Corporate Governance Report

Last Update: June 29, 2018
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The corporate governance of TAIYO YUDEN CO., LTD. (the "Company") is described below.

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

1. Basic Views

Basic Policy for corporate governance

The Company's management philosophy is to implement "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." The Company's Board of Directors and Operating Officers believe that the Company's social responsibility and managerial mission is to establish/maintain good social and public relationships, protect public interests and achieve sustainable business development from a global perspective.
The Company's corporate vision is "to be an excellent company that enjoys the trust and highest regard from our customers."
To implement our management philosophy and vision steadily, we promote earnings improvement measures consisting of both growth strategies and structural reforms; emphasize management transparency, fairness and information disclosure; and establish a structure and schemes that allow swift decision making and business execution to enhance our competitiveness.

Information on the company's Basic Policy for corporate governance may be found on the company's website at http://www.yuden.co.jp/ut/ir/management/governance/index.html.

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

This report was prepared and lodged in accordance with the Corporate Governance Code before the revision made on June 2018. The Company will update and submit this report by the end of December 2018 based on the revised Corporate Governance Code.

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

[Principle 1-4: Cross-shareholdings]
Our policy regarding cross-shareholdings and the criteria for exercising voting rights of cross-held shares are described in Chapter 2-4-(1)-(2) of the article "Basic Policy for Corporate Governance" found on our website.

[Principle 1-7: Create appropriate procedures and frameworks for transactions between related parties]
Our policy regarding transactions between related parties is described in Chapter 3-4-(1)-(2) of the article "Basic Policy for Corporate Governance" found on our website.

[Principle 3-1: Full disclosure]
1.Our corporate philosophy, vision, management strategy, business plans are disclosed in the financial statement briefing materials and annual reports on our website.
2.Our fundamental concepts of corporate governance as well as basic policies are disclosed in the financial and corporate governance reports on our website.
3.Policies and procedures for the Board to determine director Remuneration are disclosed in the financial reports and notices for the convening of shareholder meetings.
4.Policies and procedures for the nomination of candidates for directors and auditors are disclosed in the financial and corporate governance reports.
5.Individual reasons regarding the selection of candidates for directors and auditors are disclosed in the notices for the convening of shareholder meetings.

[Supplemental Principle 4-1-1: Scope of delegation to the management]
A synopsis of the scope of delegation to the management can be found in Chapter 5, Section 2, 2-(1).(2).(3) of the article "Basic Policy for Corporate Governance" found on our website.

[Principle 4-8: Effective use of Outside Directors]
The effective use of Outside Directors is described in Chapter 5, Section 1, 1-(2) and Section 2, 3-(2) of the article "Basic Policy for Corporate Governance" found on our website.

[Principle 4-9: Criteria for judging the independence of Outside Directors and their nature]
The Board has formulated its own "Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members." It selects independent directors from outside the company on the basis of these criteria. In addition, the Board lists the reasons for their selection in the notice of convocation to inform the shareholders. The Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members may be found on the company's website.

[Supplemental Principle 4-11-1: Concept of balance of knowledge, diversity, and size of the board as a whole]
The concepts regarding the balance of knowledge, experience, and skills of the Board (as a whole) as well as its size are described in Chapter 5 Section 3 1-(1) of the article "Basic Policy for Corporate Governance" found on our website.

[Supplemental Principle 4-11-2: Posts held concurrently by Outside Directors and auditors]
Directors concurrently holding other positions are discussed in Chapter 5 Section 3, 1-(4) of the article "Basic Policy for Corporate Governance" found on our website. Important concurrent posts held by Outside Directors are disclosed in the notice of convocation of shareholder meetings, financial statements, and corporate governance reports.

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

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, and 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.

[Supplemental Principle 4-14-2: Policy for training Directors and Audit & Supervisory Board Members]
The policy for training Directors and Audit & Supervisory Board Members is described in Chapter 5 Section 3-5 of the article "Basic Policy for Corporate Governance" found on our website.

