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(Security Code: 6976)
June 8, 2010

To Those Shareholders with Voting Rights:

Yoshiro Kanzaki,
President and Representative Director
Taiyo Yuden Co., Ltd.
6-16-20, Ueno, Taito-ku, Tokyo, Japan

NOTICE OF CONVOCATION OF THE 69TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 69th Ordinary General Meeting of Shareholders of Taiyo Yuden Co., Ltd. (the "Company"), which will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by either (i) voting by postal mail or (ii) voting via the Internet (please see the next page). Please review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights. Your votes must reach us by 5:00 p.m., Monday, June 28, 2010.

1. **Date and Time:** 10:00 a.m. June 29, 2010 (Tuesday)
2. **Place:** "Hikari-no-Ma," 5th Floor, Hotel Lungwood
   5-50-5, Higashi-Nippori, Arakawa-ku, Tokyo, Japan
3. **Agenda of the Meeting:**

   Matters to be reported:
   1. Details of the Business Report, details of the Consolidated Financial Statements and results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors for the 69th Fiscal Term (from April 1, 2009 to March 31, 2010)
   2. Details of the Non-Consolidated Financial Statements for the 69th Fiscal Term (from April 1, 2009 to March 31, 2010)

   Matters to be resolved:

   Proposal No. 1: Dividends from Surplus

   Proposal No. 2: Partial Amendments to the Articles of Incorporation

   Proposal No. 3: Election of Nine (9) Directors

   Proposal No. 4: Election of One (1) Substitute Corporate Auditor

4. **Resolved matters upon convocation of the 69th Ordinary General Meeting of Shareholders**

   If you make a diverse exercise of your voting rights, you are requested to notify your intention and reasons in writing to the transfer agent (Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.) at least three days in advance of the Ordinary General Meeting of Shareholders.

[Voting by postal mail]
Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return the form prior to the deadline for the exercise of voting rights.

[Voting via the Internet]
If you choose to vote via the Internet, please review the Guidance on Voting via the Internet on the next page.

If you exercise your voting rights by two methods, that is, via the Internet and by mailing your Voting Rights Exercise Form, only your voting results via the Internet shall be deemed valid.

If you exercise your voting rights via the Internet more than once, your voting results that reach us last shall be deemed valid.

- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

- The Company discloses the Notice of Convocation of the General Meeting of Shareholders on the Company website (http://www.ty-top.com/). If the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements are revised, the revised contents will be disclosed on the website.

《GUIDANCE ON VOTING VIA THE INTERNET》

1. Instruction for voting via the Internet
   (1) Access the website for the exercise of voting rights designated by the Company (http://www.it-soukai.com/ or https://daiko.mizuho-tb.co.jp/) from your personal computer.

   (2) Log in by entering the proxy code and password supplied on the bottom right side of your Voting Rights Exercise Form, as shown in the instructions on the screen.

   (3) After reviewing the notes, exercise your voting rights by following the instructions on the screen by 5:00 p.m., Monday, June 28, 2010.
   The above URL is not available from 3:00 a.m. to 5:00 a.m. during the period for the exercise of the voting rights.

2. Security

   The voting website is secured with encryption technology (SSL128bit) to prevent the falsification and wiretapping of the information you enter concerning the exercise of the voting rights.

   The proxy code and password supplied on the Voting Rights Exercise Form are important means to verify that the person voting is a genuine shareholder. Please maintain this password as strictly confidential. In no event will the Company ask you your password.

3. Inquiry

   If you need instructions on how to operate your personal computer in order to exercise your voting rights via the Internet

   Internet Help Dial, Stock Transfer Agent Department, Mizuho Trust & Banking Co., Ltd.

   Phone: 0120-768-524 (toll free, available only in Japan)

   (9:00 a.m. - 9:00 p.m., weekdays)

[For institutional investors] electronic proxy voting platform
If nominee shareholders such as management trust banks (including standing proxy) apply in advance for the use of the electronic platform for the exercise of voting rights (for institutional investors) operated by ICJ Inc., a joint venture established by Tokyo Stock Exchange, Inc., etc., the platform will be available as a means for the electronic exercise of the voting rights of Ordinary General Meeting of Shareholders the Company.

Attached Documents

BUSINESS REPORT

(from April 1, 2009 to March 31, 2010)

1. Current Status of the Company Group

(1) Review of operations

During the fiscal year under review, the economy showed a sign of gradual recovery in the U.S. and Europe from the latter half of the fiscal year thanks to effects of each country's economic measures. Meanwhile, in China, personal spending and production volume increased with a domestic demand expanded by economic stimulus measures, and it affected the neighboring countries. Accordingly, Asian economy favorably grew. In the Japanese economy, production tended upward with a recovery of exports mainly to developing countries. However, the full-scale recovery has not been achieved yet.

The market environment around the Taiyo Yuden Group headed towards recovery thanks to an increase in production of digital equipment such as PCs, mobile phones and flat-panel televisions for developing countries with easing of a large-scale inventory adjustment. In addition, the demand for components recovered, as more components are mounted on higher-performance electronic equipment such as smartphones and notebook PCs.

Under such circumstances, the Taiyo Yuden Group focused on the following activities in its four business segments.

In the capacitors segment, for its mainstay multilayer product lineup, the Company worked to reduce costs focusing mainly on enhancing productivity and expanded sales by bolstering its structure and systems including efforts to cultivate new markets. In the ferrite and applied products segment, the Company took steps to increase sales and secure a stable supply of wire-wound inductors for power circuits used in digital equipment. In the module segment, the Company accelerated efforts to boost the competitiveness of its lineup of Bluetooth®, wireless LAN and other modules. In the recording media segment, the Company continued to improve productivity, quality and reliability while maintaining a stable supply and further reducing costs.

Accordingly, the consolidated net sales totaled ¥195,690 million, up 5.5% year on year, operating income totaled ¥4,203 million, from operating loss of ¥12,755 million in the previous fiscal year, ordinary income totaled ¥1,966 million, from ordinary loss of ¥12,601 million in the previous fiscal year, and net loss was ¥680 million, from net loss of ¥14,332 million in the previous fiscal year.

The average foreign exchange rate for the fiscal year under review was ¥93.48 to the US dollar, reflecting an appreciation of the yen of ¥7.31 compared to ¥100.79 in the previous fiscal year.

Consolidated sales by business segment are as follows:

Consolidated Sales by Business Segment

(Millions of yen)

By Business segment	68th Term from April 1, 2008 to March 31, 2009		69th Term (current fiscal year) from April 1, 2009 to March 31, 2010		Increase / Decrease	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Rate of change
		%		%		%
Capacitors	79,359	42.8	91,045	46.5	11,685	14.7
Ferrite and applied products	28,467	15.4	29,522	15.1	1,054	3.7
Modules	33,451	18.0	36,463	18.6	3,012	9.0
Recording media products	31,168	16.8	26,823	13.7	(4,344)	(13.9)
Other electronic components	13,004	7.0	11,835	6.1	(1,169)	(9.0)
Total	185,452	100.0	195,690	100.0	10,238	5.5

Note: Figures less than ¥1 million are rounded down to the nearest ¥1 million.

[Capacitors]
This business segment covers various kinds of capacitors, including multilayer ceramic capacitors.

Overall consolidated net sales increased 14.7% year on year to ¥91,045 million, because of the increased sales of products for information equipment including PCs, and components, in spite of a year-on-year decrease in sales of products for consumer products such as digital cameras and games, and communication equipment such as mobile phones.

[Ferrite and applied products]
This business segment covers ferrite cores and products that incorporate ferrite cores, such as inductors.

Overall consolidated net sales increased 3.7% year on year to ¥29,522 million, because of the increase in sales of products for information equipment and components, in spite of the decrease in sales of products for consumer products such as televisions and communication equipment in comparison with the previous fiscal year.

[Modules]
This business segment covers various kinds of power supply modules and high-frequency modules.

Overall consolidated net sales increased 9.0% year on year to ¥36,463 million, because of a year-on-year increase in sales of inverter modules for the backlights of LCD televisions.

[Recording media products]
This business segment covers CD-R, DVD-R/DVD+R, and BD-R.

Consolidated net sales in this segment decreased 13.9% year on year to ¥26,823 million, chiefly because of the decrease in sales of CD-R and DVD-R/DVD+R compared to the previous fiscal year.

[Other electronic components]

This business segment covers products outside the above business segments and businesses engaged in by subsidiaries and affiliates.

The vast majority of sales in this segment came from the mounting business of a subsidiary. Consolidated net sales in this segment were ¥11,835 million, down by 9.0% compared with the previous fiscal year.

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

Business terms	66th Term from April 1, 2006 to March 31, 2007	67th Term from April 1, 2007 to March 31, 2008	68th Term from April 1, 2008 to March 31, 2009	69th Term (current fiscal year) from April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	221,229	238,274	185,452	195,690
Ordinary income (loss) (Millions of yen)	21,641	19,141	(12,601)	1,966
Net income (loss) (Millions of yen)	12,944	10,634	(14,332)	(680)
Current net income (loss) per share (Yen)	108.58	89.22	(121.51)	(5.78)
Total assets (Millions of yen)	258,552	271,605	225,451	236,361
Net assets (Millions of yen)	169,497	167,766	139,435	139,263
Net assets per share (Yen)	1,421.45	1,403.24	1,181.28	1,179.82

(3) Capital investment

Capital investment during the fiscal year under review amounted to ¥9,352 million (¥27,018 million during the previous fiscal year).

This consisted primarily of investments for maintenance and rationalization as new investments to increase production was restrained.

(4) Financing

The Company raised ¥6,000 million in long-term loans from financial institutions etc. The procurement funds were used for a part of repayment of ¥6,968 million in long-term loans and ¥8,000 million in short-term loans.

In March 2009, the Company also renewed a commitment line of ¥10,000 million effective for three years for emergencies, however, the Company had not used the line as of March 31, 2010.

(5) Business assignment, absorption-type company split, incorporation-type company split

No items to report.

(6) Acceptance of business assignment from other companies

No items to report.

(7) Succession of rights and obligations in connection with business of other companies, etc. through absorption-type merger or absorption-type company split

No items to report.

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

On March 31, 2010, Fujitsu Media Devices Limited spun off its communications device business into a newly established separate entity, TAIYO YUDEN Mobile Technology Co., Ltd.

On the same date, the Company acquired all of the issued and outstanding shares of the newly established separate entity to make it a consolidated subsidiary.

(9) Issues to be addressed

The demand for electronic components is expected to expand continuously in step with the strong growth in electronic equipment markets, which the Taiyo Yuden Group is related, in developing countries as well as functional upgrading of electronic equipment. However, the Company expects business conditions to remain harsh in view of the intensified global competition.

Under these circumstances, the Taiyo Yuden Group seeks to strengthen its profitability by improving production processes and productivity in its core business area of multilayer products. At the same time, the Company is using its fundamental technologies to promote the introduction of new products designed to respond to the trend of digitalization and the development of next-generation products with enhanced functionality and high added value.

The Taiyo Yuden Group considers it important for the future to maintain and enhance its high-profit business structure. Accordingly, the Company pursues active measures under its mid-term plan to go into a new business field and develop and establish technologies for next-generation products.

On the fiscal front, the Company endeavors to enhance capital efficiency by placing value in cash flows.

The Company assigns high priority to the strengthening of its internal control. Consequently, the Company establishes a CSR conduct code and carries out a company-wide compliance management system to handle issues such as business activities, human rights, contributions to society, and the administration of corporate assets through the Compliance Risk Management Committee.

(10) Status of principal parent company and subsidiaries

1) Status of parent company

No items to report.

2) Status of subsidiaries (as of March 31, 2010)

Name	Location	Capital Stock	Percentage of equity participation of the Company	Principal business
			%	
TAIWAN TAIYO YUDEN CO., LTD.	Taiwan	NT$667,000 thousand	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	59,758 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
DONGGUAN TAIYO YUDEN CO., LTD.	China	US$16,000 thousand	100.0	Production of Electronic Components
TAIYO YUDEN (GUANDDONG) CO., LTD.	China	US$68,570 thousand	100.0 (10.1)	Production of Electronic Components
TAIYO YUDEN （SHANGHAI） TRADING CO., LTD.	China	US$223 thousand	100.0 (10.3)	Sale of Electronic Components
TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD.	China	US$334 thousand	100.0 (10.2)	Sale of Electronic Components
TAIYO YUDEN (CHINA) CO., LTD.	China	US$30,000 thousand	100.0	Overall management of subsidiaries and affiliates in China
TAIYO YUDEN (SINGAPORE) PTE LTD	Singapore	S$30,855 thousand	100.0	Sale of Electronic Components
TAIYO YUDEN (PHILIPPINES) INC.	Philippine	P.P.490 million	100.0	Production of Electronic Components
TAIYO YUDEN (SARAWAK) SDN. BHD.	Malaysia	M$100 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 204 thousand	100.0	Sale of Electronic Components
Niigata Taiyo Yuden Co., Ltd.	Niigata	¥1,000 million	100.0	Production of Electronic Components
Akagi Electronics Co., Ltd.	Gunma	¥325 million	100.0	Production and Sale of Electronic Components
That's Fukushima Co., Ltd.	Fukushima	¥300 million	100.0	Production of Electronic Components
Victor Advanced Media Co., Ltd.	Tokyo	¥200 million	65.0	Sale of Electronic Components
Taiyo Chemical Industry Co., Ltd.	Gunma	¥160 million	100.0	Production and Sale of Electronic Components

Notes: 1. The figure in parentheses shown under "Percentage of equity participation of the Company" is a percentage of indirect ownership.

2. The number of consolidated subsidiaries of the Company is 37, including the 19 companies listed in "Status of Principal Subsidiaries" above. The number of affiliates accounted for by the equity-method is 1. The consolidated business performance in this fiscal year under review is described in the above-mentioned "(1) Review of operations."

