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(Security Code: 6976)
June 8, 2011

To Those Shareholders with Voting Rights:

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

NOTICE OF CONVOCATION OF THE 70TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We express our heartfelt sympathy to all who were affected by the Great East Japan Earthquake on March 11, 2011, and hope for the earliest restoration of the devastated areas.

You are cordially invited to attend the 70th 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 on the following pages and exercise your voting rights in accordance with the methods shown on the next page.

1. **Date and Time:** 10:00 a.m. June 29, 2011 (Wednesday) (Reception desk opens at 9:00 a.m.)
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 Auditors and the Board of Corporate Auditors for the 70th Fiscal Term (from April 1, 2010 to March 31, 2011)
   2. Details of the Non-Consolidated Financial Statements for the 70th Fiscal Term (from April 1, 2010 to March 31, 2011)

   Matters to be resolved:

   Proposal No. 1: Dividends from Surplus
   Proposal No. 2: Election of Ten (10) Directors
   Proposal No. 3: Election of Two (2) Corporate Auditors
   Proposal No. 4: Election of One (1) Substitute Corporate Auditor

4. **Resolved matters upon convocation of the 70th 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 (3) 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 5:00 p.m. on Tuesday, June 28, 2011.

[Voting via the Internet]
If you choose to vote via the Internet, please review the Guidance on Voting via the Internet on page 3.

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. Please bring this Convocation Notice with you in order to save resources.

- 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.

- The temperature inside the venue will be set higher than usual to save electricity due to a tight supply and demand situation of power supply. You are encouraged to wear light clothing to attend the Meeting. We will be welcoming you wearing “Cool Biz,” a summer business style without tie/jacket.

《GUIDANCE ON VOTING VIA THE INTERNET》

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

   When exercising voting rights via the Internet, please acknowledge the following matters before exercising the rights.

   (1) Exercise of voting rights via the Internet is only possible by accessing the website (see URL shown below) designated by the Company for the purpose of exercising voting rights. Please note that a code for the exercise of voting rights and a password provided on your Voting Rights Exercise Form enclosed with the convocation notice are necessary for exercising voting rights via the Internet.

   (2) The code for the exercise of voting rights and password provided this time are effective only for this General Meeting of Shareholders. For the next General Meeting, a new code and a password will be issued.

   (3) You are cordially requested to exercise your voting rights via the Internet prior to 5:00 p.m., Tuesday, June 28, 2011.

   (4) Any access charge to be paid to a service provider, communication charge, or other costs relating to the Internet shall be borne by shareholders.

2. Instructions for exercising voting rights via the Internet

   (1) Access http://www.it-soukai.com/ or https://daiko.mizuho-tb.co.jp/.

   The above URLs are unavailable for access between 3:00 a.m. to 5:00 a.m. during the exercise period.

   (2) Enter your code for the exercise of voting rights and password, and click the "Login" button.

   The code for the exercise of voting rights and password are provided at the bottom right side of your Voting Rights Exercise Form enclosed with the convocation notice.

   (3) Exercise your voting rights by following the guidance on the screen.

3. System requirements

   (1) Personal computer

   Windows® computer

   Please note, for some mobile phone units such as smartphones, there is no guarantee of proper operation, and service may not be available. Mobile phone-tailored service is not available.

   (2) Browser

   Microsoft® Internet Explorer 5.5 or higher

   There is no guarantee of proper operation for Microsoft® Internet Explorer 8 or more recent versions, and service may not be available.

   (3) Internet environment

   An environment in which access to the Internet is available is necessary. (for example, through a contract with an Internet service provider)

   (4) Monitor resolution

   1024 x 768 or higher is recommended.

   *Microsoft and Windows are registered trademarks or trademarks of Microsoft Corporation in the U.S. and other countries.

4. Security

   You may exercise your voting rights safely due to the encryption technology (SSL 128 bit) used to protect your voting information from being tampered with or stolen.

The code for the exercise of voting rights and password provided on your Voting Rights Exercise Form are important to verify that the person voting is a genuine shareholder. Please maintain them as strictly confidential. In no event will the Company ask you your password.

5. Inquiries

   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)

[Reference]
Institutional investors may use the electronic platform for the exercise of voting rights operated by ICJ Inc.

Attached Documents

BUSINESS REPORT

(from April 1, 2010 to March 31, 2011)

1. Current Status of the Company Group

(1) Review of operations

As for the market condition surrounding the Taiyo Yuden Group, with economic growth in China and other emerging countries and monetary and financial measures in developed countries, the world economy continued to gradually recover, despite still harsh employment situation. Accordingly, the business condition steadily grew.

In Japan, personal consumption steadily increased in spite of lackluster capital investment and a high unemployment rate.

Regarding electronics products, while the number of orders of products for communication equipment increased compared to the previous fiscal year, thanks especially to expanding demand for smartphones on which more parts are mounted, the number of orders of products for information equipment and components decreased due to inventory adjustment of personal computers and liquid crystal panels.

Meanwhile, the Great East Japan Earthquake on March 11, 2011 caused great damages mainly to Tohoku area, influenced the world economy, and forced assembly manufacturers to adjust production.

Under such circumstances, the Taiyo Yuden Group focused on the following activities.

In the capacitors segment, the Company worked to promote cost reductions - primarily by improving the productivity of its flagship multilayer products - and to enhance business practices by reinforcing new market cultivation activities to accelerate sales. In the ferrite and applied product segment, the Company promoted expansion of sales and stable supply of wire-wound inductors to meet the high demand for power circuits in digital equipment. In the modules segment, the Company reinforced the performance of combination module of Bluetooth® and wireless LAN and conducted proactive promotional activities. In the other electronic components segment, the Company provided products to meet demands from the market of mobile phones such as smartphones, by transferring business of SAW/FBAR devices that the Company took over at the end of the previous fiscal year and changing commercial distribution. In the recording media products segment, profitability is deteriorating with sharply shrinking markets of existing products, such as CD-R and DVD-R, and the business environment is expected to remain harsh in the future. Accordingly, the Company implemented a structural reform including downsizing of production capacity.

Accordingly, the consolidated net sales totaled ¥210,401 million, up 7.5% year on year, operating income totaled ¥8,792 million, up 109.1% year on year, and ordinary income totaled ¥6,740 million, up 242.8% year on year. With extraordinary loss resulting from implementation of the structural reform in the recording media products segment, as well as disaster loss caused by the Great East Japan Earthquake, net loss totaled ¥5,506 million, compared to net loss of ¥680 million in the previous fiscal year.