[Principle 5-1: Policy for constructive dialogues with shareholders]
The policy for constructive dialogues with shareholders is described in Chapter 6 Section 1 of the article "Basic Policy for Corporate Governance" found on our website.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,701,100	20.11
Japan Trustee Services Bank, Ltd. (Trust Account)	11,587,900	9.83
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,199,000	6.10
Sumitomo Mitsui Banking Corporation	4,000,000	3.39
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,886,800	3.29
The Iyo Bank, Ltd.	3,000,100	2.54
Sato Traffic Orphan Welfare Fund	1,916,640	1.62
GOLDMAN, SACHS& CO. REG	1,757,000	1.49
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,715,100	1.45
Nippon Life Insurance Company	1,666,450	1.41

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

Supplementary Explanation

1. The information above concerns large shareholders as of March 31, 2018.
2. The company holds 2,645,260 of its own shares, 2.10% of which are not shown on the list of large shareholders.

3. Corporate Attributes

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

Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with *Kansayaku* Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President and Chief Executive Officer
Number of Directors	6
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

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

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masashi Hiraiwa	○	OHHARA LAW OFFICE: Attorney	[Reasons for election] Mr. Masashi Hiraiwa has served as an officer or in a similar position at investment corporations, and possesses abundant experience and high-level expertise as an attorney specializing in corporate legal affairs. He has demonstrated a high sense of ethics by offering constructive opinions and organizing points of discussion or debate from an objective perspective, and fulfilling the monitoring function over the Company's overall management such as governance and legal compliance including internal control, at meetings of the Company's Board of Directors. For these reasons, it was judged that he would be able to fulfill his duties as Independent Outside Director who supervises business execution. Therefore, he was reappointed as 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] He meets the requirements for Independent Officer defined by the Tokyo Stock Exchange and is registered with the Exchange to that effect. In addition, he meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." Therefore, he is judged to be sufficiently independent.
Seiichi Koike	○	—	[Reasons for election] Mr. Seiichi Koike has engaged in material development for automotive components and research and development related to production technology at an automotive maker over many

			years, and possesses wide-ranging expertise in relation to the automotive electronics business. In addition, the Company also believes it will be valuable to the Group for his wide-ranging expertise from an investor's perspective to be reflected in the management of the Company, utilizing his abundant experience, including corporate management in the automotive components industry and strengthening governance systems as an Audit & 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] He meets the requirements for Independent Officer defined by the Tokyo Stock Exchange. In addition, he meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." Therefore, he is judged to be sufficiently independent.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Remuneration Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	1	1
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The company has established the Nomination Committee and Remuneration Committee for ensuring a high degree of transparency and fairness in management.
The committees comprise an independent Outside Director (as chairman), President and Chief Executive Officer, Outside Directors, and one Audit & Supervisory Board Member to ensure objectivity in their deliberations.
・The Nomination Committee takes up nominations of candidates as Board members and executives, proposals for election and dismissals with regard to roles, and disciplinary matters.

・The Remuneration Committee takes up the matters concerning director remuneration system and individual Remuneration.
Agenda items taken up by the committees are placed on the agenda of the Board for decisions.

[*Kansayaku*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* Stipulated in Articles of Incorporation	5
Number of *Kansayaku*	4

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

The Audit & Supervisory Board meets regularly (at least four times a year) to consider the audit implementation report from the Accounting Auditors. In addition, it ensures and maintains the adequacy of financial statements. Furthermore, the auditors work closely with the Accounting Auditors, accompany them on their site audits of major locations and subsidiaries, and work to implement efficient auditing practices.
Accounting Auditors
The primary certified accountants executing the auditing tasks include
Michitaka Shishido, CPA
Hideaki Takao, CPA
Yoshiko Imai, CPA

Appointment of Outside *Kansayaku*	Appointed
Number of Outside *Kansayaku*	2
Number of Independent *Kansayaku*	2

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

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

* Categories for "Relationship with the Company"
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past
* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. *Kansayaku* of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
m. Others