(11) Principal business (as of March 31, 2010)

Segment	Main products
Capacitors	Multilayer ceramic capacitor, axial leaded ceramic capacitor, PAS capacitor
Ferrite and applied products	Multilayer chip inductor, winding chip inductor, winding power inductor, ferrite cores
Modules	Various power supply modules, high-frequency module
Recording media products	CD-R, DVD-R/DVD+R, BD-R
Other electronic components	Mounting business conducted by subsidiaries and affiliates

(12) Principal offices and plants (as of March 31, 2010)

1) Principal offices, plants and laboratory of the Company

Head Office	6-16-20, Ueno, Taito-ku, Tokyo
Sales offices	Utsunomiya (Utsunomiya-shi, Tochigi) Gunma (Takasaki-shi, Gunma) Metropolitan (Taito-ku, Tokyo) Tachikawa (Tachikawa-shi, Tokyo) Kanagawa (Yokohama-shi, Kanagawa) Nagoya (Nagoya-shi, Aichi) Kansai (Osaka-shi, Osaka) Fukuoka (Fukuoka-shi, Fukuoka)
Plants	Egi Plant / Takasaki Global Center (Takasaki-shi, Gunma) Haruna Plant (Takasaki-shi, Gunma) Nakanojo Plant (Agatsuma-gun, Gunma) Tamamura Plant (Sawa-gun, Gunma) Yawatabara Plant (Takasaki-shi, Gunma)
Laboratory	R&D Center (Takasaki-shi, Gunma)

2) Principal subsidiaries

Described in the above-mentioned “(10), 2) Status of subsidiaries”

(13) Employees (as of March 31, 2010)

1) Employees of the Taiyo Yuden Group

Number of employees (persons)	Increase (Decrease) from the previous consolidated fiscal year (persons)
17,836	358

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 (persons)	Increase (decrease) from the previous fiscal year (persons)	Average age (years old)	Average years of service (years)
2,957	39	39.7	15.4

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

(14) Major creditors (as of March 31, 2010)

Creditor	Loan outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	10,930
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,372
The Iyo Bank, Ltd.	5,372
The Gunma Bank, Ltd.	2,450
The Towa Bank, Ltd.	1,500
THE DAISHI BANK,	1,250
Mizuho Trust & Banking Co., Ltd.	1,000
The Norinchukin Bank	1,000
Meiji Yasuda Life Insurance Company	700
Nippon Life Insurance Company	600
The Welfare and Medical Service Agency	461
The Bank of Yokohama, Ltd.	460
Victor Finance Co., Ltd.	350
The Sumitomo Trust and Banking Co., Ltd.	300
The Hachijyuni Bank, Ltd.	100
Sumitomo Mitsui Banking Corporation (China) Limited	93
Total	31,939

Note: Figures less than ¥1 million are rounded down to the nearest ¥1 million.

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

No items to report.

2. Shares of the Company (as of March 31, 2010)

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

(2) Total number of shares issued: 120,481,395 shares (including 2,871,429 shares of treasury stock)

(3) Number of shareholders 9,589

(4) Major shareholders (Top 10)

Name	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,716	14.2
Japan Trustee Service Bank, Ltd. (Trust Account)	13,836	11.7
Sumitomo Mitsui Banking Corporation	4,000	3.4
JP Morgan Securities Japan Co., Ltd.	3,137	2.6
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,047	2.5
The Iyo Bank, Ltd.	3,000	2.5
Nippon Life Insurance Company	2,380	2.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,967	1.6
The Sato Foundation Welfare Fund for Children of Traffic Accident Victims	1,916	1.6
Japan Trustee Service Bank, Ltd. (Trust Account 9)	1,610	1.3

Notes: 1. The Company holds treasury stock of 2,871,429 shares, however, it is excluded from the above-mentioned major shareholders.

2. Shareholding ratio is calculated excluding the number of treasury stock.

3. Status of Stock Acquisition Rights (as of March 31, 2010)

(1) Status of stock acquisition rights held by Corporate Officers of the Company delivered at the end of the fiscal year as a consideration for the execution of their duties

Name	June 2005 Issue of stock acquisition rights	August 2006 Issue of stock acquisition rights	1st July 2007 Issue of stock acquisition rights
Period of service	July 2004 through June 2005	July 2005 through June 2006	July 2006 through March 2007
Date of resolution for issuance	June 29, 2005	July 31, 2006	June 28, 2007
Number of Directors subject to the allotment of stock acquisition rights (excluding Outside Directors)	1 Director	3 Directors	6 Directors
Total number of stock acquisition rights	8 units	17 units	23 units
Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights	8,000 shares of the common stock of the Company	17,000 shares of the common stock of the Company	23,000 shares of the common stock of the Company
Exercisable period for the stock acquisition rights	June 30, 2005 through July 31, 2025	August 24, 2006 through August 23, 2026	July 14, 2007 through July 13, 2027
Paid-in value of the stock acquisition rights	Without charge	Without charge	Without charge
Amount to be capitalized per share upon exercise of the stock acquisition rights	¥1 per share	¥1 per share	¥1 per share

Name	2nd July 2007 Issue of stock acquisition rights	June 2008 Issue of stock acquisition rights	May 2009 Issue of stock acquisition rights
Period of service	April 2007 through March 2008	April 2008 through March 2009	April 2009 through March 2010
Date of resolution for issuance	June 28, 2007	June 27, 2008	May 25, 2009
Number of Directors subject to the allotment of stock acquisition rights (excluding Outside Directors)	6 Directors	6 Directors	6 Directors
Total number of stock acquisition rights	34 units	34 units	34 units
Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights	34,000 shares of the common stock of the Company	34,000 shares of the common stock of the Company	34,000 shares of the common stock of the Company
Exercisable period for the stock acquisition rights	July 14, 2007 through July 13, 2027	July 15, 2008 through July 14, 2028	June 10, 2009 through June 9, 2029
Paid-in value of the stock acquisition rights	Without charge	Without charge	Without charge
Amount to be capitalized per share upon exercise of the stock acquisition rights	¥1 per share	¥1 per share	¥1 per share

Notes: 1. Main requirements for the stock acquisition rights

1. The holder of the stock acquisition rights may exercise his or her rights only within ten (10) days from the day following the retirement as Director from the Company.
2. Notwithstanding the above condition 1., the holder of the stock acquisition rights may exercise his or her stock acquisition rights in the case falling under the following items within a period set forth as follows.
    a) If the holder of the stock acquisition rights does not exercise the stock acquisition rights for 20 years from the date of resolution for issuance, the holder of stock acquisition rights may exercise his or her rights within one (1) month from the day following the day when 20 years 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 an expired 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, the holder of stock acquisition rights may exercise his or her rights within ten (10) days from the day after such approval date.
    c) If the holder of stock acquisition rights should decease, his or her heir may exercise the stock acquisition rights within three (3) months from the day following the retirement due to such death.
3. The holder of stock acquisition rights may not exercise a part of any unit of the stock acquisition rights.
4. Any other terms and conditions shall be governed by a "Stock Acquisition Right Contract" entered into between the Company and the Director to whom the stock acquisition rights have been allotted in accordance with the resolutions adopted at the General Meeting of Shareholders and at the Meeting of the Board of Directors.

2. Reason and conditions for cancellation of the stock acquisition rights issued in June 2005
    a) The Company may, without consideration, cancel stock acquisition rights that have not been exercised within the period set forth in 2. b) above.
    b) The Company may, at any time, cancel stock acquisition rights acquired and held by the Company without consideration.

3. Condition for the acquisition of stock acquisition rights issued in August 2006 onward
If a holder of sock acquisition rights can no longer exercise his or her stock acquisition rights under the "Exercise conditions for the stock acquisition rights" or loses his or her rights based on the regulations set forth in the "Stock Acquisition Right Contract," the Company may acquire such stock acquisition rights without consideration.

4. The June 2005, August 2006 and 1st July 2007 issue of stock acquisition rights were granted upon the approval of the General Meeting of Shareholders after the end of the fiscal year, however, from the 2nd July 2007 issue onward, the form in which the Rights were granted changed due to the Rights issued being accounted to expenses at the beginning of the fiscal year as part of Directors' bonuses.

(2) Status of the stock acquisition rights delivered during the fiscal year under review

No items to report.

(3) Other important matters concerning the stock acquisition rights

Euroyen convertible bond type-bonds with stock acquisition rights due 2014 issued by resolution at the Meeting of Board of Directors held on April 11, 2007

Date of resolution for issuance	April 11, 2007
[Descriptions of convertible bond type-bonds with stock acquisition rights]	
Total amount of bonds	¥20 billion
Amount of each bond	The stated value of each Bond with stock acquisition rights is ¥5 million
Interest rate	Non-interest bearing
Date of issuance of bonds	April 27, 2007 (London Time)
Method and date of redemption	1) Redemption at expiration 100% face value redeemed on April 28, 2014 2) Advanced redemption 3) Advanced redemption by choice of holder of bonds with stock acquisition rights 4) Retirement by purchase 5) Forced redemption due to non-performance of debt
Method of offering	Offered by lump-sum purchase-underwriting by Daiwa Securities SMBC Europe Limited as the lead managing underwriter and book runner, and other managing underwriters in foreign markets mainly in Europe (excluding the U.S.)
[Description of stock acquisition rights]	
Number of stock acquisition rights underlying the bonds	4,000 rights
Class and number of shares to be issued or transferred	The class of share to be issued or transferred upon exercise of the stock acquisition rights shall be common stock. The number of shares of common stock of the Company to be delivered upon the exercise of the stock 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 stock acquisition rights	No payment necessary in exchange for stock acquisition rights
Description and value of the assets contributed upon the exercise of stock acquisition rights	1) Upon the exercise of stock acquisition rights, bonds with the stock acquisition rights are contributed and the value of said bonds shall be identical to the amount paid. 2) The conversion price is, initially, ¥3,746.
Exercise period of stock acquisition rights	From May 11, 2007 to end of bank business hours on April 14, 2014 (local time at location of exercise request)

Note: The company's name was changed from Daiwa Securities SMBC Europe Limited to Daiwa Securities CM Europe Limited.

4. Corporate Officers (as of March 31, 2010)

(1) Directors and Corporate Auditors

Position	Name	Responsibilities in the Company and status of important concurrent occupations or positions at other organizations
President and Representative Director	Yoshiro Kanzaki	
Senior Executive Director	Shoichi Tosaka	In charge of Operation, Quality Assurance and Research & Development
Executive Director	Katsumi Yanagisawa	In charge of Sales
Executive Director	Takashi Tomaru	In charge of Management & Administration, Supplies & Purchasing, CSR & Internal Control
Director	Eiji Watanuki	In charge of Integrated Module Business
Director	Akihiko Mochizuki	In charge of Recording Media Products
Director (Outside / Independent Officer)	Yuji Iwanaga	Partner of Pillsbury Winthrop Shaw Pittman LLP Outside Director of JMS North America Corporation Outside Director of SEGA SAMMY HOLDINGS INC.
Director (Outside / Independent Officer)	Hisaji Agata	Special Adviser of HIBIKI Partners Co. Ltd. Outside Auditor of RaQualia Pharma Inc. Outside Auditor of TMRC Co., Ltd.
Corporate Auditor	Norio Osakabe	–
Corporate Auditor	Mamoru Yamaki	–
Corporate Auditor (Outside / Independent Officer)	Toshinobu Inada	–
Corporate Auditor (Outside / Independent Officer)	Tomonori Akisaka	Professor at Professional Graduate School of Meiji University Corporate Auditor of Premium Agency Inc.

Notes:
1. Messrs. Yuji Iwanaga and Hisaji Agata are Outside Directors (Independent Officers).
2. Messrs. Toshinobu Inada and Tomonori Akisaka are Outside Corporate Auditors (Independent Officers).
3. Director Yuji Iwanaga and Corporate Auditor Toshinobu Inada are attorneys.
4. Corporate Auditor Tomonori Akisaka is a Certified Public Accountant and has obtained considerable expert knowledge in finance and accounting.
5. The Company has no special relationship with the organizations where outside Corporate Officers are concurrent serving.
6. Personnel changes of Directors and Corporate Auditors during the fiscal year under review
   Executive Vice President and Director Masami Fukui and Director Mamoru Yamaki retired from the position of Director upon the expiration of term of office at the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 26, 2009.
   Mr. Mamoru Yamaki assumed the position of Corporate Auditor at the 68th Ordinary General Meeting of Shareholders held on June 26, 2009.
   Corporate Auditor Nobutatsu Yamaoka retired from the position of Corporate Auditor at the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 26, 2009.
7. Personnel changes of Directors and Corporate Auditors in and after the fiscal year under review
   Corporate Auditor Tomonori Akisaka resigned from the position of Corporate Auditor of Premium Agency Inc. on April 15, 2010.

(2) Remuneration paid to Directors and Corporate Auditors

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

a) Policy to determine the remuneration paid to Corporate Officers

The Company has built the remuneration system for remuneration paid to Directors focusing on incentive coupled with business results and conducted fair evaluation for the purpose of improving business performance. The remuneration paid to Outside Directors and Corporate Auditors is only the “monthly remuneration.”

The Company also has set the Remuneration Committee chaired by an Outside Director to discuss and report the remuneration system for Corporate Officers and content of individual remuneration for the purpose of securing “transparency and fairness.”

b) Contents of policy

Remunerations paid to Directors consist of “monthly remuneration,” “Director bonus” and “stock option-type remuneration.”

The specific contents of remuneration are determined by the Board of Directors after the amount is determined according to the internal regulations and discussed by the Remuneration Committee as stated below.

“Monthly remuneration”

Based on roles and responsibilities, the monthly remuneration is provided for in the internal regulations by Director ranking.

“Director bonus”

As performance-linked remuneration, the amount of Director Bonus is calculated on the basis of previous fiscal year consolidated results as per the internal regulations, and adjusted in consideration of the number of Directors to be paid and other elements.

“Stock option-type remuneration”

Stock option compensation plan has been introduced as incentive to improve the mid- and long-term corporate value. The number of shares prescribed by the internal regulations based on Director ranking is granted to Directors (excepting Outside Directors).

2) Total remuneration paid to Directors and Corporate Auditors for the fiscal year under review

	Number of persons paid	Total amount of remuneration (Millions of yen)
Directors	10	165
Corporate Auditors	5	57
Total (Outside Corporate Officers)	15 (4)	222 (33)

Notes: 1. The number of persons paid states the number of persons subject to remuneration for the current fiscal year, not the number of persons employed.

2. The limit of remunerations paid to Directors was resolved to be ¥450 million per year at the 66th Ordinary General Meeting of Shareholders held on June 28, 2007. The limit of remunerations paid to Corporate Auditors was resolved to be ¥6 million or less per month at the 52nd Ordinary General Meeting of Shareholders held on June 29, 1993.
3. Total amount of bonus paid to five Directors for the fiscal year under review is ¥22 million.
4. The total amount of remuneration to be paid to Directors includes Stock Acquisition Rights in the amount of ¥35 million (amount as remuneration) granted to eight Directors as stock options, in accordance with the resolution at the Meeting of Board of Directors held on May 25, 2009.
5. The amount of remuneration for Directors does not include employee salaries of ¥28 million to Directors who serve concurrently as employees.
6. Figures less than ¥1 million are rounded down to the nearest ¥1 million.

(3) Outside Corporate Officers

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

Name		Relationship between the Company and other organizations where concurrent occupations or positions are held
Outside Director	Yuji Iwanaga	Outside Director of JMS North America Corporation Outside Director of SEGA SAMMY HOLDINGS INC.
Outside Director	Hisaji Agata	Outside Auditor of RaQualia Pharma Inc. Outside Auditor of TMRC Co., Ltd.