The average exchange rate during the fiscal year under review of ¥86.46 per the US dollar represents an increase of ¥7.02 compared to the average value of the yen in the previous fiscal year of ¥93.48 per dollar.

Details of the structural reform in the recording media products business which was implemented in the fiscal year under review are as follows:

(i) Backdrop of and reason for implementation of the structural reform

The Company has promoted optical recording media product business including CD-R, DVD-R, and

BD-R since the development of CD-R in 1988. The Company's products have won high praise from many users as reliable Japan-made optical recording media product as the Company has supplied high quality products to markets even in fierce competitions with emerging overseas makers.

Meanwhile, as high capacity recording media products such as HDD and flash memories have been diffusing and Internet business has been rapidly emerging in recent years, the market of existing optical recording media products, especially CD-R and DVD-R, is drastically shrinking. In order to respond to such circumstances, the Company has addressed a reduction in costs, improvement of productivity, expansion of sales channels, and development of user-friendly products. However, the Group's performance has been adversely affected by the extremely harsh business conditions.

In the previous fiscal year, the Company took measures mainly to reduce inventories of CD-R, DVD-R, and other existing products. However, with more-than-expected shrinking of the market, fiercer competition with foreign optical recording media products due to appreciation of yen, as well as effects from surging material prices, the business environment is forecast to remain very harsh centering on existing products. Accordingly, judging that it is necessary to revitalize recording media products early, the Group implemented the structural reform of existing products so as to deal with the situation.

(ii) Outline of the structural reform

a. Downsizing of production capacity

The production capacity of optical recording media products was downsized to proper production volume, 65 million discs per month, from 110 million discs. In addition, inventories at the end of fiscal year under review were reduced about 40% compared to the level at the end of previous fiscal year in order to make the size of inventories appropriate.

b. Personnel reduction

With the downsizing of production capacity stated in the above a., the Company reduced the number of personnel involved in recording media products by reshuffling and transferring some of them as business resources to the electronic components segment including a new business. Consequently, approx. 45% of personnel in this business were reduced.

(iii) Extraordinary loss incurred

Due to this structural reform, the Company reported loss on retirement and sale of property, plant and equipment and impairment loss which totaled ¥8.8 billion in extraordinary losses, in the second quarter of the fiscal year under review. Depreciation expenses of relevant facilities decreased a total of about ¥1.5 billion in the third and the fourth quarter due to the retirement and sale of facilities and impaired values.

Impacts of the Great East Japan Earthquake on March 11, 2011 on the Group and measures to deal with them are as follows:

i) Establishment of the Risk Control Committee

The Group established the Risk Control Committee immediately after the occurrence of the earthquake, strived to comprehend the extent of damages, and was working on the company-wide activities for the restoration.

ii) Damages caused by the Earthquake

Although any staff of the Group did not suffer damage, some buildings and facilities were destructed in That's Fukushima Co., Ltd, the Company's subsidiary, production bases in Gunma Prefecture, and sales offices in Tohoku area, and operations were temporarily shut down due to a planned power outage.

iii) Impacts on business results

Loss on (earthquake) disaster of ¥1,409 million was recorded on extraordinary losses due mainly to disposal and repair of inventories and non-current assets damaged by the Great East Japan Earthquake.

The Company also donated ¥50 million to Fukushima Prefecture as relief money.

iv) Present situation

Although some production bases had been shut down after the earthquake, the Company early completed the repair of facilities as doing the best to restore them, and finally resumed their operations in series after confirming safety. Presently, there is no material impact on shipment.

While it is not expected for the Company to incur a large amount of costs regarding restoration of facilities in the future, the following measures were considered in the fiscal year under review.

a. Measures to restrain total power consumption

In preparation for summer season, as the regulation of total power consumption of business operators is being considered, electricity enough to operate plants may not be supplied.

The entire Group will work together to maintain production capacities to the utmost extent, and make efforts for stable supply to customers with the following measures: introduction of private electric generator; changes in working hours and shift; moving production to domestic establishments which are not affected by the regulation of total power consumption; increasing production overseas; and stock of finished products.

b. Procurement system for materials

Immediately after the earthquake, troubles in procurement of components occurred as operations of component suppliers stopped and logistics were confused with severed traffic networks and a shortage of gasoline.

Since it has presently become possible to use substitutes for components of concern about procurement and the devastated areas are recovering, the Company does not have big problems in procuring components, and have been back to normal with a usual procurement system.

The Company intends to consider overseas procurement and diversification of suppliers from the viewpoint of stable procurement of components.

The Company would like to express its gratitude for assistance and cooperation its shareholders and many other people gave to the Company.

Consolidated sales by business segment are as follows:

Consolidated Sales by Business Segment

(Millions of yen)

By Business segment	70th Term (current fiscal year) from April 1, 2010 to March 31, 2011	
	Amount	Percentage of total
		%
Capacitors	101,560	48.3
Ferrite and applied products	31,018	14.7
Modules	31,763	15.1
Other electronic components	15,527	7.4
Recording media products	20,479	9.7
Other	10,052	4.8
Total	210,401	100.0

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

2. From the fiscal year under review, business segments were reviewed and changed to fit reality.

[Capacitors]

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

In the fiscal year under review, overall consolidated net sales amounted to ¥101,560 million, because of the year-on-year increased sales of products for communication equipment and consumer products.

[Ferrite and applied products]

This business segment covers ferrite cores and products that incorporate ferrite cores, such as inductors.

In the fiscal year under review, overall consolidated net sales amounted to ¥31,018 million, because of the increase in sales of products for information equipment, communication equipment, and components, despite the year-on-year decrease in sales of products for consumer products.

[Modules]

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

In the fiscal year under review, overall consolidated net sales amounted to ¥31,763 million, because of a year-on-year decrease in sales of power supply modules and high-frequency modules.

[Other electronic components]

This business segment covers electronic components outside the above business segment.

Main products are SAW/FBAR devices such as SAW filters. Consolidated net sales in this segment in the fiscal year under review were ¥15,527 million.

[Recording media products]

This business segment covers CD-R, DVD-R/DVD+R, and BD-R.

In the fiscal year under review, consolidated net sales in this segment were ¥20,479 million, because of the year-on-year decrease in sales of CD-R and DVD-R/DVD+R.

[Other]

Most of sales in this segment are from the mounting business in subsidiaries. Consolidated net sales in this segment in the fiscal year under review were ¥10,052 million.

