Independent Officer)	Special Adviser of HIBIKI Partners Co., Ltd. Outside Director (Audit & Supervisory Board Member) of RaQualia Pharma Inc. Outside Director of 77 Capital Co., Ltd.
Masashi Hiraiwa	Outside Director (Independent Officer)	Attorney of OHHARA LAW OFFICE
Takashi Tomaru	Audit & Supervisory Board Member (Full-time)	—
Katsushige Nakano	Audit & Supervisory Board Member (Full-time)	—
Hajime Yoshitake	Outside Audit & Supervisory Board Member (Full-time) (Independent Officer)	Adjunct Lecturer of Meiji University Professional Graduate School General Manager of The Institute of Internal Auditors – Japan
Kazuhiro Yamakawa	Outside Audit & Supervisory Board Member (Independent Officer)	Professor Emeritus of Nihon University Attorney of Azabu Kokusai Law Office

Notes: 1. Directors Hisaji Agata and Masashi Hiraiwa are Outside Directors stipulated in Article 2, Paragraph 15, of the Companies Act and registered as Independent Officers with the Tokyo Stock Exchange.
2. Audit & Supervisory Board Members Hajime Yoshitake and Kazuhiro Yamakawa are Outside Audit & Supervisory Board Members stipulated in Article 2, Paragraph 16, of the Companies Act and registered as Independent Officers with the Tokyo Stock Exchange.
3. Director Masashi Hiraiwa and Audit & Supervisory Board Member Kazuhiro Yamakawa are attorneys.
4. Audit & Supervisory Board Member Katsushige Nakano possesses considerable knowledge in finance and accounting, which was nurtured in his related business experience.
   Audit & Supervisory Board Member Hajime Yoshitake possesses considerable knowledge in finance and accounting, which was nurtured in his business experience at financial institutions.
5. The Company has no special interest relationship with the organizations where Outside Corporate Officers are concurrently serving.

(2) Remuneration paid to Directors and Audit & Supervisory Board Members

1) Policy to determine the remuneration paid to Corporate Officers and its contents

1. Policy to determine the remuneration paid to Corporate Officers

- The Company shall provide transparent and fair remuneration based on quantitative guidelines.
- The Company shall employ appropriate standards for remuneration which take into account the situation of competitors as well as economic and social conditions.
- A remuneration system employed for Directors excluding Outside Directors and Audit & Supervisory Board Members emphasizes incentives coupled to business performance for the purpose of improving business performance.

2. Contents of policy

In order to ensure the transparency and fairness of the process to determine remuneration paid to Officers, a Remuneration Committee has been established as an advisory panel to the Board of Directors. The Remuneration Committee, with an independent Outside Director as chairperson, deliberates and reports on matters pertaining to Director remuneration such as overall policy, dispensation, calculation methods, and contents of the remunerations for individual Directors. After the Remuneration Committee has deliberated and reported, specific remunerations for Directors are determined at the Board of Directors meeting, and specific remunerations for Audit & Supervisory Board Members are determined at the Audit & Supervisory Board meeting, within the limits of remunerations approved at the General Meeting of Shareholders, and with the amount of remunerations calculated based on rules and regulations established by the Company.

- System for remuneration paid to Directors

For Directors who concurrently serve as Operating Officers, because said Directors are expected to achieve business performance through management, remuneration consists of a fixed “monthly remuneration,” a performance-based “Director bonus” and “stock option remuneration.”

“Monthly remuneration”

Fixed remuneration that is distributed based on roles and responsibilities.

“Director bonus”

Performance-based remuneration that is calculated based on consolidated business performance benchmarks each term and distributed amongst Directors in proportion to relative position and contribution to business performance.

“Stock option remuneration”

Share acquisition rights are granted as compensation-type stock options each year according to position, with the aim of improving mid- and long-term corporate value.

In the interest of maintaining independence, Outside Directors receive only “monthly remuneration,” with no performance-based remuneration.

- System for remuneration paid to Audit & Supervisory Board Members

In the interest of promoting audits of legality, Audit & Supervisory Board Members receive only “monthly remuneration.”

2) Total remuneration paid to Directors and Audit & Supervisory Board Members for the fiscal year under review

	Number of persons paid and total amount of remuneration		Content					
			Monthly remuneration		Director bonus		Stock option remuneration	
	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors	7	288	7	160	5	89	5	39
Audit & Supervisory Board Members	4	79	4	79	—	—	—	—
Total	11	368	11	239	5	89	5	39
(Outside Corporate Officers)	(4)	(49)	(4)	(49)	(—)	(—)	(—)	(—)

Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year under review, not the number of persons in office.
2. The limit of remunerations paid to Directors was resolved to be ¥450 million or less per year at the 66th Ordinary General Meeting of Shareholders held on June 28, 2007. The limit of remunerations paid to Audit & Supervisory Board Members was resolved to be ¥8 million or less per month at the 75th Ordinary General Meeting of Shareholders held on June 29, 2016.
3. Figures are rounded down to the nearest million yen.

(3) Liability Limitation Agreement

Pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company has established in its Articles of Incorporation the right to enter into agreements with Directors (excluding those who are Executive Directors) and Audit & Supervisory Board Members which limit the liability of such Directors and Audit & Supervisory Board Members for damages described in Article 423, Paragraph 1, of the said Act.

The parties concerned and an overview of the said agreement is provided below.

Parties concerned	Overview of agreement
Outside Director Hisaji Agata	The Outside Director/Outside Audit & Supervisory Board Member shall be liable to the Company for damages caused in relation to a failure to perform his or her duty up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Companies Act, as long as the Outside Director/Outside Audit & Supervisory Board Member performs his or her duty in good faith and without gross negligence.
Outside Director Masashi Hiraiwa	
Outside Audit & Supervisory Board Member Hajime Yoshitake	
Outside Audit & Supervisory Board Member Kazuhiro Yamakawa	

(4) Outside Directors and Outside Audit & Supervisory Board Members

1) Relationship between the Company and other organizations where significant concurrent positions are held

As described above in "(1) Directors and Audit & Supervisory Board Members."