Note: The Company has no special relationship with the organizations where these Outside Corporate Officers are concurrently serving.

2) Relationship with major business partners and other special related business operators

No items to be report.

3) Main activities in the fiscal year under review

		Board of Directors (held 18 times)		Board of Corporate Auditors (held 20 times)	
		Attendance times (times)	Attendance rate (%)	Attendance times (times)	Attendance rate (%)
Outside Director	Yuji Iwanaga	17	94.4	-	-
Outside Director	Hisaji Agata	18	100.0	-	-
Outside Corporate Auditor	Toshinobu Inada	15	83.3	17	85.0
Outside Corporate Auditor	Tomonori Akisaka	16	88.8	19	95.0

Notes: 1. Outside Director Yuji Iwanaga contributes to these meetings with appropriate comments on proposals and deliberations based mainly on his professional perspective as an attorney.

2. Outside Director Hisaji Agata also serves as advisor to other companies, and contributes to these meetings with appropriate comments on management strategies and other matters based mainly on his professional perspective with respect to corporate management and strategy.

3. Outside Corporate Auditor Toshinobu Inada contributes to these meetings with appropriate comments on issues concerning the maintenance of legitimacy in the decision-making of the Board of Directors, the establishment and maintenance, etc. of the compliance structure of the Company and other matters based mainly on his deep insight cultivated as a principle and professor of university and professional perspective as an attorney.

4. Outside Corporate Auditor Tomonori Akisaka contributes to these meetings with appropriate comments on issues concerning the maintenance of legitimacy in the decision-making of the Board of Directors, the establishment and maintenance, etc. of the compliance structure of the Company and other matters based mainly on his professional perspective as a professor of graduate school and Certified Public Accountant.

(4) Liability Limitation Agreement

The Company set rules concerning the Liability Limitation Agreement for Outside Directors and Outside Corporate Auditors in accordance with the Company's articles of incorporation amended upon the resolution made at the 65th Ordinary General Meeting of Shareholders held on June 29, 2006.

The outline of the Liability Limitation Agreements entered into between the Outside Director, Mr. Yuji Iwanaga, Hisaji Agata, and the Outside Corporate Auditors, Mr. Toshinobu Inada and Tomonori Akisaka, in accordance with the Company's articles of incorporation are as follows.

1) Liability Limitation Agreement for Outside Directors

The Outside Director shall be liable to the Company for damages caused in relation to failure of his or her duty up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Corporate Law, as long as the Outside Director performs his or her duty without knowledge and gross negligence.

2) Liability Limitation Agreement for Outside Corporate Auditors

The Outside Corporate Auditor shall be liable to the Company for damages caused in relation to failure of his or her duty up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Corporate Law, as long as the Outside Corporate Auditor performs his or her duty without knowledge and gross negligence.

(5) Other important matters concerning Corporate Officers

No items to report.

5. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA & Co.

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

(Millions of yen)

	Remuneration paid or payable to the Accounting Auditors for the Company	Remuneration or other financial interests paid or payable to the Accounting Auditors for the Company and subsidiaries
KPMG AZSA & Co.	71	75

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

2. Certified Public Accountants or audit corporations other than KPMG AZSA & Co. are in charge of auditing the consolidated significant subsidiaries of the Company, located overseas.

(3) Business affairs other than accounting audits

No items to report.

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

If an Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Corporate Law by the Board of Corporate Auditors, such Accounting Auditor shall be dismissed in agreement of all Corporate Auditors. Further, the Company determines whether to reappoint an Accounting Auditor, based on consideration and assessment of the performance of duties exercised by the Accounting Auditor.

(5) Matters concerning existing suspension of business

No items to report.

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

No items to report.

(7) Matters concerning Liability Limitation Agreements

No items to report.

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

No items to report.

6. Details of the Resolutions on the Establishment and Maintenance of Systems for Ensuring Appropriate Conduct of Operations

(1) System for ensuring that the Directors and employees perform their duties in accordance with laws, regulations and the Company's articles of incorporation

1) A compliance system is in place based on the "Declaration of CSR Conduct for the Taiyo Yuden Group" and the "CSR Code of Conduct" to ensure the compliance to legal statutes, the Company's articles of incorporation, internal regulations and corporate ethics of the Company to prevent illegal conduct from occurring with facilitating training activities.
2) A Compliance Risk Management Committee is in place to support the aforementioned compliance system and formulate a Group-wide compliance management system.
3) An Internal Audit Office is established separately from other operating departments to conduct internal audits on a Group wide scale from the standpoint of compliance.
4) A firm and uncompromising stance will be taken on an organizational basis against antisocial movements or groups that threaten the order and security of civil society.

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

1) The following important information concerning the execution of duties of Directors is stored and managed as per the regulations of each meeting, respectively.
   i. Minutes to the General Meeting of Shareholders and related material
   ii. Minutes to the Meeting of Board of Directors and related material
   iii. Minutes to important meetings such as Management Committee and TM Meetings that comprise of Directors and related material
2) In addition to the above, records pertaining to minutes and decisions purporting to important resolutions effectuated by other meetings as well as other important documents concerning the execution of duties of Directors are stored and managed and the strengthening of the information security system is promoted.

Note: TM Meetings is an abbreviation for Top Management Meetings.

(3) Rules and other aspects of the system for managing risks of loss

1) The Compliance Risk Management Committee takes the lead in periodically revising risks that may be substantially detrimental to the Company and pushing forward efforts to build a system jointly managed by all group companies.
2) The Company will work towards keeping losses incurred by the interruption of business at a minimum as per company-wide regulations for countering business continuity risks in the event of a natural disaster, contagion, terrorist act or other unforeseen circumstance.

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

1) In order to make for a system that would allow the Board of Directors to effectuate definite and prompt decision-making, TM Meetings that deliberate on organizational and personnel related matters and Management Committee that deliberate on matters related to the business operations are established.
2) The Meeting of Board of Directors formulates mid-term plans and annual business plans and clarifies company-wide objectives. Directors establish concrete goals and policies in line with said objectives and execute their duties effectively.

(5) System for ensuring appropriate business operations within the Company and within each group company

1) As per the "Group Management Rule", a system that allows appropriate decision-making among group companies and communication between the parent company and subsidiaries is maintained.
2) Guidance is provided to group companies for the formulation of an appropriate internal control system.

(6) System for reporting to Corporate Auditors by Directors and employees, and other systems for reporting to Corporate Auditors

1) As per the “Guidelines for Reporting to Corporate Auditors (Board)”, important items are reported promptly to Corporate Auditors.
2) Concerning internal reports, a system for the direct report to Corporate Auditors is maintained as per the internal report regulations.

(7) Matters regarding employees appointed for the support of Corporate Auditors when so requested by Corporate Auditors, and matters regarding the independence of the appointed employees from Directors

Employees are be appointed for the support of Corporate Auditors when so requested by same who are directly involved in the transfer, performance evaluation and other items related to the employees concerned and their independence from Directors is assured.

(8) Other system for ensuring effective auditing by the Corporate Auditors

1) Corporate Auditors participate in important meetings on managerial matters such as TM Meetings and Management Committee, obtain information and reports on the execution of duties and, as needed, interview Directors and employees and view relevant records.
2) Corporate Auditors cooperate with the Internal Audit Office and periodically exchanges information.

Moreover, as for the maintenance of internal controls concerning financial reporting based on the Financial Instruments and Exchange Law, in order to ensure properness of financial reports, the Company established a Japanese SOX Law Project inside the Company at a relatively early date (July 2005) and has moved forward with the preparation of internal controls pertaining to financial reports. In the fiscal year ended March 2010, as the second year of the internal control reporting system, preparation of the internal control system and whether or not the application of the system is appropriate were evaluated with the aim of achieving efficiency while maintaining a certain audit level. The system is progressing efficiently and smoothly, and as a result of the internal audit at the end of March, the Company judges that its internal controls concerning financial reports were effective.

7. Basic Policy on the Control over the Company

I. 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 the 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 suitable for those who are to control decision-making over the financial and business policies of the Company.

II. Special efforts to realize the Basic Policy

1) Improvement of corporate value

The Company was established as an electronic component manufacturer in 1950 in the wake of success in the commercialization of barium titanate ceramic capacitors. Guided by three management principles: "Employee well being," "Betterment of local communities," and "Responsibility to provide return to shareholders," and based on a trusting relationship with various stakeholders such as shareholders, the Company has evolved as a leading company in the area of capacitors, ferrite and applied products, modules, and optical recording media such as CD-Rs and DVD-Rs, with active business operations in Japan, the United States, and Asian and European countries.

In the electronics industry, in which the Taiyo Yuden Group is involved, the speed of new product development must be enhanced to keep in step with shortening product lifecycles and the expanding demand for new electronic components as digitalization advances.

Under these circumstances, the Taiyo Yuden Group seeks to improve profitability and increase corporate value by advancing policies for the improvement of the production processes and productivity of multilayer product categories, its core business.

i. Increasing the introduction of new products designed to respond to the trend of digitalization based on the Company's fundamental technologies;
ii. Focus on the development of next-generation products with enhanced functionality and high added value;
iii. Steadily reassess the roles that each hub of the Taiyo Yuden Group assumes in order to adapt to internal- and external environmental changes and proactively increase Group-wide managerial efficiency; and
iv. On the fiscal front, endeavor to enhance capital efficiency by concentrating on cash flows; etc.

2) Strengthening corporate governance

The Company has decided to make the term of office of Directors one year, in an effort to boost the confidence of Shareholders.

In addition, aiming at the enhancement of managerial oversight and monitoring functions with respect to the Company's management and thereby realizing a highly transparent management, the Company has added two highly independent Outside Directors as constituents of the Board of Directors (making up 20% or more of the Board of Directors) in its efforts at strengthening corporate governance.

Further, the Company shall establish a CSR & Internal Control Office that will work towards the enhancement of the internal control system by guiding systems formulation and progress management efforts for matters that relate to internal control in accordance with basic internal control policies and periodically report to and deliberate with committees consisting of Directors and Managing Officers on the results of their activities. In addition, concerning the compliance of tasks to legal statutes and regulations, the Internal Audit Office conducts internal audits from a compliance perspective independently from executive bodies and under the direct control of the President and Representative Director.

The Company shall continue to enhance corporate governance and work towards securing and increasing both the corporate value and the common interests of Shareholders in an effort to further fortify the trust of Shareholders and other various stakeholders.

[Discontinuity of Plan to Defend Against Takeovers]

The Company introduced the “Policy on the Large-Scale Purchase of Company Shares (Plan to Defend Against Takeovers)” (hereinafter referred to as the “Revised Plan”) in order to allow shareholders to judge whether they should accept such a large-scale purchase of shares of the Company. The purposes of its introduction are also to secure sufficient information and time required for assessment, study, negotiation, formation of its opinion, and compilation of its alternative plan by the Board of Directors of the Company, and to secure and improve the corporate value of the Company and the common interests of the shareholders.

Subsequently, the Company formulated the “Mid-term Plan” of which final year is the fiscal year ending March 31, 2012, and started the plan from the fiscal year ended March 31, 2010. The Company believes that the achievement of the Mid-term Plan and the realization of management further focusing on shareholders through enhancement of corporate governance, etc. will lead to securing and improving the corporate value of the Company and the common interests of the shareholders.

In addition, with the revision of the Financial Instruments and Exchange Law, procedures to counter a large-scale purchase of shares are modified and improved. Accordingly, the objective of the Revised Plan can be guaranteed to some extents to ensure information and time enabling shareholders and the Board of Directors of the Company to appropriately judge such a large-scale purchase of shares.

In consideration of such conditions, the Company resolved at its Meeting of the Board of Directors held on February 22, 2010 discontinuity of the Revised Plan at the conclusion of the 69th Ordinary General Meeting of Shareholders. After discontinuity of the Revised Plan, the Company will make efforts to disclose information in a timely and appropriate manner in order to secure and improve common interests of the shareholders, and properly deal with things at the time of a large-scale purchase of shares of the Company.

The Details of the Revised Plan is as follows:

III. Effort to prevent the Company’s decisions on financial and business policies to fall under the control of inappropriate persons in light of basic policy

The Company introduced the “Policy on the Large-Scale Purchase of Company Shares” (hereinafter referred to as the “Revised Plan”) upon shareholder approval at the 67th Ordinary General Meeting of Shareholders held on June 27, 2008 (hereinafter referred to as the “67th Ordinary General Meeting of Shareholders”).

Details of the Revised Plan

1. Purchase of shares or other securities of the Company subject to the Revised Plan

In light of the basic policy on control of the Company indicated above, in the event of purchases of shares or other securities of the Company with the intention of increasing the share of voting rights of a specified group of shareholders to 20% or greater, or purchases of shares or other securities of the Company that would result in a specified group of shareholders acquiring voting rights of 20% or greater (except that the Board of Directors of the Company (“Board of Directors”) gives its consent in advance; and irrespective of the specific means of purchase, whether market transaction, tender offer, etc.; such purchases are hereinafter referred to as a “large-scale share purchase,” and a person engaging in such a purchase as a “large-scale share purchaser”), the Company shall require the observance of the following set of reasonable rules (“Large-Scale Share Purchase Rules”) and establish certain measures in the event of observance or non-observance thereof and make every effort to prevent inappropriate persons from controlling decision-making functions over the financial and business policies of the Company in light of the basic policy on control of the Company.

2. Purposes of introduction of the Revised Plan

The goal of the management of the Company is to enhance corporate value over the mid to long term, and by extension the common interests of shareholders; essential to this is sufficient understanding of the Company's broad expertise, extensive experience, and the relationship that it has built up with various stakeholders including shareholders. In the absence of such sufficient understanding of these business characteristics of the Company, shareholders cannot properly judge prospective future shareholder value.

In the event of a sudden large-scale share purchase offer, it is indispensable that appropriate and sufficient information be made available by both the large-scale share purchaser in question and the Board of Directors; for only then can shareholders reach a proper decision, within a limited timeframe, on the propriety of the price offered for the Company's shares.

As for shareholders contemplating holding on to their shares in the Company, key considerations in deciding whether to retain ownership of those share are the effects of such a large-scale share purchase on the Company, and the details of the management policies and business plans being considered by the large-scale share purchaser in the event it participates in Company management, including policies on the Company's relationships with various stakeholders including shareholders. Likewise, the opinion of the Board of Directors on the proposed purchase, the Company believes, also constitutes an important consideration for its shareholders in reaching a decision.

In light of these considerations, the Board of Directors has reached the conclusion that in the event of a proposed large-scale share purchase, sufficient and necessary information on the purchase needs to be provided beforehand by the large-scale share purchaser in order to assist shareholders in making a decision.