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

Business terms	67th Term from April 1, 2007 to March 31, 2008	68th Term from April 1, 2008 to March 31, 2009	69th Term from April 1, 2009 to March 31, 2010	70th Term (current fiscal year) from April 1, 2010 to March 31, 2011
Net sales (Millions of yen)	238,274	185,452	195,690	210,401
Ordinary income (loss) (Millions of yen)	19,141	(12,601)	1,966	6,740
Net income (loss) (Millions of yen)	10,634	(14,332)	(680)	(5,506)
Net income (loss) per share (Yen)	89.22	(121.51)	(5.78)	(46.82)
Total assets (Millions of yen)	271,605	225,451	236,361	221,272
Net assets (Millions of yen)	167,766	139,435	139,263	127,626
Net assets per share (Yen)	1,403.24	1,181.28	1,179.82	1,080.61

(3) Capital investment

Capital investment during the fiscal year under review amounted to ¥17,519 million on payment basis (¥9,352 million during the previous fiscal year). This consisted primarily of investments for enhancing capacities centering on capacitors, as well as investments for maintenance and streamlining.

(4) Financing

During the fiscal year under review, the Company did not raise funds with increase in capital, issuance of bonds, or borrowing of large amount of money.

¥4,062 million in long-term borrowings and ¥2,732 million in short-term borrowings were repaid.

In March 2009, the Company also renewed a commitment line of ¥10,000 million effective for three (3) years for emergencies, however, the Company had not used the line as of March 31, 2011.

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

Not applicable

(6) Acceptance of business assignment from other companies

Not applicable

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

Not applicable

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

Not applicable

(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 Company 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 and Risk Management Committee.

(10) Status of principal parent company and subsidiaries

1) Status of parent company

Not applicable

2) Status of subsidiaries (as of March 31, 2011)

Name	Location	Capital Stock	Percentage of equity participation of the Company	Principal business
			%	
TAIWAN TAIYO YUDEN CO., LTD.	Taiwan	NT$333,500 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 (GUANGDONG) CO., LTD.	China	US$69,550 thousand	100.0 (11.4)	Production of Electronic Components
TAIYO YUDEN （SHANGHAI） TRADING CO., LTD.	China	US$223 thousand	100.0 (10.3)	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.	Philippines	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 Recording Media Products, etc.
Victor Advanced Media Co., Ltd.	Tokyo	¥200 million	65.0	Sale of Recording Media Products, etc.
Taiyo Chemical Industry Co., Ltd.	Gunma	¥160 million	100.0	Production and Sale of Electronic Components
Chuki Seiki Co., Ltd.	Wakayama	¥100 million	88.1	Production of Electronic Components
TAIYO YUDEN Mobile Technology Co., Ltd.	Kanagawa	¥100 million	100.0	Production 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 35, including the 20 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 “(1) Review of operations.”

(11) Principal business (as of March 31, 2011)

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

(12) Principal offices and plants (as of March 31, 2011)

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, 2011)

1) Employees of the Taiyo Yuden Group

Number of employees (persons)	Increase (Decrease) from the previous consolidated fiscal year (persons)
17,267	(569)

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)
2,988	31	40.3	15.9

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

(14) Major creditors (as of March 31, 2011)

Creditor	Loan outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	9,831
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,332
The Iyo Bank, Ltd.	4,832
The Gunma Bank, Ltd.	1,250
The Towa Bank, Ltd.	1,000

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

Not applicable

2. Shares of the Company (as of March 31, 2011)

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

(2) Total number of shares issued: 120,481,395 shares (including 2,894,450 shares of treasury stock)

(3) Number of shareholders 10,198

(4) Major shareholders (Top 10)

Name	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,627	14.9
Japan Trustee Services Bank, Ltd. (Trust Account)	10,936	9.3
Sumitomo Mitsui Banking Corporation	4,000	3.4
JPMorgan Securities Japan Co., Ltd.	3,018	2.5
State Street Bank and Trust Company 505103	3,009	2.5
The Iyo Bank, Ltd.	3,000	2.5
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,667	2.2
Nippon Life Insurance Company	2,380	2.0
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,377	2.0
The Sato Foundation Welfare Fund for Children of Traffic Accident Victims	1,916	1.6

Notes: 1. The Company holds 2,894,450 shares of treasury stock, however, it is excluded from the above-mentioned major shareholders.

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

(5) Other important matters concerning shares of the Company

The Company, in accordance with the resolution at the Meeting of Board of Directors held on May 25, 2011, is scheduled to change the number of shares constituting one unit of stock from 1,000 to 100 shares on August 1, 2011.

3. Status of Stock Acquisition Rights (as of March 31, 2011)

(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	Period of service	Date of resolution for issuance	Number of Directors subject to the allotment of stock acquisition rights (excluding Outside Directors)	Total number of stock acquisition rights	Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights	Exercisable period for the stock acquisition rights
June 2005 Issue of stock acquisition rights	July 2004 through June 2005	June 29, 2005	1 Director	8 units	8,000 shares of the common stock of the Company	June 30, 2005 through July 31, 2025
August 2006 Issue of stock acquisition rights	July 2005 through June 2006	July 31, 2006	3 Directors	17 units	17,000 shares of the common stock of the Company	August 24, 2006 through August 23, 2026
1st July 2007 Issue of stock acquisition rights	July 2006 through March 2007	June 28, 2007	6 Directors	23 units	23,000 shares of the common stock of the Company	July 14, 2007 through July 13, 2027
2nd July 2007 Issue of stock acquisition rights	April 2007 through March 2008	June 28, 2007	6 Directors	34 units	34,000 shares of the common stock of the Company	July 14, 2007 through July 13, 2027
June 2008 Issue of stock acquisition rights	April 2008 through March 2009	June 27, 2008	6 Directors	34 units	34,000 shares of the common stock of the Company	July 15, 2008 through July 14, 2028
May 2009 Issue of stock acquisition rights	April 2009 through March 2010	May 25, 2009	6 Directors	34 units	34,000 shares of the common stock of the Company	June 10, 2009 through June 9, 2029
June 2010 Issue of stock acquisition rights	April 2010 through March 2011	June 29, 2010	7 Directors	39 units	39,000 shares of the common stock of the Company	July 22, 2010 through July 21, 2030

(2) Main requirements for the stock acquisition rights

(Common requirements for the stock acquisition rights issued from June 2005 to June 2010)

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 become entitled to exercise the stock acquisition rights within twenty (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 twenty (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 a dissolving company, or a share exchange agreement or a share transfer under which the Company is to become a wholly owned subsidiary is approved at a General Meeting of Shareholders of the Company, the holder of 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 (limited to one 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 partially exercise of any unit of the stock acquisition rights.
4. Stock acquisition rights shall be granted without consideration.
5. The value of assets contributed upon the exercise of stock acquisition rights shall be ¥1 per share.
6. 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.