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

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
Hajime Yoshitake	○	Adjunct Lecturer of Meiji University Professional Graduate School General Manager of The Institute of Internal Auditors – Japan	[Reasons for election] He has many years' experience of auditing operation at financial institutions and internal control consulting operation at business corporations and possesses exceptional insight, abundant experience and a good track record regarding auditing operation. It is expected that he can help establish a highly transparent and fair management oversight system, supervise the appropriateness of deliberation and decision making on important matters in light of the "business judgment rules," and offer insight from his objective "auditor's perspective" based on his knowledge and experience. Thus, he was elected as an Outside Auditor. [Independence] He has no particular interests involving the company. He satisfies the company's "Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members" and all requirements for independent directors as prescribed by the Tokyo Stock Exchange. We have asked him to perform auditing tasks (as an independent director) to ensure objectivity and neutrality while verifying the overall effectiveness of the Board.
Kazuhiro Yamakawa	○	Professor Emeritus, Nihon University Lawyer at Azabu International Law Offices	[Reasons for election] He has a distinguished track record as a prosecutor, lawyer, and university professor. He possesses considerable knowledge of legal matters in general and corporate law in particular. In addition, he has sufficient knowledge to monitor corporate management. Since his election as an Outside Auditor, he has verified the existence of blind spots unique to the company, particularly in the areas of internal control and risk management. Furthermore, he ensures that there are no lacunae in the management's and Board's execution of their duties. He is not involved in company management in any way other than as an Outside Director. Therefore, we judge him

			capable of appropriately performing the duties of an Outside Auditor. [Independence] He has no particular interests involving the company. He satisfies the company's "Standards for the Independence of Outside Directors/ Outside Audit & Supervisory Board Members" and all requirements for independent directors as prescribed by the Tokyo Stock Exchange. We have asked him to perform auditing tasks (as an independent director) to maintain objectivity and neutrality while verifying the overall effectiveness of the Board.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*	4

Matters relating to Independent Directors/*Kansayaku*

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

[Incentives]

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

Supplementary Explanation

Described in the "Director Remuneration" section.

Recipients of Stock Options	Inside Directors / Other

Supplementary Explanation Update

The details of the stock options are as follows.

Name: Taiyo Yuden Co., Ltd. Stock Options Issued July 2018
Total number of options: 57
Those eligible for stock options, their number and the number of options granted include Company Board members (excluding outside Board members): 4 persons, 27 options
Company Operating Officer (excluding those also serving on the Board): 12 persons, 30 options
Type and number of shares underlying options: 57,000 shares of common stock in the company

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

Remuneration of directors for the period ending March 2018 (77th term) is as follows:
- Directors: 265,000,000 yen (paid to 7 persons)
- Audit & Supervisory Board Members: 79,000,000 (paid to 4 persons)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Policy for determining director remuneration and its details
1. Policy for determination
(1) Remuneration shall be transparent and fair based on quantitative rules.
(2) The appropriateness of remuneration levels shall be assessed following the full investigation of other companies in the industry as well as the economic and social situation.
(3) The remuneration system shall emphasize performance-linked incentives, aiming at improving performance.

2. Policy details
The company has established a Remuneration Committee as an advisory organ to the Board to ensure transparency and fairness in the process of setting director remuneration. The Remuneration Committee, chaired by an independent Outside Director, deliberates and reports on policies, systems, formulas, and individual remuneration for director remuneration. Regarding specific determinations of remuneration, an amount is calculated in accordance with the regulations laid down by the company, within a remuneration framework approved at the general meeting of shareholders. Following deliberations by the Remuneration Committee, Director remuneration is determined by the Board of Directors, while Audit & Supervisory Board Member remuneration is determined by the Audit & Supervisory Board.

The director remuneration system is as follows:
(1) Since Board members also serving in executive positions are required to achieve performance targets, their remuneration comprises fixed “monthly remuneration” and “Board member bonuses,” which are linked to performance, and “equity-based remuneration” in the form of stock options.
Monthly remuneration is paid as a fixed remuneration based on individual duties.
Board member bonuses are performance-related remuneration distributed in an amount based on consolidated performance metrics in each fiscal term depending on the position and degree of contribution to performance.
Equity-based remuneration is granted as an incentive for increasing corporate value in the medium- and long-term in an amount of shares determined by the position.
(2) In consideration of their independence, Outside Directors are only paid on a monthly basis and such remuneration is not performance-based.
(3) In consideration of the fact that Audit & Supervisory Board Member conduct compliance audits, they are only paid on a monthly basis.

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

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

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
—	—	—	—	—	—

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0

Others

The Company do not have the system such as the senior executive advisor (Sodanyaku) or advisor (Komon) that the person who retired from the president and representative director take office.