Once that information has been provided, the Board of Directors will promptly commence formulating its own opinion on the proposed large-scale share purchase, examining the matter carefully while seeking advices from independent outside experts (financial advisers, chartered accountants, lawyers, consultants, and other such experts). Upon forming its opinion, it will then make it public. If deemed necessary, it will also enter into negotiations with the prospective large-scale share purchaser on improving the terms of the proposal, and offer shareholders its own alternative plan. This process will enable shareholders to examine the large-scale share purchaser's proposal, and the alternative plan offered (if any), with the Board's opinion to refer to, and provide the opportunity to make an appropriate decision on whether ultimately to accept or reject the offer.

The implementation of large-scale share purchases in accordance with a set of rational rules is conducive to corporate value and by extension the common interests of shareholders. In that conviction, the Board of Directors has decided to establish a set of rules, described below, pertaining to provision of information when a large-scale share purchase is impending (hereinafter referred to as the "Large-Scale Share Purchase Rules"), and to adopt a Plan to defend against takeovers, including large-scale share purchases by persons deemed inappropriate in light of basic Company policy.

3. Establishment of an Independent Panel

It is the Board of Directors that finally determines whether proper procedures have been followed in accordance with the Large-Scale Share Purchase Rules; and, even if the Large-Scale Share Purchase Rules have been duly observed, whether the Company shall take countermeasures on the grounds that the proposed large-scale share purchase may significantly harm the corporate value of the Company and by extension the common interests of shareholders. Nonetheless, to ensure that the Revised Plan is appropriately administered, to prevent arbitrary decisions by the Board of Directors, and to guarantee the objectivity and reasonableness of its decisions, it has been decided to establish an Independent Panel and prescribe a set of Independent Panel Rules.

The Independent Panel shall be made up of three (3) or more persons; in order to enable fair and impartial judgment, these persons shall be independent of Company management, being appointed from among Outside Directors, Outside Corporate Auditors, and outside eminent persons.

Upon receipt of an inquiry from the Board of Directors concerning whether or not (a) the large-scale share purchaser complies with the Large-Scale Share Purchase Rules, (b) the information submitted by the large-scale share purchaser under the Large-Scale Share Purchase Rules is sufficient, (c) the large-scale share purchase may significantly harm the corporate value of the Company and the common interests of shareholders, and (d) countermeasures should be invoked, the Independent Panel shall recommend to the Board of Directors on the inquired matters at least ten (10) days prior to the period of assessment by the Board of Directors (as defined in 4.-3 of this Section and such recommendation period by the Independent Panel shall be hereinafter referred to the "Recommendation Period"). The Board of Directors shall pay the utmost respect for the recommendation given by the Independent Panel.

The Independent Panel will disclose from time to time any information regarding the outline of any recommendation given to the Board of Directors.

The Independent Panel may freely seek advices from independent third parties (experts including financial advisers, chartered accountants, lawyers, and consultants), at the Company's expense, in order to ensure that its determination is conducive to the corporate value of the Company and by extension the common interests of shareholders.

4. Outline of the Large-Scale Share Purchase Rules

The Large-Scale Share Purchase Rules established by the Board of Directors require that: (a) the large-scale share purchaser provides necessary and sufficient information to the Board of Directors prior to the transaction; and (b) it commences its large-scale share purchase after the period of assessment by the Board of Directors has passed. An outline follows.

1) Submission to the Company of a Statement of Intent

A large-scale share purchaser intending to implement a large-scale share purchase is first to submit a Statement of Intent, addressed to the Company's President, containing a pledge to comply with the Large-Scale Share Purchase Rules, along with the following information; the details of the Statement of Intent submitted will be disclosed promptly:

(a) the name and address of the large-scale share purchaser
(b) law under which it was established
(c) the name of the person who represents it
(d) its contact information in Japan
(e) an outline of the proposed large-scale share purchase

2) Provision of the necessary information by the large-scale share purchaser

Within ten (10) business days of receipt of the Statement of Intent in 4.-1) above, the Company will deliver to the large-scale share purchaser a list of necessary and sufficient information that the large-scale share purchaser is to provide to the Board of Directors in order to enable the shareholders to assess the proposal and the Board of Directors to form an opinion regarding it (such information hereinafter referred to as the "Necessary Information"). The Necessary Information requested will differ depending on the attributes of the large-scale share purchaser and the nature of the intended large-scale share purchase; typically, however, the following will be included:

(a) details about the large-scale share purchaser and the purchaser's group (including joint shareholders, special stakeholders, and, in the case of a fund, association members, as well as any other constituent members), including name, type of business, background or history, capital structure, and financial structure;

(b) the purpose, method, and details of the large-scale share purchase, including the purchase price and form of payment, purchase timing, relevant transaction methods, legality of the proposed purchase method, and feasibility of the purchase;

(c) the basis on which the purchase price is to be calculated, including the facts on which the calculation is based, the method of calculation, the numerical information used to make the calculation, and the details of synergies expected to arise from the series of transactions involved in the purchase;

(d) evidence of funding to make the large-scale share purchase, including the specific names of the providers (including the real providers) of the funding, how it is to be raised, and details of relevant transactions;

(e) management policies, business plans, financial plans, capital policies, and dividend policies for the Company and the Taiyo Yuden Group to be implemented upon completion of the large-scale share purchase; and

(f) policies pertaining to the treatment of employees, suppliers, customers, and other stakeholders of the Company to be implemented upon completion of the large-scale share purchase.

If, upon examination, the information at first provided is deemed inadequate, the Board of Directors will seek recommendation from the Independent Panel, and upon receipt thereof, fix a reasonable period of time for response and request that the large-scale share purchaser submit additional information until all the Necessary Information is in hand.

If the information at first provided is deemed necessary and sufficient, the Board of Directors will seek recommendation from the Independent Panel, and upon receipt thereof, send a notice of completion to provide information to the large-scale share purchaser and make public to the effect that such procedures have been taken.

In addition, the Necessary Information provided to the Board of Directors will be promptly submitted to the Independent Panel, and if it is deemed to be necessary for the judgment of shareholders, the Board of Directors will make public the Necessary Information in all or in part at such time as is deemed appropriate by the Board of Directors.

3) Assessment, examination and disclosure of the Necessary Information by the Board of Directors

As stated above, the Board of Directors will, under the judgment that the large-scale share purchaser has completed provision of the Necessary Information to it, sent a notice of completion to provide information to the large-scale share purchaser and made public that such procedures have been taken. The Board of Directors will then, as a period for assessment, study, negotiation, formation of its opinion, and compilation of its alternative plan, establish an assessment period (herein referred to as the "period of assessment by the Board of Directors") of no longer than 60 days (if all shares of the Company are to be bought via a cash tender offer in Japanese yen) or no longer than 90 days (in the case of any other type of large-scale share purchase) depending on the difficulty of assessing the proposed large-scale share purchase. The large-scale share purchase should therefore proceed only after the end of the period of assessment by the Board of Directors.

During the period of assessment by the Board of Directors, the Board of Directors will conduct a thorough assessment and examination of the Necessary Information provided while seeking advice from independent outside experts (financial advisers, chartered accountants, lawyers, consultants, and other such experts), carefully form its own opinion on the proposal, and make that opinion public. In addition, the Board of Directors may if necessary negotiate with the large-scale share purchaser with the aim of improving the terms of the large-scale share purchase, and offer shareholders its own alternative plan.

5. Action to be taken in the event of a large scale share purchased

1) If the large-scale share purchaser fails to comply with the Large-Scale Share Purchase Rules

   If the large-scale share purchaser makes a sudden purchase bid without submitting a Statement of Intent, or does not provide the Necessary Information, or does not allow the period of assessment by the Board of Directors, or otherwise fails to comply with the Large-Scale Share Purchase Rules, the Board of Directors may, regardless of the specific means of purchase, invoke countermeasures by implementing issuance of stock acquisition rights to protect the Company's corporate value and by extension the common interests of the shareholders, paying the utmost respect for the relevant recommendation given by the Independent Panel.

   In case the Board of Directors decides that specific action should be taken in the form of issuance of stock acquisition rights without charge, conditions may be imposed with the effectiveness of the countermeasures in mind: for example, exercise of stock acquisition rights may be conditional upon not belonging to a specified group of shareholders with more than a certain share of voting rights; or an acquisition provision may be imposed upon those holding stock acquisition rights enabling the Company to acquire those options in exchange for Company shares.

2) If the large-scale share purchaser has complied with the Large-Scale Share Purchase Rules

   As long as the large-scale share purchaser has complied with the Large-Scale Share Purchase Rules, the Board of Directors shall, even if it opposes the proposed large-scale purchase, in general take no countermeasures; it shall restrict itself to attempting to persuade shareholders by expressing opposition to the proposed purchase or proposing an alternative plan.

   It will be up to the shareholders, upon examination of the proposal made by the large-scale share purchaser and of the opinions and alternative plans offered by the Company, to decide whether or not to accept.

   Notwithstanding the large-scale share purchaser's compliance with the Large-Scale Share Purchase Rules, however, should it be judged that the large-scale share purchase will cause irreparable damage to the Company or otherwise significantly harm the corporate value of the Company and by extension the common interests of its shareholders, the Board of Directors may, in accordance with the due diligence obligation of the Directors, take countermeasures set forth in 5.-1) above on an exceptional basis.

   Specifically, any large-scale share purchase deemed to correspond to any of the following categories:

   (a) if the large-scale share purchaser has no real intention of participating in management of the Company, but is buying up shares for the sole purpose of jacking up their price and forcing Company insiders to take them back at a premium (so-called greenmailing);
   (b) if the large-scale share purchaser is buying up shares with the goal of conducting so-called scorched-earth management: gaining temporary control over the Company's management and having it transfer to the purchaser or one of its group companies the intellectual property rights, know-how, corporate secrets, major business partners, clients, etc. necessary for the running of the Company's business;
   (c) if the large-scale share purchaser is buying up shares with the intention of first gaining control of the Company's management, then using those assets as security for its own debt or that of one of its group companies, or to pay down such debt;
   (d) if the large-scale share purchaser is buying up shares with the goal of gaining temporary control of the Company's management, having the Company sell off or otherwise dispose of valuable assets, such as real estate or securities, that are not immediately related to the Company's business, and causing it to pay temporarily large dividends out of the profits gained from such disposition; or taking advantage of the sudden jump in share price triggered by that temporary surge in dividends to sell off the shares at a premium; or

(e) if it is concluded that the method by which the large-scale share purchaser proposes to buy up the shares could effectively compel shareholders to sell their Company shares or securities by restricting their opportunity or freedom of judgment: for example, in the case of a so-called coercive two-tier takeover attempt (which refers to a tender offer or other purchase of shares in which the large-scale share purchaser does not offer to buy up all the Company's shares or securities at the time of the initial purchase, and sets unfavorable conditions of purchase for the second stage, or fails to state them clearly).

If the Board of Directors deems it is necessary to take countermeasures on an exceptional basis as set forth above, it will seek recommendation from the Independent Panel by fixing a sufficient period of time for the recommendation Period whether or not countermeasures are invoked. In response, the Independent Panel will give recommendation to the Board of Directors within the recommendation Period whether or not countermeasures are invoked. Upon receipt of the recommendation, the Board of Directors will make the final decision on whether or not countermeasures are invoked paying utmost respect for it.

3) Termination of countermeasures

If in a situation such as described in 5.-1) or 5.-2) above, the Board of Directors, after having decided to invoke specific countermeasures, then decides that it would not be appropriate to do so because, for example, the large-scale share purchaser has withdrawn or altered its bid, it may terminate or alter the countermeasures while sufficiently paying utmost respect for the Independent Panel's opinions or recommendations.

If stock acquisition rights are to be issued without charge as a countermeasure, the Board of Directors might then decide, after it has already been settled which shareholders are to be issued the options, that it would not be appropriate to invoke countermeasures because, for example, the large-scale share purchaser has withdrawn or altered its bid. In that case, until the date when the stock acquisition rights become effective, the issuance of the stock acquisition rights without charge could be suspended upon recommendation of the Independent Panel; and if the options have already been issued, the countermeasures could, until the commencement of the exercise period for the stock acquisition rights, be terminated, upon recommendation of the Independent Panel, through the acquisition of those options without charge (the shareholders would lose their stock acquisition rights as a result of the Company's acquisition, without charge, of those options).

When countermeasures are terminated in this fashion, that fact shall be promptly disclosed, along with such other information as is deemed necessary by the Independent Panel.

6. Commencement of the application, effective term, continuation and repeal of the Revised Plan

The Revised Plan came into effect upon approval at the 67th Ordinary General Meeting of Shareholders.

The effective term of the Revised Plan shall be two (2) years (until the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held in June 2010). Continuation of the Revised Plan thereafter (including continuation after partial amendment) shall be subjected for the approval of an Ordinary General Meeting of Shareholders.

Even after it is approved at the 67th Ordinary General Meeting of Shareholders, the Revised Plan shall be immediately repealed if (a) a General Meeting of Shareholders adopts a resolution to repeal the Revised Plan, or (b) a Meeting of Board of Directors attended by Directors elected at an Ordinary General Meeting of Shareholders adopts a resolution to repeal the Revised Plan.

Further, if any law, regulation or stock exchange rules concerning the Revised Plan is established, amended or abolished and in case that (a) it is appropriate to reflect establishment, amendment or abolition or in case that (b) it is appropriate to revise the wording for reasons such as typographical errors and omissions, the Board of Directors may, subject to the approval of the Independent Panel, revise or amend the Revised Plan even during the Effective Term of the Revised Plan to the extent that such revision or amendment would not be detrimental to the Company's shareholders.

If the Board of Directors has determined to continue, amend or abolish the Revised Plan, it will promptly disclose the details of such determination.

IV. The facts that the Revised Plan is based on basic policy with regard to the control of the Company, that the Revised Plan conforms to the corporate value and common interests of the shareholders of the Company, and that the Plan is not effected for the purpose of maintaining the status of the Corporate Officers of the Company

In designing the Revised Plan, the Company believes that it will comply with the basic policy described in Section I above, agree with the corporate value and the common interests of the shareholders of the Company and not maintain the status of the Corporate Officers of the Company, by taking into account the following matters.

1. The requirements of the guidelines with regard to the Anti-Takeover Measures are satisfied.

   The Revised Plan satisfies the three principles stipulated in "Guidelines Concerning Anti-Takeover Measures for Securing and Enhancing Corporate Value and the Common Interests of Shareholders" announced by the Ministry of Economy, Trade and Industry and Ministry of Justice on May 27, 2005 (i.e., the principle of securing and enhancing the corporate value and common interests of the shareholders, the principle of prior disclosure and reflection of the will of shareholders, and the principle of necessity and proportionality).