2) Kinships with business operators or officers of the Company or specially designated companies

Not applicable

3) Main activities of Outside Directors and Outside Audit & Supervisory Board Members in the fiscal year under review

Classification, Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Board	Main activities
Director Hisaji Agata	17/17 times (Attendance rate: 100%)	—	Mr. Agata serves as Chairman of the Board of Directors and Chairman of the voluntary Nomination Committee and Remuneration Committee. As an Independent Outside Director as well as corporate advisor and outside director of other corporations, based on his professional perspective as a member of corporate management, he has attended Management Implementation Committee meetings and made appropriate comments with regard to important business execution including management planning and business alliance.
Director Masashi Hiraiwa	17/17 times (Attendance rate: 100%)	—	As an Independent Outside Director and based on his professional perspective as an attorney, Mr. Hiraiwa has made appropriate comments with regard to significant directions such as corporate strategies and appropriate risk taking on the execution of important duties from an external perspective.
Audit & Supervisory Board Member Hajime Yoshitake	17/17 times (Attendance rate: 100%)	20/20 times (Attendance rate: 100%)	Mr. Yoshitake has expert knowledge and experience of auditing operations and internal control consulting operations at financial institutions, and has made remarks with regard to the maintenance of legitimacy in the decision-making of meetings such as the Board of Directors, the establishment and maintenance, etc. of the compliance structure of the Company. In addition, as a full-time Audit & Supervisory Board Member, he has fully demonstrated his auditing capability in onsite audits of the Group.
Audit & Supervisory Board Member Kazuhiro Yamakawa	16/17 times (Attendance rate: 94%)	20/20 times (Attendance rate: 100%)	Mr. Yamakawa has made remarks on issues with regard to the maintenance of legitimacy in the decision-making of meetings such as the Board of Directors, the establishment and maintenance, etc. of the compliance structure of the Company based on his deep insight cultivated as a university professor and his professional perspective as an attorney.

(5) Other important matters concerning Corporate Officers

Not applicable

6. Accounting Auditors

(1) Name of Accounting Auditors

KPMG AZSA LLC

(2) Amount of remuneration paid or payable to Accounting Auditors for the fiscal year under review

(Millions of yen)

	Amount
1) Remuneration paid or payable to the Accounting Auditors for the Company	66
2) Remuneration or other financial interests paid or payable to the Accounting Auditors for the Company and subsidiaries	70

Notes: 1. The Audit Contract between the Company and the Accounting Auditors does not separate the Remuneration Concerning the Audit described by the Companies Act from the Compensation Concerning the Audit described by the Financial Instruments and Exchange Act. Accordingly, the amount of 1) described above represents the total amount of these compensations.

2. Certified public accountants or auditing firms other than KPMG AZSA LLC are in charge of auditing the principal foreign subsidiaries of the Company.

(3) Reasons for the accord of the Audit & Supervisory Board regarding the amount of remuneration paid or payable to Accounting Auditors

The Audit & Supervisory Board has given an accord, which is described in Article 399, Paragraph 1 of the Companies Act, as a result of studying whether the amount of remuneration for the audit paid or payable to Accounting Auditors is at a reasonable level in view of the corporate scale, complexity and risks of the Company.

(4) Non-auditing services

Not applicable

(5) Policy for determining the dismissal or non-reappointment of Accounting Auditors

Apart from the dismissal of the Accounting Auditors by the Audit & Supervisory Board for reasons of a circumstance falling under any of the items of Article 340, Paragraph 1 of the Companies Act, or if it is deemed difficult for the Accounting Auditors to properly perform their duties, a proposal for the dismissal or non-reappointment of the Accounting Auditors shall be submitted to a General Meeting of Shareholders, upon a decision of the Audit & Supervisory Board.

(6) Matters concerning existing suspension of business

Not applicable

(7) Matters concerning suspensions of business over the last two (2) years that the Company deems should be included in the Business Report

Not applicable

(8) Summary of contents of Liability Limitation Agreements

Not applicable

(9) Matters concerning names and other information of Accounting Auditors who resigned or were dismissed during the fiscal year under review

Not applicable

[Reference]

The Audit & Supervisory Board of the Company formulates standard items for the selection and evaluation of the Accounting Auditors as follows, and evaluates them accordingly.

Standards for the selection of the Accounting Auditors

(1) Outline of the accounting auditor candidate
(2) Audit implementation system
(3) Remunerations for audits

Standards for the evaluation of the Accounting Auditors

(1) Quality management system of Accounting Auditors
(2) Audit implementation system
(3) Remunerations for audits
(4) Communication with Audit & Supervisory Board Members, etc.

7. Summary of the Resolution for the Systems for Ensuring Appropriate Business Operations and Status of Their Operation

A summary of the resolution made at a meeting of the Board of Directors (the Basic Policy) for systems for the Company to ensure appropriate business operations and the status of their operation are as follows.

(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

Summary of the resolution on the Basic Policy

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.

Summary of the status of operation

An Internal Control Committee has been established as a system to promote compliance activities. The committee has designated a responsible person for each of the items set forth in the "Taiyo Yuden Group CSR Code of Conduct" of the Company, and is making improvements on an ongoing basis while implementing the plan-do-check-act (PDCA) cycle, in accordance with the compliance management system.

In addition, the operational status of these measures is periodically evaluated and considered by the Internal Control Committee, and details thereof are reported to the Board of Directors as the Company works to strengthen internal controls.

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

Summary of the resolution on the Basic Policy

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.

Summary of the status of operation

The principal information concerning the execution of duties by Directors and Operating Officers is stored and managed in the form of documents or electromagnetic media, in accordance with laws and regulations as well as the respective meeting rules. Furthermore, encryption and other security measures are taken in regard to important items, such as the minutes of the General Meetings of Shareholders and the minutes of the Meetings of the Board of Directors recorded in electromagnetic media.

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

Summary of the resolution on the Basic Policy

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.

Summary of the status of operation

An Internal Control Committee has been established as a system to promote risk management activities. The committee has designated a responsible person for each risk category in the "Taiyo Yuden Group CSR Code of Conduct" of the Company, and is making improvements on an ongoing basis while implementing the PDCA cycle, in accordance with the Group risk management system. In addition, the operational status of these measures is periodically evaluated and considered by the Internal Control Committee, and details thereof are reported to the Board of Directors as the Company works to strengthen internal controls. Furthermore, in addition to putting the BCP (Business Continuity Plan) in place and conducting drills to prepare for a disaster, etc. occurring, the Company is also taking measures to spread risk and have insurance as necessary.

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

Summary of the resolution on the Basic Policy

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.

Summary of the status of operation

To ensure the efficient execution of duties by Directors, the Management Implementation Committee shall duly discuss policy matters regarding business operations for Group management, whereas the TM (Top Management) Meeting shall duly discuss matters concerning personnel and remuneration for the entire Group, prior to submission to the Board of Directors. Both organs shall deliberate the legality, rationality and economics of matters delegated by the Board of Directors and report the results to the Board of Directors. In

compliance with the purpose of Corporate Governance Codes, the Company works to provide materials of Meetings of the Board of Directors, promptly, summarize the points and brush up the quality of analysis or evaluation to ensure the effectiveness of operations. In addition, 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. Under the direction of the Chief Executive Officer, the Operating Officers shall conduct business flexibly and quickly as an executor responsible for the section he or she is in charge of, in accordance with management policies and strategies determined at meetings of the Board of Directors.

(5) System for ensuring appropriate business operations within the Taiyo Yuden Group

Summary of the resolution on the Basic Policy

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
   i) 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.
   ii) 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
   i) 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.
   ii) 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
   i) 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.
   ii) 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
   i) 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."
   ii) 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.