(Reason and conditions for cancellation of the stock acquisition rights issued in June 2005)

1. The Company may, without consideration, cancel stock acquisition rights that have not been exercised within the period set forth in “2. b) Common requirements for the stock acquisition rights issued from June 2005 to June 2010.”
2. The Company may, at any time, cancel stock acquisition rights acquired and held by the Company without consideration.

(Terms and condition for the acquisition of stock acquisition rights issued in and after August 2006)

If a holder of stock acquisition rights can no longer exercise his or her stock acquisition rights under the “Common requirements for the stock acquisition rights issued from June 2005 to June 2010” or loses his or her rights based on the regulation set forth in the “Stock Acquisition Right Contract,“ the Company may acquire such stock acquisition rights without consideration.

Note: The June 2005, August 2006 and the 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 term, however, from the second 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 term as part of Directors’ bonuses.

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

Not applicable

(4) 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 face 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 Capital Markets 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)

4. Corporate Officers (as of March 31, 2011)

(1) Directors and Corporate Auditors

Position	Name	Responsibilities in the Company and status of important concurrent occupations or positions at other organizations
President and Chief Executive Officer	Yoshiro Kanzaki	
Director and Senior Executive Operating Officer	Shoichi Tosaka	In charge of Operation, Quality Assurance and Development
Director and Senior Executive Operating Officer	Katsumi Yanagisawa	In charge of Sales
Director and Executive Operating Officer	Takashi Tomaru	In charge of Management & Administration, Material, CSR & Internal Control
Director and Executive Operating Officer	Eiji Watanuki	In charge of Integrated Module Business
Director and Senior Operating Officer	Akihiko Mochizuki	In charge of Recording Media Business
Director and Senior Operating Officer	Seiichi Tsutsumi	In charge of China
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

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
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 planned 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 standard of remuneration is determined by taking into account appropriateness based on situation of competitors and economic and social conditions, etc.

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” of the decision-making process of the remuneration.

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

<table>
<tr><th rowspan="3"></th><th colspan="2" rowspan="2">Number of persons paid and total amount of remuneration</th><th colspan="6">Content</th></tr>
<tr><th colspan="2">Monthly remuneration</th><th colspan="2">Director bonus</th><th colspan="2">Stock option-type remuneration</th></tr>
<tr><th>Number of persons</th><th>Total (¥ million)</th><th>Number of persons</th><th>Total (¥ million)</th><th>Number of persons</th><th>Total (¥ million)</th><th>Number of persons</th><th>Total (¥ million)</th></tr>
<tr><td>Directors</td><td>9</td><td>273</td><td>9</td><td>187</td><td>7</td><td>46</td><td>7</td><td>39</td></tr>
<tr><td>Corporate Auditors</td><td>4</td><td>69</td><td>4</td><td>69</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total
(Outside Directors and Outside Corporate Auditors)</td><td>13
(4)</td><td>343
(38)</td><td>13
(4)</td><td>256
(38)</td><td>7
(-)</td><td>46
(-)</td><td>7
(-)</td><td>39
(-)</td></tr>
</table>

Notes: 1. The number of persons paid states the number of persons subject to remuneration for the fiscal year under review, not the number of persons in office.

2. The limit of remunerations paid to Directors was resolved to be ¥450 million 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. The amount of remuneration for Directors does not include employee salaries of ¥16 million to Directors who serve concurrently as employees.

4. In addition to the remunerations stated above, the payment of retirement benefits for Directors and Corporate Auditors due to the abolition of the retirement benefit program was resolved at the 63rd Ordinary General Meeting of Shareholders held on June 29, 2004. According to this resolution, the Company will pay ¥4 million to one Outside Corporate Auditor who is eligible to receive the payment and will retire upon the conclusion of the 70th Ordinary General Meeting of Shareholders to be held on June 29, 2011.

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

(3) Outside Directors and Outside Corporate Auditors

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

Name		Other organizations where significant concurrent positions are held	Relationship between the Company and other organizations
Outside Director	Yuji Iwanaga	Partner of Pillsbury Winthrop Shaw Pittman LLP Outside Director of JMS North America Corporation Outside Director of SEGA SAMMY HOLDINGS INC.	No special relationship
Outside Director	Hisaji Agata	Special Adviser of HIBIKI Partners Co. Ltd. Outside Auditor of RaQualia Pharma Inc. Outside Auditor of TMRC Co., Ltd.	No special relationship
Corporate Auditor	Tomonori Akisaka	Professor at Professional Graduate School of Meiji University	No special relationship

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

Not applicable

3) Main activities in the fiscal year under review

	Attendance times of Board of Directors (held 17 times)	Attendance times of Board of Corporate Auditors (held 18 times)	Main activities
Outside Director Yuji Iwanaga	16 times (Attendance rate: 94.1%)	-	Mr. Iwanaga contributes to these meetings with appropriate comments on proposals and deliberations based mainly on his professional perspective as an attorney.
Outside Director Hisaji Agata	17 times (Attendance rate: 100.0%)	-	Mr. Agata also serves as advisor to other company, 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.
Outside Corporate Auditor Toshinobu Inada	12 times (Attendance rate: 70.5%)	16 times (Attendance rate: 88.8%)	Mr. 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 president and professor of university and professional perspective as an attorney.
Outside Corporate Auditor Tomonori Akisaka	15 times (Attendance rate: 88.2%)	17 times (Attendance rate: 94.4%)	Mr. 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 Yuji Iwanaga, Hisaji Agata, and the Outside Corporate Auditors 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 Companies Act, as long as the Outside Director performs his or her duty in good faith and without 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 Companies Act, as long as the Outside Corporate Auditor performs his or her duty in good faith and without gross negligence.

(5) Other important matters concerning Directors and Corporate Auditors

Not applicable

5. Accounting Auditor

(1) Name of Accounting Auditors

KPMG AZSA LLC

Note: KPMG AZSA &Co. became KPMG AZSA LLC on July 1, 2010 pursuant to the change of the class of auditing firm.

(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 LLC	65	69

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

2. Certified Public Accountants or auditing firm other than KPMG AZSA LLC are in charge of auditing the significant consolidated subsidiaries of the Company, located overseas.

(3) Business affairs other than accounting audits

Not applicable

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

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

(5) Matters concerning existing suspension of business

Not applicable

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

Not applicable

(7) Matters concerning Liability Limitation Agreements

Not applicable

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

Not applicable

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 perform their duties in accordance with laws, regulations and the Articles of Incorporation

The Company has established the Board of Corporate Auditors, and also has elected two Outside Directors. Judging that there is no possibility of conflict of interests between all of four Outside Directors and Outside Corporate Auditors and general shareholders, the Company has designated them as Independent Officer set forth in the Securities Listing Regulations of Tokyo Stock Exchange, Inc. The Company will enhance functions to supervise management with close cooperation with the Board of Corporate Auditors and the internal audit department.