2. The Revised Plan has been introduced in order to secure and enhance the common interests of shareholders.

   The revised Plan has been introduced in order to secure and enhance the corporate value of the Company and common interests of the shareholders by securing sufficient information and time to enable the shareholders to judge whether to accept the offer for the relevant purchase and to allow the Board of Directors to negotiate with the purchaser on behalf of the shareholders, etc. when a purchaser makes an offer to purchase the Company shares etc.

3. Reasonable objective requirements for implementation of the Revised Plan are established.

   The Revised Plan is established in a manner that ensures it will not be implemented unless reasonable and detailed objective requirements determined in advance are satisfied, or more specifically it may be implemented if: (a) large-scale share purchase does not comply with the Large-Scale Share Purchase Rules; (b) it is concluded that, although purchasers have complied with those Rules, their intended large-scale share purchase would significantly harm the common interests of shareholders; or (c) the Purchaser poses a risk of forcing shareholders to engage in a de facto sale of the shares. Thus, a scheme for preventing the arbitrary implementation of the Revised Plan by the Board of Directors is secured.

4. The judgment of Independent Panel will be emphasized and information will be disclosed.

   An Independent Panel made up of highly independent Outside Directors, Outside Corporate Auditors and outside eminent persons, will perform substantial judgment on the implementation of the countermeasures stipulated in the Plan, whereupon an overview of the judgment by the Independent Panel will be disclosed to shareholders.

   Thus, a scheme for the transparent operation of the Plan as appropriate to the corporate value of the Company and common interests of shareholders is secured.

5. The Revised Plan is to reflect the will of the shareholders.

   As the Revised Plan came into effect upon approval at the 67th Ordinary General Meeting of Shareholders, and in that sense, the will of the shareholders will be reflected in the repeal or existence of the Revised Plan.

6. The Revised Plan is not a dead-hand type and a slow-hand type takeover defensive measure either.

   The Revised Plan can be repealed by the Board of Directors made up of Directors elected at the Ordinary General Meeting of Shareholders of the Company. Therefore, the Revised Plan is not a dead-hand type defensive measure (a defensive measure whose implementation cannot be prevented even by replacing the majority of the members of the Board of Directors).

   In addition, as the term of office of Directors changed in to one year at the 67th Ordinary General Meeting of Shareholders, the Revised Plan is not a slow-hand type takeover defense measure either (it takes more time to stop the implementation of a defense measure due to the fact that the Directors cannot be replaced all at once).

CONSOLIDATED BALANCE SHEET

(as of March 31, 2010)

(Millions of yen)

Account item	Amount
(ASSETS)	
Current assets	**126,386**
Cash and deposits	41,785
Trade notes and accounts receivable	48,698
Merchandise and finished goods	10,842
Work in process	8,148
Raw materials and supplies	9,651
Deferred tax assets	1,903
Other	5,623
Allowance for doubtful receivables	(266)
Non-current assets	**109,975**
Property, plant and equipment	**94,537**
Buildings and structures	64,511
Machinery and transportation equipment	193,309
Tools, furniture and fixtures	18,429
Land	7,799
Construction in progress	5,655
Accumulated depreciation	(195,166)
Intangible assets	**4,232**
Goodwill	3,490
Other	742
Investments and other assets	**11,205**
Investment securities	5,257
Deferred tax assets	3,469
Other	2,788
Allowance for doubtful receivables	(310)
Total Assets	**236,361**

CONSOLIDATED BALANCE SHEET (continued)

(as of March 31, 2010)

(Millions of yen)

Account item	Amount
(LIABILITIES)	
Current liabilities	**45,573**
Trade notes and accounts payable	18,543
Short-term loans payable	5,867
Current portion of long-term loans payable	4,061
Other accounts payable	3,556
Income tax payable	1,564
Deferred tax liabilities	574
Reserve for bonuses	2,720
Reserve for bonuses for Directors and Corporate Auditors	22
Other	8,662
Long-term liabilities	**51,524**
Convertible bond type-bonds with stock acquisition rights	20,000
Long-term loans payable	22,010
Lease obligations	2,785
Deferred tax liabilities	2,299
Liabilities for employees' retirement benefits	3,262
Liabilities for retirement benefits for Directors and Corporate Auditors	136
Negative goodwill	72
Other	957
Total Liabilities	**97,098**
(NET ASSETS)	
Shareholders' equity	**157,420**
Common stock	23,557
Capital surplus	41,471
Retained earnings	95,984
Treasury stock	(3,592)
Variance of evaluation and translation	**(18,661)**
Unrealized holding gains on securities	695
Deferred gain or loss on derivatives under hedge accounting	(96)
Foreign currency translation adjustments	(19,259)
Stock acquisition rights	**248**
Minority interests	**256**
Total Net Assets	**139,263**
Total Liabilities and Net Assets	**236,361**

CONSOLIDATED STATEMENT OF INCOME

(from April 1, 2009 to March 31, 2010)

(Millions of yen)

Account item	Amount	
Net sales		**195,690**
Cost of sales		**159,118**
Gross profit		**36,572**
Selling expenses and general and administrative expenses		**32,368**
Operating income		**4,203**
Other income		
Interest income	186	
Dividend income	49	
Equity in earnings of affiliates	2	
Subsidies	167	
Other	282	688
Other expenses		
Interest expenses	596	
Foreign exchange losses	1,820	
Depreciation of inactive non-current assets	296	
Other	212	2,926
Ordinary income		**1,966**
Extraordinary gains		
Gains on sale of property, plant and equipment	362	
Other	81	444
Extraordinary losses		
Loss on retirement and sale of property, plant and equipment	800	
Impairment loss	181	
Loss on disposal of inventories	843	
Other	156	1,982
Income before income taxes and minority interests		**428**
Income taxes	1,594	
Deferred income taxes	(493)	1,100
Minority interests in income		8
Net loss		**(680)**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2009 to March 31, 2010)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	23,557	41,450	97,840	(3,643)	159,204
Change during the consolidated fiscal year					
Dividends from surplus			(1,175)		(1,175)
Net loss			(680)		(680)
Acquisition of treasury stock				(18)	(18)
Disposition of treasury stock		20		70	90
Net change in items other than shareholders' equity during the consolidated fiscal year					
Total of changes during the consolidated fiscal year	–	20	(1,856)	51	(1,784)
Balance as of March 31, 2010	23,557	41,471	95,984	(3,592)	157,420

	Variance of evaluation and translation				Stock acquisition rights	Minority interests	Total net assets
	Unrealized holding gains on securities	Deferred gain or loss on derivatives under hedge accounting	Foreign currency translation adjustments	Total variance of evaluation and translation			
Balance as of March 31, 2009	(550)	(6)	(19,762)	(20,320)	303	247	139,435
Change during the consolidated fiscal year							
Dividends from surplus							(1,175)
Net loss							(680)
Acquisition of treasury stock							(18)
Disposition of treasury stock							90
Net change in items other than shareholders' equity during the consolidated fiscal year	1,246	(89)	502	1,658	(55)	8	1,611
Total of changes during the consolidated fiscal year	1,246	(89)	502	1,658	(55)	8	(172)
Balance as of March 31, 2010	695	(96)	(19,259)	(18,661)	248	256	139,263

Notes to Consolidated Financial Statements

I. Significant Matters Essential for the Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries and subsidiaries: 37

Names of major consolidated subsidiaries are omitted because they appear in "1. Current Status of the Company Group, (10) Status of principal parent company and subsidiaries" in the Business Report.

The Company acquired shares of Taiyo Yuden Mobile Technology Co., Ltd. and Taiyo Yuden Mobile Technology Products Co., Ltd. and made them into subsidiaries at the end of the consolidated fiscal year under review, so those companies are included in the scope of consolidation in the consolidated fiscal year under review.

JVC Advanced Media (Tianjin) are included in the scope of consolidation in the consolidated fiscal year under review, as it was newly incorporated.

(2) Application of equity method

Number of affiliate to which the equity method applies: 1

The name of the affiliate to which the equity method applies is as follows:

START Lab Inc.

2. Accounting standards

(1) Basis and methods for valuation of assets

1) Securities

Bonds to be held to maturity…Stated at amortized cost method (straight-line basis)

Other securities

Securities with market value

Market value method based on the market price, etc. as of the settlement date of the consolidated fiscal year

(Differences in valuation are included directly in net assets and costs of sales are calculated using the moving-average method.)

Securities without market value

Stated at cost using the moving-average method

As for investments in investment business limited liability partnerships or any other similar partnerships (i.e., investments to be deemed as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), investment profit or loss shall be recorded in proportion to the Company's interest in such partnership, based on the latest available financial statements as of the closing date stipulated by the relevant partnership agreement.

2) Derivatives

Market value method

3) Inventories

Merchandise and finished goods	···Mainly stated at cost by the gross average method (Balance-sheet values are calculated using the method of devaluing the carrying amount based on decline of profitability)
Work in process	···Stated at cost by the gross average method (Balance-sheet values are calculated using the method of devaluing the carrying amount based on decline of profitability)
Raw materials and supplies	···Stated at cost by the FIFO method (Balance-sheet values are calculated using the method of devaluing the carrying amount based on decline of profitability)

(2) Depreciation and amortization methods for depreciated and amortized assets

1) Property, plant and equipment (excluding lease assets)

The Company and the consolidated domestic subsidiaries use the declining-balance method. However, buildings (excluding the annexure) acquired by the Company and the consolidated domestic subsidiaries on or after April 1, 1998 are depreciated using the straight-line method. Useful lives and residual values are in general based upon the standards stipulated by the corporate tax law.

Consolidated overseas subsidiaries mainly use the straight-line method.

2) Intangible assets (excluding lease assets)

The Company and the domestic consolidated subsidiaries use the straight-line method. Useful lives are in general based upon with the standards stipulated by the corporate tax law. As for software (for in-house use), the straight-line method is used with a useful life based on the possible period of in-house use (mainly five years).

Consolidated overseas subsidiaries mainly use the straight-line method.

3) Lease assets

a. Lease assets under finance lease transactions in which titles to leased property are deemed to be transferred to lessees

Lease assets are depreciated using the same method applicable to the tangible assets owned by the Company.

b. Lease assets under finance lease transactions other than those in which titles to leased property are deemed to be transferred to lessees

Lease assets are depreciated over the corresponding lease terms with their residual value to be zero, using the straight-line method.

Finance lease transactions other than those in which titles to leased property are deemed to be transferred to lessees that began on or before March 31, 2008 are accounted for as the ordinary operating lease transactions.

(3) Accounting standards for allowances and accruals

1) Allowance for doubtful receivables

In order to prepare for the loss on bad debts for account receivables, the Company and the consolidated domestic subsidiaries record the unrecoverable amounts based on the historical write-off ratio for ordinary receivables and record the unrecoverable amounts after careful study of the collectibility of special accounts, including doubtful accounts.

Consolidated overseas subsidiaries record the unrecoverable amounts mainly in accordance with individual estimation.

2) Reserve for bonuses

In order to prepare for the bonuses for the employees, the necessary amounts are recorded mainly based on the estimate of payments.

3) Reserve for bonuses for Directors and Corporate Auditors

In order to prepare for the bonuses for the Directors and Corporate Auditors, the necessary amounts are recorded based on the estimate of payments.

4) Liabilities for employees' retirement benefits

In order to prepare for the retirement benefits for the employees, certain consolidated subsidiaries record the amounts based on the projected benefit obligation as of the end of the consolidated fiscal year under review.

5) Liabilities for retirement benefits for Directors and Corporate Auditors

In order to prepare for the retirement benefits for the Directors and Corporate Auditors, certain consolidated subsidiaries record the amounts payable as of the consolidated fiscal year under review, in accordance with their corporation by-laws.

(4) Hedge accounting

1) Hedge accounting

Gains or losses on derivatives are deferred until realization of the hedged item.

Interest-rate swap contracts that meet the requirements of the preferential accounting method are accounted for by the preferential accounting method.

2) Hedging instruments and hedged transactions

a. Hedging instrument	…	Forward foreign exchange contracts
Hedged item	…	Forecasted transactions
b. Hedging instrument	…	Interest-rate swap contracts
Hedged item	…	Interest on loans

3) Hedging policy

The Company will enter into contracts for derivative trading only within the scope of actual requirements in accordance with the internal risk management regulations, and will refrain from derivative trading for speculation purposes.

4) Method of evaluating hedge effectiveness

The evaluation of the effectiveness of forward foreign exchange contracts for the hedging of foreign currency forecasted transactions are omitted, because all such transactions are committed to be sold in the future and are very likely to be implemented.

The evaluations of the effectiveness of interest-rate swap contracts recorded by the preferential accounting method at the end of consolidated fiscal year under review are omitted.

(5) Other significant matters for the preparation of the consolidated financial statements

Accounting of consumption tax, etc.

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

3. Matters relating to the appraisal of assets and liabilities of the consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are fully evaluated at fair values when the Company acquired control.

4. Matters regarding amortization of goodwill and negative goodwill

Goodwill is amortized equally each year over a period of five years.

5. Changes in the presentation method

(Consolidated Balance Sheet)

"Lease obligation," which had been included in Other of "Long-term liabilities" until the previous consolidated fiscal year, was separately presented as exceeding 1/100 of Total Liabilities and Net Assets. The amount of lease obligation was ¥15 million in the previous consolidated fiscal year.

6. Additional information

(Classification of Cost of sales and Selling expenses and general and administrative expenses)

As expanding overseas bases, the Company has seen a gradual increase in global management operations and businesses taking on the character of research and development. With organizational changes in the fiscal year under review, the Company reviewed segregation of duties of each department and treated expenses depending on contents of business. As a result, part of Cost of sales which was recorded as Cost of manufacturing is recorded as Selling expenses and general and administrative expenses.

Due to this change, Cost of sales decreased by ¥1,436 million and Gross profit increased by the same amount in the fiscal year under review, compared to the result of existing accounting method. In addition, Selling expenses and general and administrative expenses increased by ¥1,609 million and Operating income decreased by ¥172 million.

II. Note to the Consolidated Balance Sheet

Guarantee liability

The Company guarantees the loans from financial institutes owed by the companies other than consolidated subsidiaries and affiliates.