Summary of the status of operation

The execution of business operations at subsidiaries shall be reported in accordance with the "Group Management Rules" and prior discussion for approval shall be conducted with the relevant division/department of the Company with regard to decision-making of important information to ensure appropriateness of business operations. As for the operation of the Board of Directors Meetings of

subsidiaries, the Company strives to strengthen control and management by revising or properly announcing the "Group Management Rules," and Audit & Supervisory Board Members monitor the status to ensure the appropriateness of the operations. The compliance and risk management matters of subsidiaries are managed in accordance with the "Taiyo Yuden Group CSR Code of Conduct" as well as the compliance management system and the Group risk management system through the PDCA cycle and periodically reported to the Internal Control Committee to evaluate the status promptly, and this provides us with insights to establish a rational management system.

The Internal Audit Office develops a system for ensuring the Group's appropriate business operations and monitors the status of operations by conducting an internal audit on subsidiaries based on an annual plan. Development of internal control concerning financial results and evaluation results of the status of operations are audited by Accounting Auditors, and the details are reported to the President and CEO of the Company and shared with Audit & Supervisory Board Members.

(6) System for ensuring effective audits by the Audit & Supervisory Board Members of the Company

Summary of the resolution on the Basic Policy

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.)
   i) 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.
   ii) 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
   i) 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.
   ii) 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.
   iii) 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.
   iv) 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.

Summary of the status of operation

The Board of Directors has created a system that allows Audit & Supervisory Board Members to attend important meetings related to corporate management and check the process of Directors' corporate management and the status of the execution of their duties by collecting information. Moreover, a system has been created that allows Audit & Supervisory Board Members to grasp the circumstances of compliance or risk management-related challenges in the Internal Control Committee, and collect information required for audits by communicating with Directors, Operating Officers and employees, and reviewing related materials.

(7) System for reporting to Audit & Supervisory Board Members of the Company

Summary of the resolution on the Basic Policy

1) System for reporting to Audit & Supervisory Board Members of the Company by Directors, Operating Officers and employees of the Company
   i) 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.
   ii) 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
   i) 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.
   ii) 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.

Summary of the status of operation

A system has been created whereby reports are made directly to Audit & Supervisory Board Members through the operation of the whistleblower system of the Company and the Group. In addition, a system has been created that allows Directors in the Boards of Directors of subsidiaries, etc. to communicate with Audit & Supervisory Board Members by making reports and exchanging views.

8. Basic Policy on the Control over the Company

(1) Basic policy

The shares of the Company are in principle freely tradable, and are traded freely and actively on markets by numerous investors. Therefore, the Company believes that the persons to control decision-making over the financial and business policies of the Company should be decided through free trading in the shares of the Company, and that the final decision as to whether to accept a purchase offer for shares in a volume that will enable the purchaser to control decision-making over the financial and business policies of the Company should be made based on the free will of all shareholders.

Meanwhile, the Company believes that persons who control decision-making over the financial and business policies of the Company must be able to maintain trust relationships among various stakeholders such as shareholders, and protect and enhance the corporate value of the Company and the common interests of the shareholders over the mid-to-long term.

Therefore, the Company believes that persons who make inappropriate large-scale purchase offers or perform similar actions that may harm the corporate value of the Company or common interests of the shareholders are not suited to control decision-making over the financial and business policies of the Company. In the case that such persons make large-scale purchase offers of the Company's stock, the Company will try to disclose information in a proper and timely manner and take actions which are appropriate at that point in time, aiming at ensuring and improving the common interests of the shareholders.

(2) Efforts to realize the basic policy

The Company believes that ensuring management is practiced from the shareholders' perspective by consistently executing the Mid-term Management Plan and strengthening corporate governance will protect and enhance the Company's value and the common interests of shareholders. Thus, the Company is implementing the efforts listed in the Business Report attached to this Convocation Notice.

[Reference]

Corporate Governance

1. Basic Policy of Corporate Governance

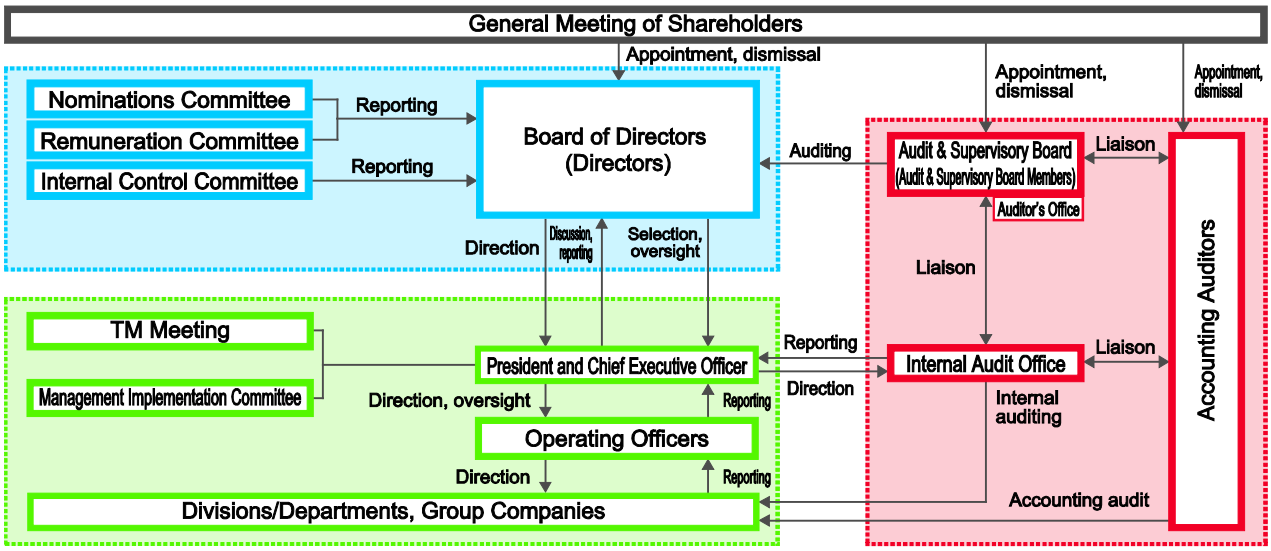
The management philosophy of the Company is to ensure the three principles of "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." Further, the Board of Directors and Executive Officers believe in corporate social responsibility and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Company from a global viewpoint.

The management vision of the Company is "to be an excellent company that enjoys the trust and highest regard from our customers." To steadily implement the philosophy and vision, the Company is committed to increasing profits with growth strategies and structural improvement as a key measure, while developing a system and framework that allow for prompt decision-making and execution of duties for higher competitiveness, with an emphasis on transparency, fairness and disclosure of corporate management.