To be more specific, the following measures are taken.

1) In order to ensure fairness of meetings and strengthen functions to supervise management, the Board of Directors shall be chaired by the Chairman of Board of Directors (Outside Directors, if the Chairman of Board of Directors is absent or unable to act as the chairman).

2) In order to further clarify roles and responsibilities of Directors who are involved in the corporate decision-making, monitor and mutually supervise exercise of duties by Directors, and persons who conduct business, Operating Officers are in place. The Operating Officers shall conduct business flexibly and quickly as manager of business operations in the scope entrusted by the Board of Directors, under the direction of President and Chief Executive Officer, in accordance with management policies and strategies determined at meetings of the Board of Directors.

3) For the purpose of conducting "highly transparent and fair management," as shown below, the Company has established a Nominations Committee which discusses personnel matters concerning Directors, Corporate Auditors, and Operating Officers (hereinafter collectively referred to as Officer) and submits reports to the Board of Directors, as well as a Remuneration Committee which deliberates remunerations to Officers, etc. and submits reports to the Board of Directors. The both Committees consist of Directors with a rank of Executive Operating Officer or higher and Outside Directors, and are chaired by Outside Directors who are Independent Officers in order to ensure objectivity of deliberation. Matters deliberated by the both Committees shall be determined by the Board of Directors. One Corporate Auditor, designated by the Board of Corporate Auditors shall attend the both Committees to audit appropriate execution of duties by Directors.

4) In order to clarify management responsibilities in a fiscal year and increase opportunities to test shareholders' confidence, Directors' term of office is one (1) year.

5) Internal control regarding financial reports is improved and managed for the purpose of ensuring reliability of financial reports and appropriate disclosure of "Internal Control Report" provided for by the Financial Instruments and Exchange Act. A special group assesses the improvement and the management, and takes corrective actions as needed.

6) In accordance with the "regulation concerning timely disclosure of corporate information by issuers" set forth in the Securities Listing Regulations, the Company will make efforts for quick and fair disclosure of the Company's information to shareholders and investors.

(2) System for the ensuring that the employees perform their duties in accordance with laws, regulations and the Articles of Incorporation

1) In order to comply with laws and regulations, the Articles of Incorporation, internal rules and corporate ethics, the "Declaration of CSR Conduct for the Taiyo Yuden Group" and the "CSR Code of Conduct" were formulated and all Directors, Operating Officers and employees are required to conform to the Code of Conduct thoroughly. In the Group companies, compliance systems are established and relevant activities are promoted.

2) In accordance with the compliance management system for all Group companies, Plan-Do-Check-Action activity is promoted to improve the level of compliance. In addition, a Compliance and Risk Management Committee is in place to monitor activities regarding compliance management systems on a regular basis.

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.

(3) 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 by Directors is stored and managed together with relevant materials, in accordance with the internal rules.
   - i) Minutes to the General Meeting of Shareholders
   - ii) Minutes to the Meeting of Board of Directors
   - iii) Minutes to Management Implementation Committee
   - iv) Minutes to TM Meeting
   - v) Minutes to Nominations Committee
   - vi) Minutes to Remuneration Committee
2) In addition to the above, minutes to other meetings, records pertaining to decisions, and other important documents regarding execution of duties by Directors are stored and managed in accordance with laws, regulations and internal rules, and the strengthening of the information security system is promoted.

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

1) Involving all Group companies, the Plan-Do-Check-Action activity is promoted according to the risk management system, in order to identify anticipated general corporate risks, and avoid or reduce them. The Compliance and Risk Management Committee is in place to monitor activities regarding risk management systems on a regular basis.
2) In the event of a natural disaster, contagion, terrorist act or other unforeseen circumstance, a Business Continuity and Risk Management Committee takes initiatives to establish emergency systems and implements measures to minimize losses for business continuity, in accordance with the company-wide regulations for countering business continuity risks.

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

1) In order to make execution of duties by Directors more efficient, Operating Officers are in place.
2) In order to make decision-making by the Board of Directors more efficient, the Management Implementation Committee is in place, which consists of all Operating Officers, and deliberates political matters regarding business operations.
3) TM Meeting consisting of Directors with a rank of Executive Operating Officer or higher is established to deliberate on personnel-related matters which are important in terms of management and determine them quickly and flexibly.
4) The Board of Directors formulates mid-term plans and annual business plans and clarifies company-wide objectives. Operating Officers establish concrete goals and policies in line with said objectives and execute their duties efficiently.
5) Operating Officers quickly report corporate business results to the Board of Directors using IT. The Board of Directors reviews the results, eliminate and improve factors impairing business efficiency.

(6) System for ensuring appropriate business operations within the Company and within the Group consisting of a parent company and subsidiaries

1) The “Declaration of CSR Conduct for the Taiyo Yuden Group” and the “CSR Code of Conduct” are diffused in Group companies to raise their awareness about compliance with laws.
2) 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.
3) Under direction of the Compliance and Risk Management Committee, the Internal Control Department provides instruction and support to enable each Group company to establish and maintain appropriate internal control systems in order to improve effectiveness of internal control in Group companies, in cooperation with relevant department of each Group company.
4) The Internal Audit Office monitors whether business operations of Group companies are conducted appropriately and efficiently.

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

1) Directors and employees report important items, as per the “Guidelines for Reporting to Corporate Auditors (Board),” promptly to Corporate Auditors.

2) A system for the direct report to Corporate Auditors is maintained as per the internal report regulations.

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

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

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

1) Corporate Auditors participate in important meetings on managerial matters, such as Management Implementation Committee, TM Meeting, Remuneration Committee and Nominations Committee, obtain information necessary to audit the appropriate execution of duties by Directors, interview Directors, Operating Officers, and employees as needed, and maintain the environment to enable access to relevant records.

2) Corporate Auditors periodically exchange information with the Internal Audit Office, receive reports on internal audit plans of the Office and their implementation, and conduct joint audit as needed, maintaining the closely cooperative environment.

3) Directors, Operating Officers and employees cooperate with Accounting Auditors by request from Corporate Auditors.