2.Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Roles and responsibilities of the Board of Directors

(1) 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.

(2) The Board of Directors shall deliberate and determine important matters for the entire Group with ample time, including management policies, management strategies, business plans, capital policy and the matters on internal control, for the purpose of continuously increasing corporate value from a long-term perspective.

(3) The Board of Directors shall strengthen the management system for risk factors surrounding corporate management of the Company and always monitor the execution of business operations.

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

(1) 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.

(2) Operating Officers are in place in order to further clarify roles and responsibilities of Directors who monitor and supervise the management of business and persons who execute business operations. The Operating Officers shall conduct business flexibly and quickly as an executor responsible for the section he or she is in charge, under the direction of the 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

(1) To ensure the fairness of meetings and strengthen the authority of management oversight, the Board of Directors shall be chaired by the Chairman of the Board of Directors. If the Chairman of Board of Directors is absent, the President and Chief Executive Officer shall be chaired the Board of Directors. (2) At the Board of Directors meeting, the Directors and the Audit & 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.

4. Directors
(1) The Company has six (6) Directors, at present. Two (2) of them are appointed as independent Outside Directors.
(2) To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one (1) year.
(3) The reason for the selection of directors is disclosed by taking into account knowledge, experience, history of achievement and other factors.
(4) Except for Outside Directors, the Directors concurrently serve as Operating Officers who are in charge of both oversight and the execution of operations. Directors shall report with emphasis on the business performance and oversight operations of the divisions/departments they are in charge of to the Board of Directors.

5. Audit & Supervisory Board and Audit & Supervisory Board Members
(1) The Company has adopted an Audit & Supervisory Board Members system. The Audit & Supervisory Board meeting is held monthly, in principle.
(2) The 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.
(3) 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.
(4) The Audit & Supervisory Board has its own dedicated staff to smoothly conduct auditing operations such as information communications and data management.

6. Voluntary advisory panels
(1) For the purpose of conducting "highly transparent and fair management," the Company has established a Nominations Committee and a Remuneration Committee.
(2) Both Committees are composed of the President and Chief Executive Officer, Outside Directors and one (1) Audit & Supervisory Board Member. They are chaired by independent Outside Directors to ensure objectivity of each deliberated matter.
(3) The Nominations Committee deliberates matters such as the designation of candidates for Corporate Officers to be elected/dismissed, the draft on nominating or dismissing officer positions 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
(1) 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 it more rigorous 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.
(2) 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.
(3) 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.

3. Reasons for Adoption of Current Corporate Governance System

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

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	We will send the notices regarding the convocation of regular shareholders' meetings three weeks prior to the day of the meeting to ensure that our esteemed shareholders have adequate time to review the agenda for the shareholders' meeting and properly exercise their voting rights. In addition, in the interest of more prompt disclosure, on the day prior to sending the notices, we will place them on our website, the Tokyo Stock Exchange, and the voting rights exercise platform.
Scheduling AGMs Avoiding the Peak Day	—
Allowing Electronic Exercise of Voting Rights	In the interest of the shareholders and institutional investors who cannot directly attend the shareholder's meeting, we will employ electromagnetic methods (including electronic voting platforms) to exercise voting rights.
Participation in Electronic Voting Platform	In the interest of ensuring an adequate period of review for voting purposes and early disclosure, we will utilize an electronic voting system for institutional investors run by ICJ., Co. Ltd.
Providing Convocation Notice in English	In addition to placing an English version of the notice of convocation on our website (the same day as the Japanese version is posted), on the day before the notice of convocation is sent, (the same day as the Japanese version), we will also provide the notice to the voting rights exercise platform and Tokyo Stock Exchange to speed up disclosure to foreign investors.
Other	To provide easy-to-understand information to investors, we will make the notice of convocation more visual, with color images of the candidates, graphs, and other related material. In addition, we will post the presentation materials from the shareholders' meeting as well as the voting results (provision reports) on our website.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	We have formulated a disclosure policy, which is available on at our website.
Regular Investor Briefings for Individual Investors	—