Basic Policy for Corporate Governance

http://www.yuden.co.jp/ut/ir/management/governance/index.html

Governance Structure



Note: The TM Meeting is an advisory panel for deliberations and decisions on matters concerning personnel, organizations, etc.

Composition of Voluntary Advisory Panels

	Total members (persons)	Internal Directors (persons)	Outside Directors (persons)	Audit & Supervisory Board Members (persons)	Head of committee
Nomination Committee	4	1	2	1	Independent Outside Director
Remuneration Committee	4	1	2	1	Independent Outside Director

2. Corporate Governance Structure

(1) Outline of the corporate governance structure and the reasons for adopting such a structure

The Company is a company with an Audit & Supervisory Board and established organizations: Board of Directors, Audit & Supervisory Board 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.

(2) Board of Directors

1) Roles and responsibilities of the Board of Directors

a) The Board of Directors shall aim for corporate management to be an excellent company that enjoys the trust and highest regard from stakeholders, including shareholders, customers, employees and local communities, to accomplish the fiduciary responsibility entrusted by shareholders and increase the Company's interests and the common interests among shareholders.

b) 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.

c) 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.

2) Delegation of authority by the Board of Directors to top management

a) To ensure the effective decision making by the Board of Directors, the Management Implementation 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.

b) 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 Chief Executive Officer, in accordance with management policies and strategies determined at meetings of the Board of Directors.

3) Effectiveness of the Board of Directors

a) 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 (Outside Directors, if the Chairman of Board of Directors is absent or unable to act as the chairman).

b) At the Board of Directors meeting, the Directors and the Audit & 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.

[Outline of evaluation of the effectiveness of the Board of Directors]

1. Method of Evaluation

Self-evaluation by survey

Subjects	Directors and Audit & Supervisory Board Members (including Outside Officers)
Implementation period	February to March 2018
Evaluation items	1) The operation of the Board of Directors 2) The composition of the Board of Directors 3) Defensive governance 4) Aggressive governance 5) Provision of information 6) General evaluation
Answer form	Points evaluation from 5 (satisfied) to 1 (not satisfied), and free comments
Evaluation method	Evaluation was conducted by the Board of Directors after analysis and verification of the survey results by Outside Directors and Audit & Supervisory Board Members.

2. Outline of the Analysis and Evaluation Results

In the survey, all evaluation items scored 3.0 or more points, and it was confirmed that the effectiveness of the Board of Directors has generally been ensured. Furthermore, an improvement was visible in the scores of "strengthening the supervisory function of the Board of Directors" and "improving the effectiveness of the Nomination Committee and Remuneration Committee," which were issues in the previous fiscal years, owing to improvements such as revisions to the Board of Directors Regulations (review of agenda items) and the formulation of guidelines regarding the election of officers.

In addition, "opportunities for Directors to learn knowledge and skills" and "diversity of the composition of the Board of Directors" were recognized as issues in the results of the survey for the fiscal year under review. 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.

(3) Directors

a) The Company has seven (7) Directors, at present. Two (2) of them are appointed as independent Outside Directors.
b) To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one (1) year.
c) The reason for the selection of directors is disclosed by taking into account knowledge, experience, history of achievement and other factors.
d) 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.

(4) Audit & Supervisory Board and Audit & Supervisory Board Members

a) The Company has adopted an Audit & Supervisory Board Members system. The Audit & Supervisory Board meeting is held monthly, in principle.
b) The Company has four (4) Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members. Two (2) of them are appointed as independent Outside Audit & Supervisory Board Members. Furthermore, the Company elects at least one (1) Audit & Supervisory Board Member with an appropriate knowledge of finance and accounting, to ensure the effectiveness of audits.
c) To raise the effectiveness of audits, each Audit & Supervisory Board Member attends 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.
d) The Audit & Supervisory Board has its own dedicated staff to smoothly conduct auditing operations such as information communications and data management.

(5) Related party transactions

The Company has established in the Board of Directors Regulations that Competition and Conflicting Interest Transactions by Directors of the Company shall be determined by the Board of Directors. In case related party transactions occur, such transactions shall be disclosed, complying with the Companies Act, the Financial Instruments and Exchange Act and relevant laws and regulations, as well as rules stipulated by the stock exchange. The Board of Directors shall monitor such related party transactions to ensure that such transactions are being conducted appropriately.

(6) Voluntary advisory panels

a) For the purpose of conducting "highly transparent and fair management," the Company has established a Nomination Committee and a Remuneration Committee.
b) Each Committee shall be chaired by an Independent Outside Director and members shall include the President and Chief Executive Officer, Outside Directors and one (1) Audit & Supervisory Board Member, thereby ensuring the objectivity of matters deliberated in each committee.
c) The Nomination Committee deliberates matters such as the designation of candidates for Corporate Officers to be elected/dismissed and disciplinary actions. The Remuneration Committee deliberates systems of remuneration to Corporate Officers, as well as details of remuneration to each Corporate Officer. The matters deliberated at the respective committees are discussed at the Board of Directors for determination.

(7) General policy regarding the roles and election of Outside Corporate Officers

a) In electing Outside Directors, to ensure transparency in the authority of management oversight, the Company has established rigorous "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" as requirements for their appointment referencing, and making them unique than, other standards for independence established by financial instrument exchanges and organizations advising the exercise of voting rights, including the "Securities Listing Regulations" set forth by the Tokyo Stock Exchange.
b) The two (2) Outside Directors meet the Company's independency requirements. They make efforts to strengthen the supervisory capability of the Company and strive to strengthen objective management. Specifically, they fulfill a role that is important to the decision-making process and provide opinions from the perspective of either technical experts or shareholders independent of executive management, based on a broad view that leverages knowledge of corporate legal affairs and the experience of corporate managers.

c) The two (2) Outside Audit & Supervisory Board Members meet the Company's independency requirements. They cooperate with each other to monitor the status of internal control of operations on a daily basis. Specifically, they are responsible for investigating and verifying whether the Directors' duties are legally conducted in compliance with the relevant laws. In addition to possessing technical and practical knowledge of their own in the fields of law and accounting, they objectively monitor the execution of duties by Directors.

(8) Training for Directors and Outside Audit & Supervisory Board Members

The Company offers and arranges training opportunities by facilitating participation in external seminars and holding in-house training related to laws and regulations taught by external experts, etc., for the Directors and the Audit & Supervisory Board Members including the newly appointed Corporate Officers, so that they can acquire knowledge and information other than that of their professional fields such as the roles and responsibilities required from them. Expenses for such training shall be paid by the Company. The plans for providing and arranging such training are formulated at the beginning of each fiscal year for subsequent implementation.

[Reference]
CSR Activities of the Group

1. Basic Stance Regarding CSR Activities

The management philosophy of the Company is to ensure the three principles of "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." The Company believes that the mission of management and social responsibility of the Company is to support continued development of its business while serving society and public interests and ensuring public nature of our business with a global perspective.