Moreover, as for the maintenance of internal controls concerning financial reporting based on the Financial Instruments and Exchange Act, in order to ensure properness of financial reports, the Company established a Japanese SOX Law Project inside the Company and has moved forward with the preparation of internal controls pertaining to financial reports. In the fiscal year ended March 2011, as the third 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

(1) Basic policy

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

Meanwhile, the Company believes that persons who control decision-making over the financial and business policies of the Company must be able to maintain trust relationships among 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. In the case that such persons make large-scale purchase offers of the Company's stock, the Company will try to disclose information in a proper and timely manner and take actions which are appropriate at that point in time, aiming at ensuring and improving the common interests of the shareholders.

(2) Specific efforts to realize the basic policy

Considering that the corporate value of the Company and the common interests of the shareholders can be ensured and improved by realizing management from shareholders' viewpoint through steadily implementing the mid-term plan and enhancing corporate governance, the Company is conducting the following measures:

1) Implementation of the Mid-term Management Plan

In May 2009, the Company announced the Mid-term Management Plan (from fiscal year ended March 2010 to fiscal year ending March 2012) and is promoting group-wide efforts to achieve said plan. To increase profitability and achieve solid growth in the highly competitive electronic components industry, the Company will need to focus on the future of the electronics industry and strengthen the Company in all aspects. The Company considers these three (3) years as a crucial period and the Company will combine all its efforts to achieve the targets with the slogan, "Change and Challenge!"

To be more specific, the Company will further promote management focusing on cash flow, as enhancing cost competitiveness with a cost reduction and improvement of productivity, as well as boosting product yield.

2) Strengthening corporate governance

Considering the strengthening of corporate governance as the most important issue, the Company tries to make management more transparent with timely information disclosure, enhance compliance systems, and construct systems for ensuring speedy decision-making and execution of duties, as well as appropriate supervision and audit.

The outline of corporate governance is as follows:

(i) Due to the absence of a Chairman of the Board of Directors, the Meeting of the Board of Directors is chaired by an Outside Director.

(ii) All Outside Directors and Outside Corporate Auditors are appointed as Independent Officers who have no possibility of conflict of interests with general shareholders.

(iii) The Company established the operating officer system and has Operating Officers in place so as to separate supervising function from operating function.

Principal meetings and roles of committees are as follows.

(i) Management Implementation Committee

In Management Implementation Committee, Operating Officers in charge of business operations deliberate and determine political matters related to operations of group management.

(ii) TM Meeting

In TM Meeting consisting of President and Chief Executive Officer, Director and Senior Executive Operating Officer, and Director and Executive Operating Officer, matters concerning personnel, organizations, and remunerations, etc. in the entire Group are deliberated and determined.

(iii) Nominations Committee

The Nominations Committee nominates candidates for Directors, Corporate Auditors, and Operating Officers, and deliberates matters related to election of Representative Directors and Directors. The Committee is chaired by an Outside Director who is an Independent Officer to ensure objectivity of each deliberated matters.

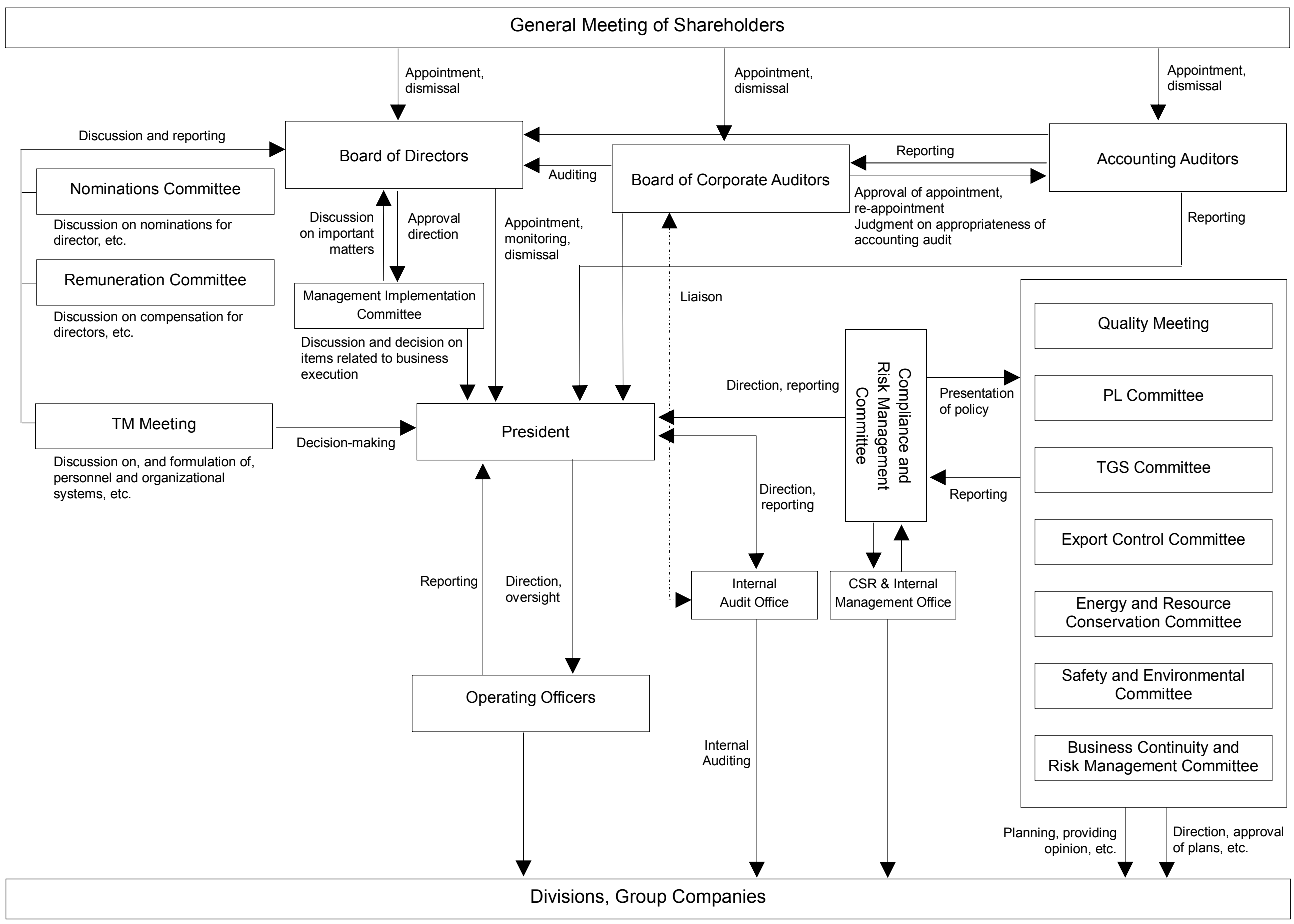
(iv) Remuneration Committee

The Remuneration Committee deliberates systems of remunerations to Corporate Officers, as well as details of remunerations to each Corporate Officer. The Committee is chaired by an Outside Director who is an Independent Officer to ensure objectivity of each deliberated matters.