Regular Investor Briefings for Analysts and Institutional Investors	The President and Chief Executive Officer attends the financial briefing at the end of the fiscal term. We will hold such briefings for analysts and institutional investors during the release of quarterly reports in the form of teleconferences.
Regular Investor Briefings for Overseas Investors	—
Posting of IR Materials on Website	We have created a shareholder and investor information site on our website, where we post IR materials, such as earnings bulletins and supplemental materials to financial statements, consolidated financial statements, ad hoc reports, English financial statements, annual reports, and notices of the convocation of shareholders' meetings. In addition, we aim to create a page for individual investors to make the website easier to understand.
Establishment of Department and/or Manager in Charge of IR	Department responsible for Public Relations Department
Other	—

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The company aims to achieve three aspects: "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." The Director and Operating Officer believe that the CSR and the mission of management are to serve societal and public interests as well as continuously develop its business.
Implementation of Environmental Activities, CSR Activities etc.	We are promoting various environmental and CSR activities in line with our management philosophy. We have prepared a "Safety and Environment Report" that summarizes our annual activities in security and the environment. This report can be found on our website.
Development of Policies on Information Provision to Stakeholders	We have created an information disclosure policy, which can be found on our website.
Other	—

IV. Matters Related to the Internal Control System

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

1. Systems to ensure the execution of duties by Directors, Operating Officers and employees complies with laws, regulations and the Articles of Incorporation, and other systems to ensure appropriate business operations of the Company and the Group

(1) The Board of Directors shall resolve important matters in accordance with laws, regulations and the Articles of Incorporation, as well as the "Board of Directors Regulations" and other internal regulations.

(2) The Board of Directors shall strengthen the management system for risk factors surrounding the management and supervise the execution of duties by Directors.

(3) Audit & Supervisory Board Members shall monitor the appropriateness of resolutions by the Board of Directors, as well as the execution of duties by Directors and Operating Officers.

(4) An Internal Control Committee shall be established as a system to promote the Group's compliance activities. The committee shall designate a responsible person for each of the items set forth in the "Taiyo Yuden Group CSR Code of Conduct" of the Company and conduct compliance activities on an ongoing basis in accordance with the compliance management system.

(5) A whistleblower system shall be operated for early detection of compliance-related problems of the Group. The detected problems shall be investigated and corrective measures shall be taken to prevent a recurrence.

(6) Corporate information and other materials relating to the Group shall be swiftly and appropriately disclosed to shareholders and investors.
(7) A firm and uncompromising stance will be taken on an organizational basis against antisocial movements or groups.
(8) Internal control shall be streamlined and operated for the purpose of ensuring the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.
(9) As for the execution of business operations at subsidiaries, the relevant operating division/departments of the Company shall be the contact to grasp the circumstances thereof, and sufficient exchange of information and coordination of interests shall be conducted with regard to important information in accordance with the "Group Management Rules" to ensure appropriateness of business operations while respecting the management intentions of the respective subsidiaries.

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

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

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

5.System for ensuring appropriate business operations within the Taiyo Yuden Group
(1) System for reporting to the Company on matters concerning the execution of duties by Directors of the subsidiaries of the Company and other persons with similar authority
  1) The status of the performed business operations at subsidiaries shall be reported as per the Company's "Group Management Rules" to encourage the sharing of information with relevant departments of the Company.

2) The Company shall strive to understand the management circumstances of its subsidiaries by dispatching some of its Operating Officers and/or employees to serve as Directors of the relevant subsidiaries.

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

1) As per the Group risk management system, the subsidiary shall continuously perform its risk identification, evaluation of risk levels, decision and execution of risk countermeasures and monitoring/review of the status of implemented countermeasures.

2) As per the Company's Group Business Continuity and Risk Management Regulations, the subsidiary shall preassume circumstances in which effects on business activities could result from the occurrence of risks including natural disasters, determine the possible formation of an emergency task force depending on the scale of expected adverse effects and take preventive measures in advance during peacetime. In case a business continuity problem arises, the subsidiary shall take countermeasures in compliance with the BCP (Business Continuity Plan) put in place to enable the early resumption of business activities.

(3) System for ensuring the duties of Directors, etc., of any subsidiary of the Company are efficiently performed

1) The Company shall formulate its "Group Management Rules" to help subsidiaries handle their decision making efficiently, whereas the subsidiaries shall put the rules into practice.