Takasaki-shi Kurakano Housing Complex Plating Cooperative ¥8 million

III. Notes to the Consolidated Statement of Changes in Net Assets

1. Matters regarding the classes and numbers of shares issued

Class of share	Number of shares as of the end of the previous consolidated fiscal year	Increase	Decrease	Number of shares as of the end of the consolidated fiscal year under review
Common stock	120,481,395	—	—	120,481,395

2. Matters regarding the stock acquisition rights

Classification	Contents of shares to be issued or transferred	Class of share to be issued or transferred	Number of shares to be issued or transferred
Companies submitted	2005 Stock Acquisition Rights as Sock Option	Common stock	8,000
	2006 Stock Acquisition Rights as Sock Option	Common stock	17,000
	2007 Stock Acquisition Rights as Stock Option	Common stock	57,000
	2008 Stock Acquisition Rights as Stock Option	Common stock	34,000
	2009 Stock Acquisition Rights as Stock Option	Common stock	34,000
	Euroyen convertible bond type-bonds with stock acquisition rights due 2014	Common stock	5,339,028

3. Matters regarding dividends

(1) Cash dividends paid

Resolution	Class of share	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 26, 2009)	Common stock	¥587 million	¥5	March 31, 2009	June 29, 2009
Meeting of Board of Directors (November 6, 2009)	Common stock	¥588 million	¥5	September 30, 2009	December 3, 2009

(2) Among the dividend distributions with record dates falling within this consolidated fiscal year under review, those with effective distribution dates fall within the following consolidated fiscal year

Resolution	Class of share	Resource of dividend distribution	Total amount of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 26, 2010)	Common stock	Retained earnings	¥588 million	¥5	March 31, 2010	June 30, 2010

IV. Notes to Financial Instruments

1. Matters concerning the status of financial instruments

(1) Policy to handle financial instruments

The Taiyo Yuden Group, which mainly produces and markets electronic components, procures short-term operating funds with bank loans, and long-term funds for capital investment, etc. with bank loans and issuance of bonds in accordance with a capital investment plan.

Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Company uses derivatives to hedge risks stated below, and do not intend to use them for speculative purpose.

(2) Contents and risks of financial instruments, and relevant risk management systems

Trade notes and accounts receivable which are Operating receivable are exposed to consumer credit risk. Therefore, the Company manages due dates and balance for each customer, and make efforts to early recognize concerns about collectability and reduce its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Company has business relationship are managed by grasping market values and financial conditions of issuers on a regular basis.

Payment due dates of most Trade notes and accounts payable which are Operating payables are within one year.

The Company uses borrowings and convertible bond type-bonds with stock acquisition rights mainly for the purpose of procuring funds necessary for capital investment. As long-term loans with floating interest rate are exposed to the risk of interest-rate fluctuations, the Company uses derivative transactions (interest-rate swaps) to hedge that risk.

Operating receivables in foreign currency which arise from the Company’s global business development are exposed to the risk of exchange-rate fluctuations. The Company uses forward exchange contracts as hedging instruments for operating receivables in foreign currency to reduce the risk of exchange-rate fluctuations, in principle. The Company also makes forward exchange contracts to hedge risks from operating receivables in foreign currency which are surely brought about by forecasted transactions related to exports. The Company makes derivatives transactions only with financial institutions.

In accordance with the internal risk management regulations providing for trading authority, the ceiling and other matters, the finance and accounting department executes derivative transactions, and manage them by recording details of transactions and checking balances with counterparties.

A manager of financial and accounting department reports monthly results of transactions to Managing Officers of Management & Administration Headquarters, and they report the results to the Board of Directors. Consolidated subsidiaries and affiliates do not use derivatives.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

(3) Supplemental explanation on matters concerning market value of financial instruments, etc.

Financial instruments without market quotations are stated at reasonably calculated value. Such a value is calculated based on variable factors. Therefore, the value may be changed depending on prerequisites to be adopted.

2. Matters concerning market value of financial instruments, etc.

Amounts recorded in the consolidated balance sheet, market values, and differences between them as of March 31, 2010 (at the end of the consolidated fiscal year under review) are as stated below. When it is extremely difficult to measure a market value of financial instrument, such a financial instrument is not included in the table shown below.

(Millions of yen)

	Amount recorded in the consolidated balance sheet	Market value	Difference
(1) Cash and deposits	41,785	41,785	–
(2) Trade Notes and Account receivables	48,698		
Allowance for doubtful receivables (*1)	(266)		
Trade Notes and Account receivables - Allowance for doubtful receivables	48,431	48,431	–
(3) Investment securities			
1) Held-to-maturity debt securities	1	1	–
2) Other securities	4,256	4,256	–
Total assets	94,475	94,475	–
(4) Trade Notes and Accounts Payable	18,543	18,543	–
(5) Short-term loans payable			
(6) Other accounts payable			
(7) Income tax payable			
(8) Convertible bond type-bonds with stock acquisition rights	20,000	19,766	(234)
(9) Long-term loans payable	26,071	26,259	188
Total liabilities	64,615	64,569	(45)
(7) Derivative transactions (*3)	(463)	(463)	–

(*1) Allowance for doubtful receivables in relation to Trade notes and account receivables is deducted.
(*2) Long-term loans payable includes current portion.
(*3) Derivatives transactions are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

Note 1: Measurement methods for market value of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash and deposits, (2) Trade notes and account receivables

Since these are settled in short term, their market values are close to book values. Accordingly, they are stated at book value.

(3) Investment securities

Equity securities are stated at price on exchange market, and bonds are stated at price offered by correspondent financial institutes.

Liabilities:

(4) Trade notes and accounts payable, (5) Short-term loans payable, (6) Other accounts payable, (7) Income tax payable

Since these are settled in short term, their market values are close to book values. Accordingly, they are stated at book value.

(8) Convertible bond type-bonds with stock acquisition rights

The price offered by correspondent financial institutes is regarded as market value.

(9) Long-term loans payable

Market value of long-term loans payable is measured as present values obtained by discounting total amount of principal and interest at an interest rate for new similar borrowings. Long-term loan with floating interest rates is subject to the preferential accounting method for interest-rate swaps. Its market value is calculated by discounting the total amount of principal and interest treated together with relevant interest-rate swaps at a reasonably estimated applicable rate for new similar loan.

(10) Derivative transactions

The market value of forward exchange contracts is stated at a price offered by financial institutions.

As derivative transactions subject to the preferential accounting method for interest-rate swaps are treated together with hedged long-term loan, their market values are included in the market value of relevant long-term loan.

Note 2: Financial instruments of which market value is extremely difficult to be identified

(Millions of yen)

Classification	Amount recorded in consolidated balance sheet
Other securities	
Unlisted shares	311
Shares of subsidiaries and affiliates	528
Investment in limited partnership for investment and similar associations	159

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, since it is considered very difficult to identify their market value, they are not included in "Assets (3) 2) Other securities"

V. Notes to Investment and Rental Property

The disclosure is omitted due to its insignificant impacts on the financial statements.

VI. Notes to the Per-share Information

1. Net assets per share ¥1,179.82
2. Net loss per share (¥5.78)

VII. Notes to the Significant Subsequent Events

No items to report.

VIII. Figures Stated

Figures less than ¥1 million are rounded down to the nearest ¥1 million.

NON-CONSOLIDATED BALANCE SHEET
(as of March 31, 2010)

(Millions of yen)

Account item	Amount
(ASSETS)	
Current assets	**73,273**
Cash and deposits	17,884
Notes receivable	583
Trade accounts receivable	35,459
Merchandise and finished goods	2,088
Work in process	3,345
Raw materials and supplies	3,914
Prepaid expenses	190
Deferred tax assets	1,182
Short-term loans to subsidiaries and affiliates	1,690
Other accounts receivable	4,850
Consumption taxes receivable	2,144
Other	13
Allowance for doubtful receivables	(73)
Non-current assets	**117,814**
Property, plant and equipment	**34,843**
Buildings	9,529
Structures	570
Machinery and equipment	17,618
Vehicles and transportation equipment	30
Tools, furniture and fixtures	992
Land	4,215
Construction in progress	1,887
Intangible assets	**556**
Patent right	127
Software	273
Other	155
Investments and other assets	**82,415**
Investment securities	3,853
Investments in subsidiaries and affiliates	52,663
Long-term loans receivable from employees	464
Long-term loans receivable from subsidiaries and affiliates	21,921
Claims provable in bankruptcy, claims provable in rehabilitation and other	340
Long-term prepaid expenses	81
Deferred tax assets	2,838
Other	560
Allowance for doubtful receivables	(310)
Total Assets	**191,088**

NON-CONSOLIDATED BALANCE SHEET (continued)

(as of March 31, 2010)

(Millions of yen)

Account item	Amount
(LIABILITIES)	
Current liabilities	**42,295**
Notes payable	188
Trade accounts payable	21,694
Short-term loans payable	6,624
Current portion of long-term loans payable	3,921
Lease obligations	527
Other accounts payable	1,854
Accrued expenses	3,180
Accrued income taxes	148
Deposits received	1,954
Reserve for bonuses	1,750
Reserve for bonuses to Directors and Corporate Auditors	22
Other	428
Long-term liabilities	**44,478**
Convertible bond type-bonds with stock acquisition rights	20,000
Long-term loans payable	21,800
Lease obligations	1,872
Other	805
Total Liabilities	**86,774**
(NET ASSETS)	
Shareholders' equity	**103,757**
Common stock	**23,557**
Capital surplus	**41,471**
Capital reserve	41,450
Other capital surplus	**20**
Retained earnings	**42,321**
Legal profit reserve	2,947
Other retained earnings	39,373
Reserve for advanced depreciation of non-current assets	1,170
Reserve for special depreciation	2
General reserve	27,800
Retained earnings brought forward from the previous fiscal year	10,400
Treasury stock	**(3,592)**
Variance of evaluation and translation	**308**
Unrealized holding gains on securities	404
Deferred gain or loss on derivatives under hedge accounting	(96)
Stock acquisition rights	**248**
Total Net Assets	**104,313**
Total Liabilities and Net Assets	**191,088**

NON-CONSOLIDATED STATEMENT OF INCOME

(from April 1, 2009 to March 31, 2010)

(Millions of yen)

Account item	Amount	
Net sales		156,891
Cost of sales		140,034
Gross profit		**16,856**
Selling expenses and general and administrative expenses		18,430
Operating loss		**(1,573)**
Other income		
Interest income	467	
Dividend income	8,470	
Other	257	9,194
Other expenses		
Interest expenses	617	
Loss on foreign exchange	749	
Compensation expense	5	
Depreciation of inactive non-current assets	184	
Other	119	1,676
Ordinary income		**5,944**
Extraordinary gains		
Gain on prior period adjustment	30	
Gains on sale of property, plant and equipment	11	
Other	11	53
Extraordinary losses		
Loss on retirement and sale of property, plant and equipment	149	
Impairment loss	160	
Loss on disposal of inventories	678	
Other	118	1,107
Income before income taxes		**4,890**
Income taxes		414
Net income		**4,475**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2009 to March 31, 2010)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal profit reserve	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward from the previous fiscal year	Total retained earnings
Balance as of March 31, 2009	23,557	41,450	–	41,450	2,947	1,175	35	27,800	7,063	39,021
Change during the fiscal year										
Dividends from surplus									(1,175)	(1,175)
Reversal of reserve for advanced depreciation of non-current assets						(4)			4	–
Reversal of reserve for special depreciation							(32)		32	–
Net income									4,475	4,475
Acquisition of treasury stock										
Disposition of treasury stock			20	20						
Net change in items other than shareholders' equity during the fiscal year										
Total change during the fiscal year	–	–	20	20	–	(4)	(32)	–	3,337	3,299
Balance as of March 31, 2010	23,557	41,450	20	41,471	2,947	1,170	2	27,800	10,400	42,321

	Shareholders' equity		Variance of evaluation and translation			Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized holding gains on securities	Deferred gain or loss on derivatives under hedge accounting	Total variance of evaluation and translation		
Balance as of March 31, 2009	(3,643)	100,386	(338)	(6)	(344)	303	100,344
Change during the fiscal year							
Dividends from surplus		(1,175)					(1,175)
Reversal of reserve for advanced depreciation of non-current assets		–					–
Reversal of reserve for special depreciation		–					–
Net income		4,475					4,475
Acquisition of treasury stock	(18)	(18)					(18)
Disposition of treasury stock	70	90					90
Net change in items other than shareholders' equity during the fiscal year			742	(89)	653	(55)	597
Total change during the fiscal year	51	3,371	742	(89)	653	(55)	3,969
Balance as of March 31, 2010	(3,592)	103,757	404	(96)	308	248	104,313

Notes to Non-Consolidated Financial Statements

1. Significant Accounting Policies

(1) Basis and methods for valuation of assets

1) Securities

Shares of subsidiaries and affiliates…Stated at cost by the moving-average method

Other securities

Securities with market value

Market value method based on the market price, etc. as of the settlement date of the fiscal year. (Differences in valuation are included directly in net assets and costs of sales are calculated using the moving-average method.)

Securities without market value

Stated at cost using the moving-average method
As for investments in investment business limited partnerships or any other similar partnerships (i.e., investments to be deemed as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Law), investment profit or loss shall be recorded in proportion to the Company's interest in such partnership, based on the latest available financial statements as of the closing date stipulated by the relevant partnership agreement.

2) Derivatives

Market value method.

3) Inventories

Merchandise, finished goods and work in process

…Stated at cost by the gross average method

(Balance-sheet values are calculated using the method of devaluing the carrying amount based on decline of profitability)

Raw materials and supplies …Stated at cost by the FIFO method

(Balance-sheet values are calculated using the method of devaluing the carrying amount based on decline of profitability)

(2) Depreciation and amortization methods for non-current assets

1) Property, plant and equipment (excluding lease assets)

The Company uses the declining-balance method.

However, buildings (excluding the annexure) acquired by the Company on or after April 1, 1998 are depreciated using the straight-line method.

Useful lives and residual values are in general based upon the standards stipulated by the corporate tax law.

2) Intangible assets (excluding lease assets)

The Company uses the straight-line method.

Useful lives are in general based upon the standards stipulated by the corporate tax law. As for software (for in-house use), the straight-line method is used with a useful life based on the possible period of in-house use (mainly five years).

3) Lease assets

a. Lease assets under finance lease transactions in which titles to leased property are deemed to be transferred to lessees

Lease assets are depreciated using the same method applicable to the tangible assets owned by the Company.

b. Lease assets under finance lease transactions other than those in which titles to leased property are deemed to be transferred to lessees

Lease assets are depreciated over the corresponding lease terms with their residual value to be zero, using the straight-line method.

Finance lease transactions other than those in which titles to leased property are deemed to be transferred to lessees that began on or before March 31, 2008 are accounted for as the ordinary operating lease transactions.

(3) Accounting standards for allowances and accruals

1) Allowance for doubtful receivables

In order to prepare for the loss on bad debts for account receivables, the unrecoverable amounts are recorded based on the historical write-off ratio for ordinary receivables, and after careful study of collectibility of special accounts, including the doubtful accounts.

2) Reserve for Bonuses

In order to prepare for the bonuses for the employees, the necessary amounts are recorded based on the estimate of payments.