(v) Compliance and Risk Management Committee

The Compliance and Risk Management Committee consisting of Directors and Operating Officers discusses activities to improve systems concerning internal control, relevant instructions, and their progress management.

[Structure of corporate governance]



3) Discontinuity of Plan to Defend Against Takeovers

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, as a measure to prevent inappropriate persons from controlling decision-making functions over the financial and business policies of the stock company in light of the basic policy shown in the above (1).

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

In addition, with the revision of the Financial Instruments and Exchange Act, 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 Board of Directors resolved discontinuity of the Revised Plan at the Meeting of the Board of Directors held on February 22, 2010. Consequently, the Revised Plan was abolished upon the end of the 69th Ordinary General Meeting of Shareholders.

(3) Judgment by the Board of Directors on special efforts stated in the above (2)

Special efforts to ensure and improve the corporate value and common interests of shareholders, which are stated in the above (2), were formulated as specific measures to improve corporate value of the Company and common interests of shareholders continuously and sustainably, aiming at contributing to realization of the Company’s basic policy. Accordingly, these measures are consistent with the Company’s common interests of shareholders following the basic policy, but not aim to maintain the status of the Corporate Officers.

CONSOLIDATED BALANCE SHEET

(as of March 31, 2011)

(Millions of yen)

Account item	Amount
(ASSETS)	
Current assets	**119,575**
Cash and deposits	39,957
Trade notes and accounts receivable	41,190
Merchandise and finished goods	13,275
Work in process	9,318
Raw materials and supplies	9,893
Deferred tax assets	1,774
Other	4,381
Allowance for doubtful receivables	(216)
Non-current assets	**101,696**
Property, plant and equipment	**87,602**
Buildings and structures	62,069
Machinery and transportation equipment	179,944
Tools, furniture and fixtures	17,648
Land	7,715
Construction in progress	10,742
Accumulated depreciation	(190,517)
Intangible assets	**3,430**
Goodwill	2,646
Other	784
Investments and other assets	**10,664**
Investment securities	4,677
Deferred tax assets	3,626
Other	2,610
Allowance for doubtful receivables	(250)
Total Assets	**221,272**

CONSOLIDATED BALANCE SHEET (continued)

(as of March 31, 2011)

(Millions of yen)

Account item	Amount
(LIABILITIES)	
Current liabilities	**55,402**
Trade notes and accounts payable	17,047
Short-term loans payable	2,996
Current portion of long-term loans payable	12,539
Other accounts payable	10,288
Income tax payable	1,120
Deferred tax liabilities	484
Reserve for bonuses	2,951
Reserve for bonuses for Directors and Corporate Auditors	46
Other	7,926
Long-term liabilities	**38,244**
Convertible bond type-bonds with stock acquisition rights	20,000
Long-term loans payable	9,469
Lease obligations	2,009
Deferred tax liabilities	2,301
Liabilities for employees' retirement benefits	3,400
Liabilities for retirement benefits for Directors and Corporate Auditors	136
Negative goodwill	51
Other	874
Total Liabilities	**93,646**
(NET ASSETS)	
Shareholders' equity	**150,709**
Common stock	23,557
Capital surplus	41,471
Retained earnings	89,301
Treasury stock	(3,620)
Accumulated other comprehensive income	**(23,643)**
Unrealized holding gains on securities	381
Deferred gain or loss on derivatives under hedge accounting	(49)
Foreign currency translation adjustments	(23,975)
Stock acquisition rights	**287**
Minority interests	**272**
Total Net Assets	**127,626**
Total Liabilities and Net Assets	**221,272**

CONSOLIDATED STATEMENT OF INCOME

(from April 1, 2010 to March 31, 2011)

(Millions of yen)

Account item	Amount	
Net sales		**210,401**
Cost of sales		**164,471**
Gross profit		**45,930**
Selling expenses and general and administrative expenses		**37,137**
Operating income		**8,792**
Other income		
Interest income	173	
Dividend income	80	
Equity in earnings of affiliates	1	
Subsidies	58	
Life insurance dividends income	57	
Other	153	525
Other expenses		
Interest expenses	476	
Loss on foreign exchange	1,441	
Depreciation of inactive non-current assets	546	
Other	112	2,577
Ordinary income		**6,740**
Extraordinary gains		
Gains on sale of property, plant and equipment	941	
Other	172	1,113
Extraordinary losses		
Loss on retirement and sale of property, plant and equipment	2,172	
Impairment loss	7,343	
Loss on disposal of inventories	312	
Loss on (earthquake) disaster	1,409	
Loss on adjustment for changes of accounting standard for asset retirement obligations	27	
Other	241	11,507
Loss before income taxes and minority interests		**(3,653)**
Income taxes	1,878	
Deferred income taxes	(42)	1,836
Loss before minority interests		**(5,489)**
Minority interests in income		16
Net loss		**(5,506)**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2010 to March 31, 2011)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	23,557	41,471	95,984	(3,592)	157,420
Change during the consolidated fiscal year					
Dividends from surplus			(1,176)		(1,176)
Net loss			(5,506)		(5,506)
Acquisition of treasury stock				(28)	(28)
Net change in items other than shareholders' equity during the consolidated fiscal year					
Total of changes during the consolidated fiscal year	–	–	(6,682)	(28)	(6,710)
Balance as of March 31, 2011	23,557	41,471	89,301	(3,620)	150,709

	Accumulated other comprehensive income				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 accumulated other comprehensive income			
Balance as of March 31, 2010	695	(96)	(19,259)	(18,661)	248	256	139,263
Change during the consolidated fiscal year							
Dividends from surplus							(1,176)
Net loss							(5,506)
Acquisition of treasury stock							(28)
Net change in items other than shareholders' equity during the consolidated fiscal year	(313)	46	(4,715)	(4,981)	39	16	(4,926)
Total of changes during the consolidated fiscal year	(313)	46	(4,715)	(4,981)	39	16	(11,637)
Balance as of March 31, 2011	381	(49)	(23,975)	(23,643)	287	272	127,626

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: 35

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.

Taiyo Fukushi Co., Ltd. and TRDA INC. were merged by absorption-type merger respectively with Sun Vertex Co., Ltd. and TAIYO YUDEN (U.S.A.) INC. Consequently, they were excluded from the scope of consolidation.

(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 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 Act), 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 ···Mainly 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) Tangible assts (excluding lease assets)

The Company and the consolidated domestic subsidiaries mainly 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 Corporation Tax Act.