2) The Internal Audit Office of the Company monitors whether business operations of subsidiaries are conducted appropriately and efficiently from an independent standpoint. The monitoring results shall be provided appropriately as feedback to the relevant subsidiaries and to the President and CEO of the Company. The information therein also shall be shared with the Audit & Supervisory Board Members of the Company.

(4) System for ensuring that Directors and employees of any subsidiary of the Company perform their duties in accordance with laws, regulations and the Articles of Incorporation of said subsidiary

1) As for important matters, the system to ensure the appropriateness of business operations at subsidiaries shall be streamlined and maintained as per the Company's "Group Management Rules."

2) As a system to promote compliance activities, a responsible person for each of the items set forth in the "Taiyo Yuden Group CSR Code of Conduct" shall be designated to conduct compliance activities on an ongoing basis in accordance with the compliance management system.

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

(1) Matters regarding the employees appointed to support Audit & Supervisory Board Members of the Company (Independence of said employees from Directors, ensuring effectiveness of the direction of Audit & Supervisory Board Members, etc.)

1) As dedicated staff who support Audit & Supervisory Board Members' auditing operations under the control of the Audit & Supervisory Board, employees who serve as secretariat members (the "Secretariat Staff") shall be in place.

2) Designation, transfer, performance evaluation, promotion, disciplinary actions, etc., of the Secretariat staff shall be consulted with the Audit & Supervisory Board in advance to obtain its accord.

(2) Treatment of expenses that derive from the execution of duties by Audit & Supervisory Board Members of the Company

Unless otherwise recognized that such costs are not necessary with regard to the Audit & Supervisory Board Members' duties, the Company shall incur costs that have been caused in relation to the audits by Audit & Supervisory Board Members.

(3) Other systems for ensuring effective auditing by the Audit & Supervisory Board Members of the Company

1) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to participate in important meetings on managerial matters and audit the decision-making of Directors, as well as the execution of duties by Directors and Operating Officers.

2) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to collect information in a timely manner that is necessary for their audits through communication with Directors, Operating Officers, and employees, and also request, as necessary, reports therefrom regarding the execution of their duties and inspect the relevant documents.

3) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to periodically exchange information with the Internal Audit Office, and take close cooperation therewith.

4) The Board of Directors shall create a system that allows Audit & Supervisory Board Members to periodically, or on an as needed-basis, exchange information with the Accounting Auditor, and request reporting therefrom, as necessary.

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

(1) System for reporting to Audit & Supervisory Board Members of the Company by Directors, Operating Officers and employees of the Company
   1) Directors, Operating Officers and employees of the Company, if any of them recognize a fact that violates any laws, regulations, the Articles of Incorporation and/or internal regulations, or a considerably improper fact that could be such a violating fact, or a fact that is feared to cause significant damage to the Company, shall immediately report thereof to the Audit & Supervisory Board Members.
   2) The system that allows any Director, Operating Officer or employee of the Company to directly report to an Audit & Supervisory Board Member of the Company shall be streamlined and maintained as per the Company's internal whistleblowing rules.

(2) System for reporting to Audit & Supervisory Board Members of the Company by Directors and employees of any subsidiary of the Company
   1) The subsidiaries of the Company shall streamline and maintain the system that allows Directors, etc., and employees of any subsidiary to directly report to Audit & Supervisory Board Members of the Company with regard to the violation of laws, regulations and/or internal regulations by Directors, etc., as per their respective internal whistleblowing rules.
   2) The Board of Directors shall endeavor to facilitate communication with full-time Audit & Supervisory Board Members, Directors and employees of the subsidiaries, collect information and maintain the environment for audits.

(3) System for ensuring that anyone who has reported to an Audit & Supervisory Board Member does not suffer from detrimental treatment for the reason of having made said report
   The Group shall stipulate a scheme to fully protect informants in its internal rules, and streamline and maintain a preventive system, under which anyone who has used the whistleblower system to report to the Audit & Supervisory Board and/or the Audit & Supervisory Board Members shall not be unfavorably treated.

2. Basic Views on Eliminating Anti-Social Forces

◇Basic Policy for Exclusion of Anti-social Forces

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

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

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

1.Severing of relations with anti-social forces

The Company resolutely rejects involvement with gang organizations, terrorist groups, religious cults, or other anti-social forces and organizations that pose a threat to the order and safety of civil society.