The management vision of the Company is to "become an excellent company that enjoys the trust and highest regard from our customers." To this end, we will create smart products that meet market needs so that our products are used in every market of a broad range of fields and aim to expand our business while also raising economic value of the Company. Furthermore, we will fulfill our social responsibility by meeting and even surpassing growing and more sophisticated requirements as well as expectations of stakeholders, and strive to increase social value of the Company.

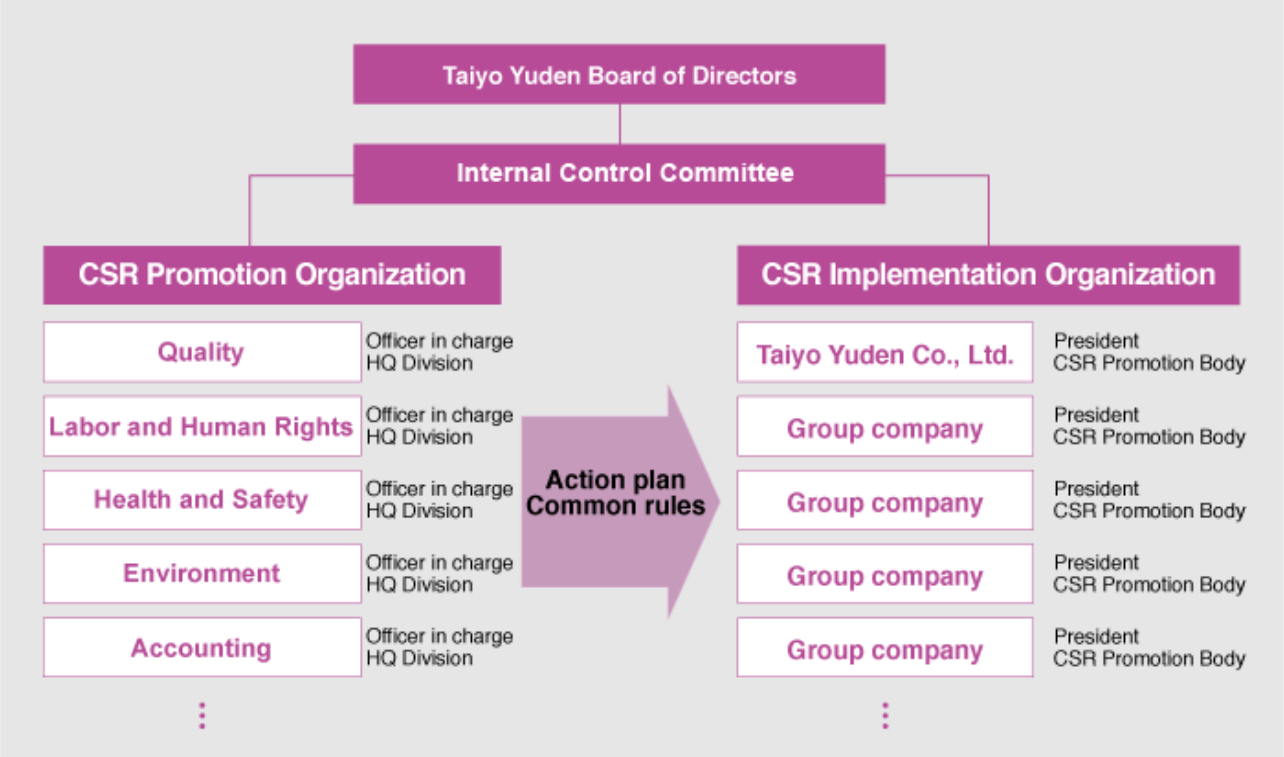
To accomplish these aims, we will develop, manufacture and sell smart products that are safe and high quality and take responsibility for initiatives we conduct in areas of labor, human rights, safety and health, the environment as well as ethics as we continue our CSR activities.

2. CSR Charter and CSR Code of Conduct

To present the management philosophy of the Company more clearly to stakeholders, in 2005 the CSR Charter (TAIYO YUDEN Group's Charter on Social Responsibility) was established. In addition, in 2006 the CSR Code of Conduct (Code of conduct regarding social responsibilities of TAIYO YUDEN Group) was established as specific guidelines for action for employees to abide by the content expressed in the CSR Charter.