3) Reserve for Bonuses for Directors and Corporate Auditors

In order to prepare for the bonuses for the Directors and Corporate Auditors, the necessary amounts are recorded based on the estimate of payments.

(4) Hedge accounting

1) Hedge accounting

Gains or losses on derivatives are deferred until realization of the hedged item. Transactions under forward foreign exchange contracts that meet certain requirements of hedge accounting are recorded based on the forward rate.

Interest-rate swap contracts that meet the requirements of the preferential accounting method are accounted for by the preferential accounting method.

2) Hedging instruments and hedged transactions

a. Hedging instrument … Forward foreign exchange contracts

Hedged item … Foreign currency monetary assets and forecasted transactions

b. Hedging instrument … Interest-rate swap contracts

Hedged item … Interest on loans

3) Hedging policy

The Company will enter into contracts for derivative trading only within the scope of actual requirements in accordance with the internal risk management regulations, and will refrain from derivative trading for speculation purposes.

4) Method of evaluating hedge effectiveness

The evaluation of the effectiveness of forward foreign exchange contracts for the hedging of foreign currency forecasted transactions are omitted, because all such transactions are committed to be sold in the future and are very likely to be implemented.

The evaluations of the effectiveness of forward foreign exchange contracts recorded based on the forward rate and interest-rate swap contracts recorded by the preferential accounting method are omitted on the closing date of the fiscal year under review.

(5) Other significant matters for the preparation of the non-consolidated financial statements

Accounting of consumption tax, etc.

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(6) Additional Information

(Classification of Cost of sales, and Selling expenses and general and administrative expenses)

As expanding overseas bases, the Company has seen a gradual increase in global management operations and businesses taking on the character of research and development. With organizational changes in the fiscal year under review, the Company reviewed segregation of duties of each department and treated expenses depending on contents of business. As a result, part of cost of sales which was recorded as cost of manufacturing is recorded as Selling expenses and general and administrative expenses.

Due to this change, Cost of sales decreased by ¥1,436 million and Gross profit increased by the same amount in the consolidated fiscal year under review, compared to the result of existing accounting method. In addition, Selling expenses and general and administrative expenses increased by ¥1,609 million and Operating income decreased by ¥172 million.

2. Notes to the Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥75,309 million

(2) Short-term monetary receivables from subsidiaries and affiliates ¥32,639 million

Long-term monetary receivables from subsidiaries and affiliates ¥21,921 million

Short-term monetary payables to subsidiaries and affiliates ¥16,209 million

3. Notes to the Non-Consolidated Statement of Income

(1) Sales to subsidiaries and affiliates ¥126,268 million

(2) Purchases from subsidiaries and affiliates ¥103,450 million

(3) Transactions other than operating transactions with subsidiaries and affiliates ¥11,629 million

4. Notes to the Non-Consolidated Statement of Changes in Net Assets

Matters regarding the class and number of shares of treasury stock

Class of share	Number of shares as of the end of the previous fiscal year	Increase	Decrease	Number of shares as of the end of the fiscal year under review
Common stock	2,910,398	17,031	56,000	2,871,429

Note: The increase of 17,031 shares in the number of shares of treasury stock (common stock) was due to the purchase of shares of less-than one unit.

A decrease in treasury common stocks by 56,000 shares was caused by exercise of Stock Acquisition Rights.

5. Tax Effect Accounting

Major causes for accrual of deferred tax assets and liabilities

(1) Current Assets and Liabilities

(Deferred tax assets)	
Accrued expenses	¥170 million
Business tax payable	¥49 million
Reserve for bonuses	¥707 million
Allowance for doubtful receivables	¥11 million
Others	¥242 million
Total deferred tax assets	¥1,182 million

(2) Non-current Assets and Liabilities

(Deferred tax assets)	
Investment securities, etc.	¥67 million
Excessive depreciation	¥189 million
Allowance for doubtful receivables	¥65 million
Long-term accounts payable	¥133 million
Prepaid retirement benefits	¥2,805 million
Assets for one-time depreciation	¥101 million
Loss carried forward	¥8,266 million
Others	¥711 million
Subtotal of deferred tax assets	¥12,341 million
Valuation reserve	(¥8,340 million)
Total deferred tax assets	¥4,000 million

(Deferred tax liabilities)	
Reserve for advanced depreciation of non-current assets	¥770 million
Reserve for special depreciation	¥1 million
Unrealized holding gain on investment securities	¥206 million
Others	¥183 million
Total deferred tax liabilities	¥1,162 million
Net deferred tax assets	¥2,838 million

6. Leased Non-current Assets

In addition to the non-current assets stated on the Non-Consolidated Balance Sheet, certain module production facilities, computers, computer peripherals, and other types of office equipment are used under lease contracts.

7. Transactions with Related Parties

(1) Parent company and major corporate shareholders etc.

No items to report.

(2) Corporate Officers and major individual shareholders

No items to report.

(3) Subsidiaries and affiliates

(Millions of yen)

Class	Name	Address	Capital	Contents of business	Percentage of voting rights	Contents of relationship	Contents of transactions	Amounts of transactions	Account	Balance as of the end of the fiscal year under review
Subsidiary	That's Fukushima Co., Ltd.	Date, Fukushima	¥300 million	Production of Electronic Components	Direct ownership 100.0%	Financial assistance Interlocking Corporate Officers	Repayment	2,370	Long-term loans receivable (Note 2)	9,080
						Purchase of merchandise	Purchase of merchandise	17,243	Accounts payable	1,237
Subsidiary	Niigata Taiyo Yuden Co., Ltd.	Joetsu, Niigata	¥1,000 million	Production of Electronic Components	Direct ownership 100.0%	Financial assistance Interlocking Corporate Officers	Lending	200	Long-term loans receivable (Note 2)	9,900
							Repayment	1,900		
Subsidiary	KOREA TAIYO YUDEN CO., LTD.	Masan-City, Korea	10,000 million Won	Production & sale of Electronic Components	Direct ownership 100.0%	Distribution of the Company's products Interlocking Corporate Officers	Sales	10,154	Accounts receivable	2,158
Subsidiary	KOREA KYONG NAM TAIYO YUDEN CO., LTD.	Sachon-City, Korea	59,758 million Won	Production of Electronic Components	Direct ownership 100.0%	Purchase of merchandise Interlocking directorate	Purchases	10,533	Accounts payable	2,255
Subsidiary	HONG KONG TAIYO YUDEN CO., LTD.	Hong Kong	HK$ 20,400 thousand	Sale of Electronic Components	Direct ownership 100.0%	Distribution of the Company's products Interlocking Corporate Officers	Sales	19,473	Accounts receivable	3,663
Subsidiary	TAIYO YUDEN (Guangdong) CO., LTD.	Guangdong, China	US$ 68,570 thousand	Production of Electronic Components	Direct ownership 89.9% Indirect ownership 10.1%	Purchase of merchandise Interlocking Corporate Officers	Purchases	12,278	Accounts payable	2,070
Subsidiary	TAIYO YUDEN (PHILIPPINES) INC.	Cebu, Philippines	P.P 490 million	Production of Electronic Components	Direct ownership 100.0%	Purchase of merchandise Interlocking Corporate Officers	Purchases	26,800	Accounts payable	2,294
Subsidiary	TAIYO YUDEN (SINGAPORE) PTE LTD	Singapore	S$ 30,855 thousand	Sale of Electronic Components	Direct ownership 100.0%	Distribution of the Company's products Interlocking Corporate Officers	Sales	19,745	Accounts receivable	3,374
Subsidiary	TAIWAN TAIYO YUDEN CO., LTD.	Taipei, Taiwan	NT$ 667,000 thousand	Sale of Electronic Components	Direct ownership 100.0%	Distribution of the Company's products Interlocking Corporate Officers	Sales	28,080	Accounts receivable	5,293
Subsidiary	TAIYO YUDEN (SARAWAK) SDN. BHD.	Sarawak, Malaysia	M$ 100 million	Production of Electronic Components	Direct ownership 100.0%	Purchase of merchandise Interlocking Corporate Officers	Purchases	15,194	Accounts payable	2,585
Subsidiary	Victor Advanced Media Co., Ltd.	Chuo-ku, Tokyo	¥200 million	Sale of Electronic Components	Direct ownership 65.0%	Distribution of the Company's products Interlocking Corporate Officers	Sales	8,643	Accounts receivable	2,733
Affiliate	START Lab Inc.	Chiyoda-ku, Tokyo	¥300 million	Sale of Electronic Components	Direct ownership 49.9%	Distribution of the Company's products Interlocking Corporate Officers	Sales	10,412	Accounts receivable	3,252

Notes: 1. The amount of transactions excludes consumption tax etc., but the balance as of the end of the fiscal year under review includes consumption tax etc.
2. As for sale of loans receivable, the interest rates are reasonably determined based upon the market rate.
3. As for sales or purchases of products and goods, prices are set by reference to the market price.

(4) Companies under the same ownership as the Company
No items to report.

8. Notes to the Per-share Information

(1)	Net assets per share	¥884.84
(2)	Net income per share	¥38.06

9. Significant Subsequent Events

No items to report.

10. Figures Stated

Figures less than ¥1 million are rounded down to the nearest ¥1 million.

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

INDEPENDENT AUDITORS' REPORT

May 14, 2010

The Board of Directors
Taiyo Yuden Co., Ltd.

KPMG AZSA & Co.

Mamoru Yamamoto, CPA (Seal)
Designated Partner,
Engagement Partner

Kenji Kitagawa, CPA (Seal)
Designated Partner,
Engagement Partner

Yukio Kurihara, CPA (Seal)
Designated Partner,
Engagement Partner

Pursuant to Article 444, Paragraph 4, of Corporate Law, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements of Taiyo Yuden Co., Ltd. for the 69th fiscal term from April 1, 2009 to March 31, 2010. Preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting policies and application methods used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our 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 standards generally accepted in Japan.

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

Certified Copy of the Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

May 14, 2010

The Board of Directors
Taiyo Yuden Co., Ltd.

KPMG AZSA & Co.

Mamoru Yamamoto, CPA (Seal)
Designated Partner,
Engagement Partner

Kenji Kitagawa, CPA (Seal)
Designated Partner,
Engagement Partner

Yukio Kurihara, CPA (Seal)
Designated Partner,
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Corporate Law, 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 net assets and notes to the non-consolidated financial statements, and the supplementary schedules of Taiyo Yuden Co., Ltd. for the 69th fiscal term from April 1, 2009 to March 31, 2010. Preparation of these non-consolidated financial statements and the supplementary schedules is the responsibility of the Company's management. Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements and supplementary schedules, assessing the accounting policies and application methods used and significant estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements. We believe that our audit provides a reasonable basis for our 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 standards generally accepted in Japan.

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

Certified Copy of the Audit Report by the Board of Corporate Auditors

AUDIT REPORT

The Board of Corporate Auditors, following deliberations on the reports made by each Corporate Auditor concerning the audit of execution of duties by Directors of the Board for the 69th fiscal term from April 1, 2009 to March 31, 2010, has prepared this Audit Report as the unanimous opinion of all Corporate Auditors and hereby submits it as follows:

1. Summary of Auditing Methods by Corporate Auditors and Board of Corporate Auditors

   The Board of Corporate Auditors established the auditing policies and division of duties, received reports and explanations regarding the status of audits and the results thereof from each Corporate Auditor, as well as reports and explanations regarding the status of the execution of duties from the Directors, employees and Accounting Auditor, and requested explanation as necessary.

   In accordance with the auditing standards for Corporate Auditors determined by the Board of Corporate Auditors and the auditing policies and division of duties, each Corporate Auditor made efforts to collect information and established auditing circumstances through communication with internal control department, internal audit department and other employees, and attended the Board of Directors Meetings, Management Committee and other important meetings to receive reports regarding the status of execution of duties from Directors and employees and requested explanations as necessary. Each Corporate Auditor also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices. Each Corporate Auditor verified the resolutions adopted by the Board of Directors Meetings regarding the establishment of the system for ensuring that the Directors' duties are performed in conformity of laws, regulations and the Company's articles of incorporation, and the establishment of the system necessary to ensure proper business operations of the company set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Corporate Law, and monitored and verified the systems (internal control system) established in accordance with the resolution of the Board of Directors.

   Corporate Auditors also reviewed the basic policy stipulated in Item 3-(a), Article 118 of the Enforcement Regulations for the Corporate Law and the activities stipulated in Item 3-(b) of the same Article which are described in the business report, based on deliberations at the Meeting of the Board of Directors and other meetings. Corporate Auditors received from subsidiaries their business reports as necessary through communication and information sharing with their Directors and Corporate Auditors. In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules for the year ended on March 31, 2010.

   Further, Corporate Auditors monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Corporate Auditor also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately", based on Article 159 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 reviewed the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements) and the supplementary schedules and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements) for the year ended on March 31, 2010.

2. Results of Audit

(1) Results of audit of business report

i. The business reports and supplementary schedules present fairly the financial 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, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Company's articles of incorporation;

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 with respect to internal control pertaining to financial reports; and

iv. There are no matters to be pointed out with respect to the basic policies on those who shall control the decision of the Company's financial and operational policies described in the business reports. Activities stipulated in Item 3-(b), Article 118 of the Enforcement Regulations for the Corporate Law, which are described in the business reports, are in line with such basic principles, unharmful to common interest of shareholders, and not intended to maintain the positions of Corporate Officers of the Company.

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

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

(3) Results of audit of consolidated financial statements

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

May 20, 2010

The Board of Corporate Auditors of Taiyo Yuden Co., Ltd.

Norio Osakabe (Seal)
Corporate Auditor (Full-time)

Mamoru Yamaki (Seal)
Corporate Auditor (Full-time)

Toshinobu Inada (Seal)
Outside Corporate Auditor

Tomonori Akisaka (Seal)
Outside Corporate Auditor

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Dividends from Surplus

The Company considers it the most important issue for its management to distribute plentiful returns to its shareholders. On the other hand, the Company recognizes that at the current stage, in order to become a stably and sustainably growing company, it is focusing on investments. During this stage, to improve future profitability, the Company will aggressively develop new products and technologies, and increase production capacity etc.

The Company will maintain its current dividend policy (¥10 per year) at this moment. Once the Company confirms that its profitability structure is steadily improved, it will consider reviewing its dividend policy.

The Company is making efforts to raise the total return of profits including the acquisition, etc. of treasury stock as a means to return profits to shareholders other than by the distribution of dividends.