(1) Observe the three principles of dealing with anti-social forces and maintain a resolute posture: "Don't pay them," "Don't use them," and "Don't fear them."
(2) Be duly careful about contact from unknown outside parties. Report any such contact to the concerned department and seek advice.
(3) Take measures such as refusing receipt of unexpected mail and reject unreasonable demands.

2.State of establishment of a response management department and person responsible for preventing unreasonable demands

The officer in charge of general administration is the person responsible and the general administration department of each plant handles unreasonable demands and other matters.

3.Cooperation with external agencies and the gathering and management of information

Individual Company business sites are members of the Federation for Prevention of Special Violence under Jurisdiction of the Metropolitan Police Department, Chuo Area Special Violence Prevention Measures Council, Gunma Prefecture Company Defense Measures Council, Takasaki Area Workplace Police Liaison Council, and other organizations.
We participate in periodic training sessions held by above external agencies and gather and exchange necessary information. Up-to-date information concerning anti-social forces is managed by the general administration departments.

4.State of preparation of a response manual
We have prepared a response manual that lists response methods and response checklist items for use in face to face or telephone contact, case examples, and other information and strive to ensure understanding by distributing the manual to the head office and general administration departments and explaining the contents.

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

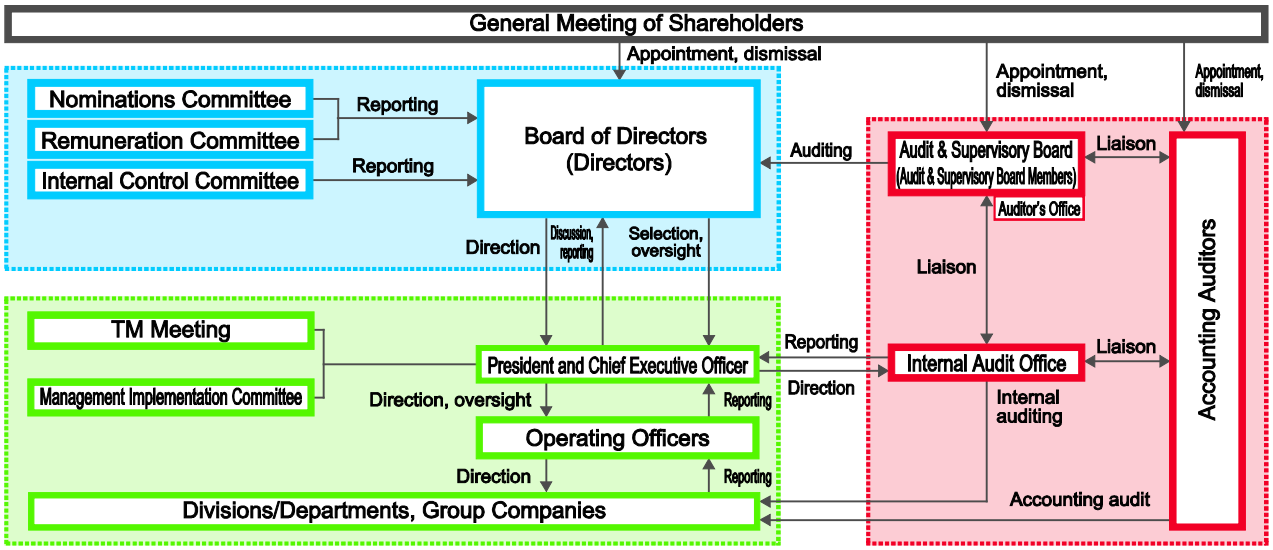
Supplementary Explanation

At the meeting of the Board, held on February 22, 2010, the "Measures for Large-Scale Purchases of Company Shares" (Anti-takeover Plan, below the "Plan") adopted at the end of the 69th Ordinary General Meeting of Shareholders on June 29, 2009, was abolished.
Even after the abolition of the Plan, in the case of a large-scale purchase of company shares (to preserve and enhance joint shareholder interests), we will strive to disclose information as appropriate (and at the appropriate time) and develop a suitable response.

2. Other Matters Concerning to Corporate Governance System

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Governance Structure



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