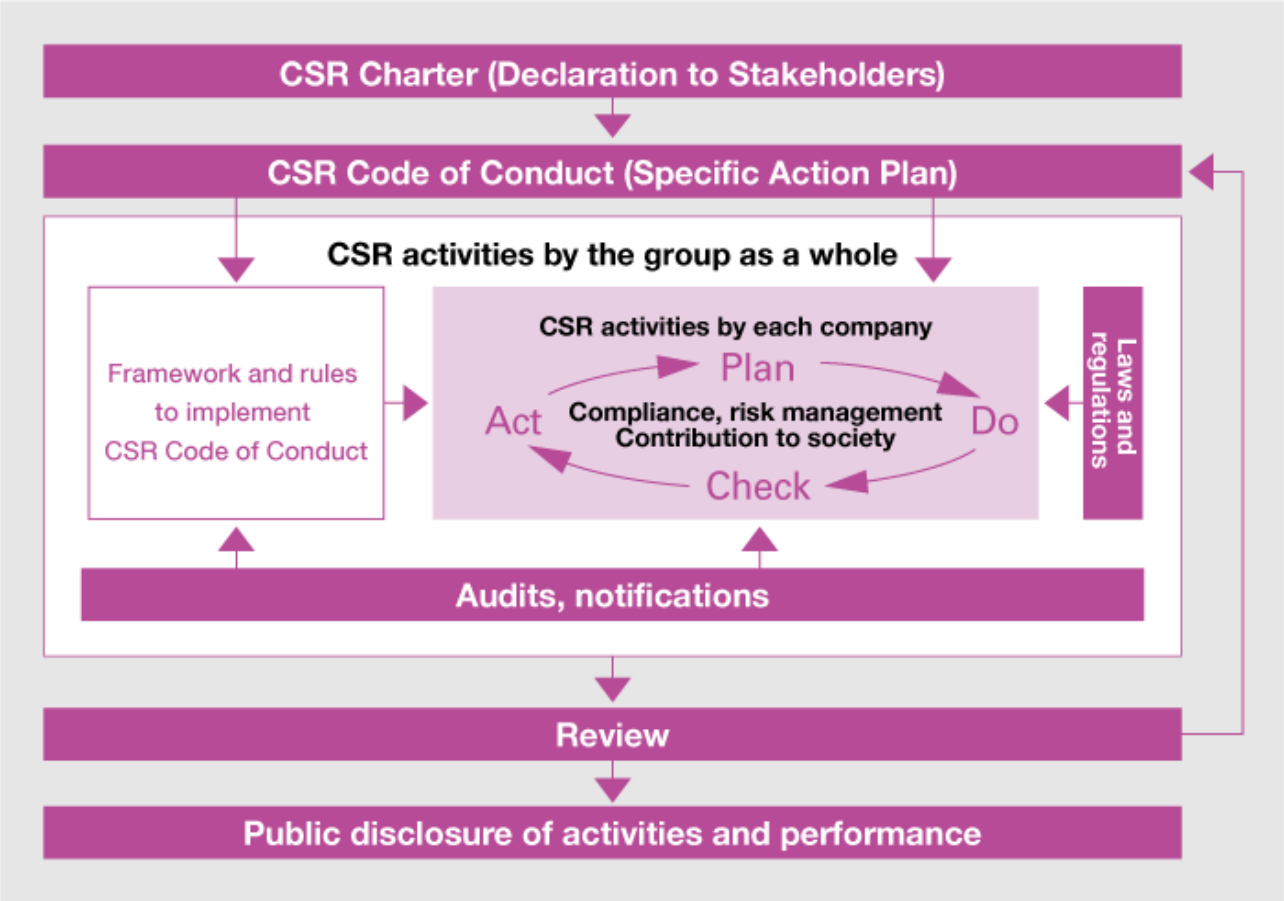
3. CSR Activities Promotion Framework

In the Company's CSR activities, overall management is provided by the Internal Control Committee. The promotion organization is comprised of officers in charge and HQ divisions appointed for each provision of the Code of Conduct and each applicable risk, and management is carried out according to a system (the Compliance and Risk Management System) implemented by each group company in accordance with the activity policy and rules in common established by the promotion organization.



4. CSR Management System

The Company has built a CSR management system to achieve the goals set forth in our CSR Charter and assure compliance with the CSR Code of Conduct. In carrying out CSR activities, we follow the provisions of our Code of Conduct and comply with laws and regulations as a matter of course. We also have a framework and rules in place for promoting proper conduct and all of our group sites employ a management system based on the plan-do-check-act (PDCA) cycle. These activities are checked through internal audits and a notification system. An annual review of CSR performance is conducted and activities are continually being improved.



5. Labor and Human Rights Activities

The Group has defined a Code of Conduct regarding labor and human rights within the CSR Code of Conduct which stipulates that child labor or forced labor are not to be conducted. A survey on child labor and forced labor was conducted in all countries where Group companies are located, and the results confirmed that these stipulations were being complied with 100%. In addition, the Code of Conduct stipulates that we will respect the diversity, personality, and individuality of employees, ensure a work environment without any discrimination, and not conduct acts of harassment by authority in the organization, and we are also promoting compliance with these provisions.

Circumstances surrounding Labor and Human Rights

Goal: Compliance rate are 100% in all countries.

Country or Area	Number of Employees (thousands)	Fiscal 2017 Compliance Rate	
		Child Labor	Forced Labor
Japan	5.5	100%	100%
USA, Europe	0.1	100%	100%
China, Taiwan	4.3	100%	100%
South Korea	0.9	100%	100%
Singapore, Malaysia	4.5	100%	100%
The Philippines	4.9	100%	100%

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

(Millions of yen)

Account item	77th Fiscal Term (as of March 31, 2018)	(Reference) 76th Fiscal Term (as of March 31, 2017)
	Amount	Amount
(ASSETS)		
Current assets	**167,157**	**149,255**
Cash and deposits	49,700	40,069
Notes and accounts receivable - trade	56,933	53,791
Merchandise and finished goods	19,310	17,281
Work in process	21,118	19,472
Raw materials and supplies	11,666	12,025
Deferred tax assets	2,830	1,084
Other	5,875	5,804
Allowance for doubtful accounts	(278)	(273)
Non-current assets	**121,978**	**121,893**
Property, plant and equipment	**110,446**	**111,096**
Buildings and structures	81,602	79,286
Machinery, equipment and vehicles	245,007	233,806
Tools, furniture and fixtures	22,661	20,936
Land	9,422	9,416
Construction in progress	6,501	3,816
Accumulated depreciation	(254,749)	(236,165)
Intangible assets	**1,309**	**1,231**
Other	1,309	1,231
Investments and other assets	**10,222**	**9,565**
Investment securities	7,169	6,760
Net defined benefit asset	—	58
Deferred tax assets	1,182	983
Other	2,188	2,098
Allowance for doubtful accounts	(318)	(336)
Total Assets	**289,135**	**271,149**

CONSOLIDATED BALANCE SHEET (continued)

(Millions of yen)

Account item	77th Fiscal Term (as of March 31, 2018)	(Reference) 76th Fiscal Term (as of March 31, 2017)
	Amount	Amount
(LIABILITIES)		
Current liabilities	**78,156**	**80,285**
Notes and accounts payable - trade	25,389	26,735
Short-term loans payable	20,737	16,463
Current portion of long-term loans payable	5,160	11,074
Accounts payable - other	12,792	12,259
Income taxes payable	1,684	2,082
Deferred tax liabilities	688	719
Provision for bonuses	3,663	3,218
Provision for directors' bonuses	231	76
Other	7,808	7,657
Non-current liabilities	**40,860**	**36,713**
Convertible bond-type bonds with share acquisition rights	20,039	20,053
Long-term loans payable	8,882	4,056
Deferred tax liabilities	6,323	4,891
Provision for directors' retirement benefits	131	126
Net defined benefit liability	2,865	3,208
Other	2,617	4,377
Total Liabilities	**119,017**	**116,999**
(NET ASSETS)		
Shareholders' equity	**175,756**	**161,752**
Capital stock	23,557	23,557
Capital surplus	41,518	41,518
Retained earnings	113,984	99,985
Treasury shares	(3,302)	(3,309)
Accumulated other comprehensive income	**(5,980)**	**(7,870)**
Valuation difference on available-for-sale securities	2,896	2,239
Deferred gains or losses on hedges	(15)	21
Foreign currency translation adjustment	(9,028)	(9,762)
Adjustment for retirement benefit obligations etc. of foreign subsidiaries	167	(368)
Share acquisition rights	**342**	**268**
Total Net Assets	**170,118**	**154,150**
Total Liabilities and Net Assets	**289,135**	**271,149**

CONSOLIDATED STATEMENT OF INCOME

(Millions of yen)