In accordance with the above-mentioned policy, the Company proposes the dividends from surplus for the fiscal year under review 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:
¥5 per share (common stock of the Company) Total amount: ¥588,049,830
(3) Effective date for dividends from surplus:
June 30, 2010

2. Other matters concerning dividends from surplus
No items to report.

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the Proposal
(1) The Company proposes to change its English trade name to TAIYO YUDEN in capital letters for the purpose of improving brand value of the entire Group and contributing to further business development with standardization of the corporate brand (TAIYO YUDEN) and trade name of the Company.
(2) It is proposed to delete relevant regulations of Executive Director from the Company's articles of incorporation in order to abolish the Executive Director system and implement the Managing Officer system, thereby enhancing functions of Managing Officers and further clarifying roles and responsibilities of Directors who engage in the corporate decision-making, monitor and mutually supervise exercise of duties by Directors and Managing Officers who conduct business. It is also proposed to change the regulations on the Convocation of the General Meeting of Shareholders and the Board of Directors and Chairman.

2. Details of the Amendments

Details of the amendments are as follows:

(Underlined parts are amended.
Note: In case that change in original Japanese text does not effect a substantial change in the meaning, no change is made to English translation.)

Current Articles of Incorporation	Proposed Amendments
(Trade Name)	(Trade Name)
Article 1. The name of the Company shall be "Taiyo Yuden Kabushiki Kaisha" and in English it shall be "Taiyo Yuden Co., Ltd.".	Article 1. The name of the Company shall be "Taiyo Yuden Kabushiki Kaisha" and in English it shall be "TAIYO YUDEN CO., LTD.".
Article 2. through Article 12. (Omitted)	Article 2. through Article 12. (Unchanged)
(Convocation of Meetings and Chairman)	(Convocation of Meetings and Chairman)
Article 13. The President and Director of the Company shall convene the general meetings of shareholders and act as the chairman thereof.	Article 13. The Representative Director of the Company shall convene the general meetings of shareholders and act as the chairman thereof.
2. When the position of the President and Director is vacant or the President and Director is unable to act as the chairman, another Director, determined in accordance with an order of priority previously determined by resolution of the Board of Directors of the Company, shall act as the chairman thereof.	2. When there are several Representative Directors, a Representative Director first in line, determined in accordance with an order of priority previously determined by resolution of the Board of Directors, shall convene the general meeting of shareholders and act as the chairman thereof. When the position of the Representative Director is vacant or the Representative Director is unable to act as the chairman, another Director, determined in accordance with an order of priority previously determined by resolution of the Board of Directors of the Company, shall act as the chairman thereof.
Article 14. through Article 19. (Omitted)	Article 14. through Article 19. (Unchanged)
(Representative Directors and Executive Directors)	(Representative Directors)
Article 20. Representative Directors shall be elected by resolution of the Board of Directors of the Company and one of them shall be appointed as the President and Director.	Article 20. Representative Directors shall be elected by resolution of the Board of Directors of the Company.
2. The Board of Directors may elect by resolution one (1) Chairman of the Board of Directors, several Vice Chairmen of the Board of Directors, Executive Vice Presidents and Directors, Senior Executive Directors, Executive Directors and Advising Directors, whenever necessary.	(Deleted)
(Convocation of Meetings and Chairman)	(Convocation of Meetings and Chairman)
Article 21. Except as otherwise provided by law, the President and Director shall convene the meetings of the Board of Directors and act as the chairman thereof.	Article 21. Except as otherwise provided by law, the Director determined by the Board of Directors shall convene the meetings of the Board of Directors and act as the chairman thereof.
Article 22. through Article 39. (Omitted)	Article 22. through Article 39. (Unchanged)

Proposal No. 3: Election of Nine (9) Directors

All of the eight (8) Directors in office will expire at the conclusion of this Ordinary General Meeting of Shareholders.

It is proposed that the number of Directors be increased by one (1), in order to vitalize the functions of the Board of Directors and further enhance and strengthen the management system.

Therefore, the Company hereby asks that nine (9) Directors be elected.

The candidates for Director are as follows:

Candidate number	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions		Number of Company shares held
1	Yoshiro Kanzaki (March 16, 1943)	February, 1993 June, 1993 September, 2002 July, 2004 February, 2006 April, 2008	Joined the Company Director of the Company Executive Director of the Company Executive Vice President & Director of the Company President and Representative Director of the Company President and Representative Director, Chief of Corporate-Planning Headquarters of the Company (to the present)	34,000 shares
2	Shoichi Tosaka (August 5, 1955)	March, 1979 April, 2003 April, 2005 July, 2006 July, 2007 April, 2008 July, 2009	Joined the Company Senior Operating Officer, General Manager of Production Group of the Company Senior Managing Officer, Deputy Chief of Operation Headquarters, General Manager of Quality Assurance Office of the Company Director, Senior Managing Officer, Chief of Operation Headquarters I, General Manager of Corporate-Planning Div. 1 of the Company Senior Executive Director, Chief of Corporate-Planning Headquarters, Research & Development Laboratory of the Company Senior Executive Director, Chief of Electronic Components Headquarters, Deputy Chief of Corporate-Planning Headquarters, in charge of Research & Development Laboratory of the Company Senior Executive Director, in charge of Operation, Quality Assurance and Development, Chief of Electronic Components Headquarters of the Company (to the present)	4,000 shares

Candidate number	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions		Number of Company shares held
3	Katsumi Yanagisawa (January 2, 1949)	October, 1973	Joined the Company	7,640 shares
		April, 2001	Senior Operating Officer, General Manager of Sales Group of the Company	
		June, 2005	Director, Senior Managing Officer, Chief of Sales Headquarters of the Company	
		April, 2007	Executive Director, Senior Managing Officer, Chief of Sales Headquarters of the Company	
		July, 2007	Executive Director, in charge of Sales, Chief of Sales Headquarters of the Company (to the present)	
4	Takashi Tomaru (March 25, 1953)	March, 1977	Joined the Company	9,000 shares
		April, 2001	Senior Operating Officer, General Manager of Production Group of the Company	
		June, 2005	Director, Senior Managing Officer, Chief of Management & Administration Headquarters, controlling Platform, controlling Material & Logistics of the Company	
		July, 2006	Director, Senior Managing Officer, Chief of Management & Administration Headquarters of the Company, CSR & Internal Control Office	
		April, 2007	Executive Director, Senior Managing Officer, Chief of Management & Administration Headquarters, in charge of CSR & Internal Control Office of the Company	
		July, 2007	Executive Director, Chief of Management & Administration Headquarters, in charge of CSR & Internal Control Office of the Company	
		April, 2008	Chairman of TAIYO YUDEN CHINA CO., LTD.	
		July, 2009	Executive Director, in charge of Management & Administration, Material and CSR & Internal Control, Chief of Management & Administration Headquarters, Chief of Material Headquarters (to the present)	
5	Eiji Watanuki (November 2, 1948)	March, 1971	Joined the Company	8,000 shares
		April, 2003	Senior Operating Officer, controlling marketing, Sales Group of the Company	
		July, 2004	Managing Officer, Deputy Chief of Marketing Headquarters of the Company	
		July, 2006	Director, Senior Managing Officer, Deputy Chief of Sales Headquarters of the Company	
		July, 2007	Director, in charge of Integrated Module Business, Chief of Integrated Module Business Headquarters of the Company (to the present)	

Candidate number	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions		Number of Company shares held
6	Akihiko Mochizuki (September 8, 1953)	May, 1986 April, 2003 April, 2005 July, 2006 July, 2007 July, 2009	Joined the Company Senior Operating Officer, Manager of Technology Group of the Company Managing Officer, General Manager of Module Business Div., Operation Headquarters, General Manager of Corporate-Planning Div., General Manager of Business Management Div. of the Company Director, Senior Managing Officer, Chief of Operation Headquarters II of the Company Director, Chief of Recording Media Product Headquarters, General Manager of Quality Assurance Office of the Company Director, in charge of Recording Media Business, Chief of Recording Media Product Headquarters (to the present)	2,000 shares
7	* Seiichi Tsutsumi (December 5, 1953)	March, 1977 December, 1999 April, 2000 April, 2007 July, 2007 July, 2009	Joined the Company General Manager of Automotives Marketing Div., Sales Headquarters of the Company President of TAIYO YUDEN (SINGAPORE) PTE LTD Chief of Products and Sales Planning Control Div., Sales Headquarters of the Company Managing Officer, in charge of Products and Sales Planning Control of Sales Headquarter of the Company Managing Officer, in charge of China (to the present) Chairman of TAIWAN TAIYO YUDEN CO., LTD. Chairman of TAIYO YUDEN ENTERPRISES COMPANY LIMITED Chairman of TAIYO YUDEN (GUANDDONG) CO., LTD. Chairman of DONGGUAN TAIYO YUDEN CO., LTD. Chairman of TAIYO YUDEN (CHINA) CO., LTD.	2,000 shares

Candidate number	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions	Number of Company shares held
8	Yuji Iwanaga (April 3, 1941) (Outside/Independent Officer)	April, 1964 Joined Tohato Inc. General Manager of Planning Division and Development Division September, 1970 Joined General Aircon Co., Ltd. General Manager of Room Aircon Sales Division, Sales Headquarters, and Marketing Headquarters April, 1981 Admitted to Japan Federation of Bar Association (to the present) September, 1984 Joined Lillick, McHose & Charles (Currently Pillsbury Winthrop Shaw Pittman LLP) (to the present) December, 1984 Admitted to State Bar of California (to the present) April, 2003 Outside Director of Manufacturers Bank July, 2005 Outside Director of JMS North America Corporation (to the present) June, 2006 Outside Director of the Company (to the present) June, 2007 Outside Director of SEGA SAMMY HOLDINGS INC. (to the present)	0 shares
9	Hisaji Agata (September 16, 1950) (Outside/Independent Officer)	April, 1974 Joined Nomura Securities Co., Ltd. March, 1981 Joined Japan Associated Finance Co., Ltd. (Currently JAFCO Co., Ltd.) June, 1997 Director of JAFCO (in charge of Investment Headquarters I) May, 2002 Managing Director of JAFCO (in charge of Investment Headquarters III) March, 2007 Executive Managing Officer of JAFCO (in charge of settlement) October, 2007 Commissioner of JAFCO January, 2008 Representative Director, President of HIBIKI Partners Co., Ltd. June, 2008 Director of the Company (to the present) September, 2008 Special Adviser of HIBIKI Partners Co., Ltd. (to the present) March, 2010 Outside Auditor of RaQualia Pharma Inc. (to the present) Outside Auditor of TMRC Co. Ltd. (to the present)	0 shares

Notes: 1. * indicates new candidate for Director.

2. No conflicts of special interest exist between the Company and each of the candidates.

3. Messrs. Yuji Iwanaga and Hisaji Agata are candidates for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Corporate Law and Independent Officers as stipulated in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange.

4. Concerning both candidates for Outside Director, there are no applicable matters relating to 1) improper business execution of the Company during the term in which they are in office as Outside Corporate Officers of the Company, or 2) improper business execution, etc. in other companies where they were in office as directors, managing officers or corporate auditors in the past five years.

5. Concerning facts relating to special related business operators of each candidate for Outside Director, there are no applicable matters relating to 1) being a business executor of a special related business operators, 2) provision and receipt of a large amount of money or other assets, 3) kinship relationship within the third contiguity with a business executor of the Company or special related business operators, 4) experience as a business executor at a special related business operators in the past five years, or 5) experience as business executor at a merged company, etc. in the past two years.

6. The following are reasons for electing the candidates for Outside Director, and for judging that they can execute their duties properly:
   a) Mr. Yuji Iwanaga is considered appropriate to be an Outside Director as having experience as managerial staff in business corporations, and knowledge and experience as an attorney specialized in corporate legal practices. Furthermore, the Company judges that Mr. Iwanaga will be able to objectively supervise management taking into account general shareholders' profits as an Independent Officer without any personal, capital, and business relationships, as well as other special interest with the Company. Accordingly, the Company proposes to elect him as Outside Director and Independent Officer.
      Mr. Iwanaga will have served as Outside Director for the Company for four (4) years upon the conclusion of this year's General Meeting of Shareholders.
   b) Mr. Hisaji Agata is considered appropriate to be an Outside Director as having numerous achievements and insights as an expert in corporate incubation aiming to formulating a highly transparent and sound business structure, as well as a manager. Furthermore, the Company judges that Mr. Agata will be able to objectively supervise management taking into account general shareholders' profits as an Independent Officer without any personal, capital, and business relationships, as well as other special interest with the Company. Accordingly, the Company proposes to elect him as Outside Director and Independent Officer.
      Mr. Agata will have served as Outside Director for the Company for two years upon the conclusion of this year's General Meeting of Shareholders.
7. The Company's articles of incorporation provide that the Company may enter into an agreement with Outside Director to the effect that any liability for damages of such Outside Director arising from negligence in the performance of his or her duties shall be limited, and such agreements between the Company and Messrs. Iwanaga and Agata are in force. If their reappointment is approved, the Company plans to continue said agreements. An overview of said agreements is provided below.
   - The Outside Director shall be liable to the Company for damages caused in relation to failure of his or her duty up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Corporate Law, as long as the Outside Director performs his or her duty without knowledge and gross negligence.

Proposal No. 4: Election of One (1) Substitute Corporate Auditor

In order to prepare for the case when the number of Outside Corporate Auditors stipulated by laws and regulations might be insufficient, the Company hereby asks that one (1) substitute Corporate Auditor be elected in advance.

The Board of Corporate Auditors has already given its approval for this proposal.

The candidate for the substitute Corporate Auditor is as follows:

Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions		Number of Company shares held
Hiroshi Arai (June 8, 1956)	April, 1983	Admitted to Japan Federation of Bar Association (to the present)	0 shares
	April, 1984	Opened Arai Hiroshi Law Firm. (to the present)	
	July, 2002	Outside Corporate Auditor of Air Cycle Home Gunma Co., Ltd.	
	June, 2004	Outside Corporate Auditor of Sogo PR Co., Ltd. (to the present)	

Notes: 1. No conflicts of special interest exist between the Company and the candidate.

2. The reason for the proposal to elect Mr. Hiroshi Arai as a substitute for Outside Corporate Auditor is to reflect his professional knowledge as an attorney in the audits of the Company. The reason that the Company believes he is able to execute his duties is based on general considerations such as the aforementioned experience.

3. The Company's articles of incorporation provide that the Company may enter into an agreement with Outside Corporate Auditors to the effect that any liability for damages of such Outside Corporate Auditor arising from negligence in the performance of his or her duties shall be limited. In accordance with this provision, the Company will enter into such a liability limitation agreement with Mr. Hiroshi Arai, a candidate for substitute Outside Corporate Auditor, when Mr. Arai actually assumes the post of Corporate Auditor. An overview of said agreement is provided below.

   - The Outside Corporate Auditor shall be liable to the Company for damages caused in relation to failure of his or her duty up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Corporate Law, as long as the Outside Corporate Auditor performs his or her duty without knowledge and gross negligence.