Account item	77th Fiscal Term (from April 1, 2017 to March 31, 2018)		(Reference) 76th Fiscal Term (from April 1, 2016 to March 31, 2017)	
	Amount		Amount	
Net sales		**244,117**		**230,716**
Cost of sales		**182,165**		**179,362**
Gross profit		**61,952**		**51,353**
Selling, general and administrative expenses		**41,730**		**38,968**
Operating profit		**20,221**		**12,385**
Non-operating income				
Interest income	269		210	
Dividend income	126		107	
Subsidy income	2,058		847	
Other	345	2,799	273	1,438
Non-operating expenses				
Interest expenses	238		243	
Share of loss of entities accounted for using equity method	264		300	
Foreign exchange losses	1,649		1,256	
Depreciation of inactive non-current assets	206		473	
Other	108	2,467	348	2,622
Ordinary profit		**20,553**		**11,200**
Extraordinary income				
Gain on sales of non-current assets	21		56	
Gain on liquidation of subsidiaries and associates	—		39	
Other	—	21	0	96
Extraordinary losses				
Loss on sales and retirement of non-current assets	358		672	
Impairment loss	396		749	
Loss on valuation of investment securities	0		159	
Business structure improvement expenses	—		2,193	
Head office transfer cost	95		14	
Other	0	850	—	3,790
Profit before income taxes		**19,724**		**7,507**
Income taxes - current	4,113		3,687	
Income taxes - deferred	(744)	3,369	(1,610)	2,077
Profit		**16,355**		**5,430**
Profit attributable to non-controlling interests		—		1
Profit attributable to owners of parent		**16,355**		**5,428**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	23,557	41,518	99,985	(3,309)	161,752
Changes of items during period					
Dividends of surplus			(2,356)		(2,356)
Profit attributable to owners of parent			16,355		16,355
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		7	6
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	13,998	6	14,004
Balance at end of current period	23,557	41,518	113,984	(3,302)	175,756

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Adjustment for retirement benefit obligations etc. of foreign subsidiaries	Total accumulated other comprehensive income			
Balance at beginning of current period	2,239	21	(9,762)	(368)	(7,870)	268	—	154,150
Changes of items during period								
Dividends of surplus								(2,356)
Profit attributable to owners of parent								16,355
Purchase of treasury shares								(0)
Disposal of treasury shares								6
Net changes of items other than shareholders' equity	656	(36)	733	536	1,889	73	—	1,963
Total changes of items during period	656	(36)	733	536	1,889	73	—	15,968
Balance at end of current period	2,896	(15)	(9,028)	167	(5,980)	342	—	170,118

Non-Consolidated Financial Statements

NON-CONSOLIDATED BALANCE SHEET

(Millions of yen)

Account item	77th Fiscal Term (as of March 31, 2018)	(Reference) 76th Fiscal Term (as of March 31, 2017)
	Amount	Amount
(ASSETS)		
Current assets	**90,315**	**83,208**
Cash and deposits	13,271	7,874
Notes receivable - trade	2,441	1,354
Accounts receivable - trade	47,238	47,713
Merchandise and finished goods	2,637	3,305
Work in process	6,395	4,540
Raw materials and supplies	2,670	3,140
Prepaid expenses	289	191
Deferred tax assets	1,780	—
Short-term loans receivable from subsidiaries and associates	1,993	1,682
Accounts receivable - other	9,502	11,042
Consumption taxes receivable	2,034	2,345
Other	60	17
Non-current assets	**112,346**	**108,749**
Property, plant and equipment	**27,841**	**27,823**
Buildings	8,336	7,584
Structures	571	415
Machinery and equipment	11,183	13,325
Vehicles	19	29
Tools, furniture and fixtures	1,815	1,595
Land	4,193	4,193
Construction in progress	1,721	679
Intangible assets	**941**	**895**
Patent right	2	29
Software	850	799
Other	88	66
Investments and other assets	**83,563**	**80,030**
Investment securities	5,243	4,919
Shares of subsidiaries and associates	48,736	48,690
Long-term loans receivable from employees	125	155
Long-term loans receivable from subsidiaries and associates	28,947	25,428
Claims provable in bankruptcy, claims provable in rehabilitation and other	768	866
Long-term prepaid expenses	65	93
Other	739	842
Allowance for doubtful accounts	(1,063)	(967)
Total Assets	**202,661**	**191,957**

NON-CONSOLIDATED BALANCE SHEET (continued)

(Millions of yen)

Account item	77th Fiscal Term (as of March 31, 2018)	(Reference) 76th Fiscal Term (as of March 31, 2017)
	Amount	Amount
(LIABILITIES)		
Current liabilities	**72,497**	**79,414**
Notes payable - trade	—	0
Accounts payable - trade	31,536	32,832
Short-term loans payable	20,737	16,463
Current portion of long-term loans payable	5,160	10,449
Lease obligations	15	16
Accounts payable - other	6,695	5,318
Accrued expenses	3,582	3,200
Income taxes payable	595	216
Deposits received	1,383	6,279
Provision for bonuses	1,920	1,653
Provision for directors' bonuses	231	76
Deferred tax liabilities	—	8
Other	639	2,899
Non-current liabilities	**31,273**	**26,414**
Convertible bond-type bonds with share acquisition rights	20,039	20,053
Long-term loans payable	8,882	4,056
Lease obligations	137	152
Deferred tax liabilities	1,794	1,741
Other	419	409
Total Liabilities	**103,770**	**105,828**
(NET ASSETS)		
Shareholders' equity	**96,121**	**83,694**
Capital stock	23,557	23,557
Capital surplus	41,497	41,497
Legal capital surplus	41,450	41,450
Other capital surplus	46	47
Retained earnings	34,369	21,948
Legal retained earnings	2,947	2,947
Other retained earnings	31,421	19,000
Reserve for advanced depreciation of non-current assets	1,330	1,333
Retained earnings brought forward	30,091	17,667
Treasury shares	(3,302)	(3,309)
Valuation and translation adjustments	**2,427**	**2,166**
Valuation difference on available-for-sale securities	2,442	2,144
Deferred gains or losses on hedges	(15)	21
Share acquisition rights	**342**	**268**
Total Net Assets	**98,890**	**86,128**
Total Liabilities and Net Assets	**202,661**	**191,957**

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of yen)

Account item	77th Fiscal Term (from April 1, 2017 to March 31, 2018)		(Reference) 76th Fiscal Term (from April 1, 2016 to March 31, 2017)	
	Amount		Amount	
Net sales		**228,657**		**214,012**
Cost of sales		**197,671**		**198,803**
Gross profit		**30,986**		**15,208**
Selling, general and administrative expenses		**25,705**		**22,929**
Operating profit (loss)		**5,281**		**(7,721)**
Non-operating income				
Interest income	237		248	
Dividend income	9,111		5,063	
Other	230	9,579	570	5,882
Non-operating expenses				
Interest expenses	237		244	
Foreign exchange losses	1,181		804	
Depreciation of inactive non-current assets	63		222	
Other	140	1,623	172	1,443
Ordinary profit (loss)		**13,238**		**(3,283)**
Extraordinary income				
Gain on sales of non-current assets	28		35	
Gain on liquidation of subsidiaries and associates	—		371	
Other	—	28	0	407
Extraordinary losses				
Loss on sales and retirement of non-current assets	172		154	
Impairment loss	124		717	
Loss on valuation of investment securities	0		159	
Business structure improvement expenses	—		209	
Head office transfer cost	95		14	
Other	3	397	—	1,256
Profit (loss) before income taxes		**12,869**		**(4,132)**
Income taxes - current	(127)		(2,206)	
Income taxes - deferred	(1,780)	(1,907)	2	(2,203)
Profit (loss)		**14,777**		**(1,928)**

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Reserve for advanced depreciation of non-current assets	Retained earnings brought forward			
Balance at beginning of current period	23,557	41,450	47	41,497	2,947	1,333	17,667	21,948	(3,309)	83,694
Changes of items during period										
Dividends of surplus							(2,356)	(2,356)		(2,356)
Reversal of reserve for advanced depreciation of non-current assets						(2)	2	—		—
Profit							14,777	14,777		14,777
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			(0)	(0)					7	6
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	(0)	(0)	—	(2)	12,423	12,420	6	12,427
Balance at end of current period	23,557	41,450	46	41,497	2,947	1,330	30,091	34,369	(3,302)	96,121

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	2,144	21	2,166	268	86,128
Changes of items during period					
Dividends of surplus					(2,356)
Reversal of reserve for advanced depreciation of non-current assets					—
Profit					14,777
Purchase of treasury shares					(0)
Disposal of treasury shares					6
Net changes of items other than shareholders' equity	298	(36)	261	73	335
Total changes of items during period	298	(36)	261	73	12,762
Balance at end of current period	2,442	(15)	2,427	342	98,890

Audit Report

Certified Copy of the Independent Auditors' Report Concerning Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 17, 2018

The Board of Directors
Taiyo Yuden Co., Ltd.

KPMG AZSA LLC

Michitaka Shishido, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Hideaki Takao, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Yoshiko Imai, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Pursuant to Article 444, Paragraph 4 of Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements of Taiyo Yuden Co., Ltd. for the fiscal term from April 1, 2017 to March 31, 2018.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting standards generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion
In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the consolidated group consisting of Taiyo Yuden Co., Ltd. and its consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting principles generally accepted in Japan.

Interests in the Company
Our corporation and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Certified Copy of the Independent Auditors' Report Concerning Non-Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 17, 2018

The Board of Directors
Taiyo Yuden Co., Ltd.

KPMG AZSA LLC

Michitaka Shishido, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Hideaki Takao, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Yoshiko Imai, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to the non-consolidated financial statements, and the supplementary schedules of Taiyo Yuden Co., Ltd. for the 77th fiscal term from April 1, 2017 to March 31, 2018.

Management's responsibility for the non-consolidated financial statements, etc.
Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in accordance with accounting standards generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of non-consolidated financial statements and supplementary schedules that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility
Our responsibility is to express an opinion on the non-consolidated financial statements and supplementary schedules based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supplementary schedules. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion
In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of Taiyo Yuden Co., Ltd. for the relevant term of the non-consolidated financial statements, in accordance with the business accounting principles generally accepted in Japan.

Interests in the Company
Our corporation and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

AUDIT REPORT

The Audit & Supervisory Board, following deliberations on the reports made by each Audit & Supervisory Board Member concerning the audit of execution of duties by Directors of the Board for the 77th fiscal term from April 1, 2017, to March 31, 2018, has prepared this Audit Report as the unanimous opinion of all Audit & Supervisory Board Members and hereby submits it as follows:

1. Auditing Methods by Audit & Supervisory Board Members and Audit & Supervisory Board and the Content of the Audit

(1) The Audit & Supervisory Board established the audit plan for the current period (auditing policies, focused items, division of duties, etc.), and conducted a review of the deliberations of the Board of Directors, while receiving reports and explanations regarding the status of audits and the results thereof from each Audit & Supervisory Board Member, and making efforts to promote information-sharing. Also, we received reports and explanations from the Directors, Operating Officers and Accounting Auditors regarding the status of the execution of their duties, and requested further explanation as necessary.

(2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, and pursuant to the audit plan, making efforts to communicate with Directors, Operating Officers, the internal audit department and other employees, each Audit & Supervisory Board Member strove to collect information and improve the audit environment and performed audits by the following methods.

1) Each Audit & Supervisory Board Member conducted an examination of the status of operations and assets at the Company's head office and primary business locations by attending Board of Directors meetings, Management Implementation Committee meetings and other important meetings; receiving reports from Directors and Operating Officers, etc., regarding the status of execution of their duties and requesting further explanations as necessary; and inspecting important decision documents, etc. Audit & Supervisory Board Members also conducted an examination of the status of operations and assets at the Company's subsidiaries by maintaining communication and information sharing with their Directors and Audit & Supervisory Board Members, receiving business reports from the subsidiaries, and visiting the subsidiaries as necessary.

2) Each Audit & Supervisory Board Member verified the resolutions adopted by the Board of Directors Meetings regarding the establishment of the system for ensuring that the Directors' execution of duties described in the business report are performed in conformity of laws, regulations and the Company's Articles of Incorporation, and the establishment of other systems necessary to ensure proper business operations of the corporate group consisting of the Company and its subsidiaries set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Companies Act, regularly received reports from Directors and employees regarding the status of establishment and operations of the system (internal control system) established in accordance with the relevant resolution of the Board of Directors, requested explanations as necessary and expressed opinions.

3) Audit & Supervisory Board Members also inspected the content of the basic policy set forth in Article 118, Item 3 (a) of Enforcement Regulations of the Companies Act, which is described in the business report.

4) Audit & Supervisory Board Members monitored and verified that Accounting Auditors maintained independence and conducted the audits appropriately. Each Audit & Supervisory Board Member received reports of the status of the execution of duties from Accounting Auditors and requested further explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that duties are performed appropriately," based on Article 131 of the Corporate Calculation Regulations, as per the "Standards for the Quality Control of Audits" (Business Accounting Council) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we inspected the business report, its supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements) for the year ended on March 31, 2018.

2. Results of Audit

(1) Results of audit of business report

i. The business report and supplementary schedules present fairly the current condition of the Company in conformity with related laws, regulations, and the Company's Articles of Incorporation;

ii. Regarding the execution of duties by Directors, no instances of misconduct or material matters in violation of laws, regulations, nor the Company's Articles of Incorporation were found;

iii. Resolutions of the Board of Directors regarding the internal control system are fair and reasonable. There are no matters to be pointed out about the execution of duties by Directors regarding the internal control system; and

iv. There are no matters to be pointed out with respect to the basic policies on control of the Company in the business report.

(2) Results of audit of non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

(3) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

May 21, 2018

The Audit & Supervisory Board of Taiyo Yuden Co., Ltd.

Takashi Tomaru (Seal)
Audit & Supervisory Board Member (Full-time)

Katsushige Nakano (Seal)
Audit & Supervisory Board Member (Full-time)

Hajime Yoshitake (Seal)
Outside Audit & Supervisory Board Member (Full-time)

Kazuhiro Yamakawa (Seal)
Outside Audit & Supervisory Board Member