Consolidated overseas subsidiaries mainly use the straight-line method.

2) Intangible assets (excluding lease assets)

The Company and the consolidated domestic subsidiaries use the straight-line method. Useful lives are based upon the standards stipulated by the Corporation Tax Act. 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 (5) years).

Consolidated overseas subsidiaries 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 non-current 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 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.

As interest-rate swap contracts fulfill the requirements of the preferential accounting method, they are accounted for by the preferential accounting method.

2) Hedging instruments and hedged items

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 transactions only within the scope of actual requirements in accordance with the internal risk management regulations, and will refrain from derivative transactions 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) Method and period of goodwill amortization

Positive and negative goodwill is amortized equally each year over a period of five (5) years.

(6) 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. Changes in accounting policies

(1) Adoption of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

Effective from the consolidated fiscal year under review, the Company adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24, March 10, 2008).

This change has no impact on the Company’s consolidated financial statements.

(2) Adoption of Accounting Standard for Asset Retirement Obligations

Effective from the consolidated fiscal year under review, the Company adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

This change has a slight impact on operating income, ordinary income, and loss before income taxes and minority interests in the consolidated fiscal year under review.

(3) Adoption of Accounting Standard for Business Combinations

Effective from the consolidated fiscal year under review, the Company adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

4. Changes in the presentation method

(Consolidated statement of income)

(1) Effective from the consolidated fiscal year under review, based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the Company adopted the "Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, the Corporate Accounting Rules, etc." (March 27, 2009, Ordinance of the Ministry of Justice No. 7 of 2009) and presented "Loss before minority interests."

(2) "Life insurance dividends income" which had been included in "Other" of "Other income" in the previous consolidated fiscal year is separately presented in the consolidated fiscal year under review, exceeding 10/100 of total "Other income." The amount of "Life insurance dividends income" which was included in "Other" in the previous consolidated fiscal year was ¥43 million.

5. Additional information

Effective from the consolidated fiscal year under review, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010).

II. Note to the Consolidated Balance Sheet

Guarantee liability

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

Takasaki-shi Kurakano Housing Complex Plating Cooperative ¥5 million

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

1. Matters regarding the class and number 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
Submitting company	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
	2010 Stock Acquisition Rights as Stock Option	Common stock	39,000
	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 29, 2010)	Common stock	¥588 million	¥5	March 31, 2010	June 30, 2010
Meeting of Board of Directors (November 5, 2010)	Common stock	¥588 million	¥5	September 30, 2010	December 3, 2010

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

Resolution (plan)	Class of share	Resource of dividend distribution	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 29, 2011)	Common stock	Retained earnings	¥587 million	¥5	March 31, 2011	June 30, 2011

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. mainly 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 does 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 receivables 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 payable 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 foreign 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 foreign 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 derivative transactions only with highly rated 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 finance and accounting department reports monthly results of transactions to Operating 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 measured value. Such a value is measured 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, 2011 (at the end of the consolidated fiscal year under review) are as stated below. When it is considered extremely difficult to identify 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	39,957	39,957	–
(2) Trade notes and accounts receivable	41,190	41,190	–
(3) Investment securities			
1) Held-to-maturity debt securities	0	0	–
2) Other securities	3,811	3,811	–
Total assets	84,960	84,960	–
(4) Trade notes and accounts payable	17,047	17,047	–
(5) Short-term loans payable	2,996	2,996	–
(6) Other accounts payable	10,288	10,288	–
(7) Income tax payable	1,120	1,120	–
(8) Convertible bond type-bonds with stock acquisition rights	20,000	19,754	(246)
(9) Long-term loans payable (*1)	22,009	22,150	140
Total liabilities	73,463	73,357	(105)
(10) Derivative transactions (*2)	(180)	(180)	–

(*1) Long-term loans payable includes current portion.

(*2) 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 accounts receivable

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 institutions.

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 institutions 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 loans payable with floating interest rates is subject to the preferential accounting method for interest-rate swaps. Its market value is measured 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 borrowings.

(10) Derivative transactions

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

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

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

(Millions of yen)

Classification	Amount recorded in the consolidated balance sheet
Other securities	
Unlisted shares	76
Shares of subsidiaries and affiliates	528
Investment business limited partnerships or any other similar partnerships	259

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, since it is considered extremely 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 ¥1,080.61
2. Net loss per share (¥46.82)

VII. Notes to the Significant Subsequent Events

Not applicable

VIII. Notes to Others

(Impairment loss)

For the consolidated fiscal year under review, the Group recorded impairment loss on the following asset groups.

Type	Use	Place	Amount (Millions of yen)
Machinery and equipment, Buildings, Land, etc.	Recording media products production facilities, etc.	Date-shi, Fukushima	7,035
Machinery and equipment, Tools, furniture and fixtures, etc.	Idle assets	Haruna, Nakanojo, Tamamura, Yawatabara, Tianjin China, Other	300
Intangible assets	Telephone subscription rights	Shin-Yokohama, Suzaka-shi, Nagano	7

The Company grouped business assets based on classification of management accounting, idle assets by individual asset, and Head Office and laboratory, etc. as shared asset.

For recording media products production facilities, etc., as a result of considering recoverability in the Group's implementing structural reform due to the deteriorated business environments, their book values were impaired to recoverable values, and the decrease in values was recognized as impairment loss. The recoverability was calculated, based on usage values, by discounting capital cost before tax (14.3%) from future cash flow.

For idle assets which is not planned to be used in future and not considered recoverable, their book values are impaired to memorandum values, and the decrease in values was recognized as impairment loss.

For telephone subscription rights of which market values have significantly fallen compared to their book values and are not expected to recover, their book values are impaired to memorandum values, and the decrease in values was recognized as impairment loss.

(Loss on (earthquake) disaster)

The Group reported losses caused by the Great East Japan Earthquake in March 2011 as "Loss on (earthquake) disaster" in extraordinary losses in the consolidated fiscal year under review. The breakdown is as follows:

Loss on disposal of non-current assets caused by disaster	¥849 million
Loss on disposal of inventories caused by disaster	¥241 million
Fixed cost during non-operating period caused by disaster	¥182 million
Repair expenses for damaged assets	¥84 million
Other	¥50 million

IX. Figures Stated

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

NON-CONSOLIDATED BALANCE SHEET
(as of March 31, 2011)

(Millions of yen)

Account item	Amount
(ASSETS)	
Current assets	**76,089**
Cash and deposits	16,288
Notes receivable	486
Trade accounts receivable	37,291
Merchandise and finished goods	2,498
Work in process	3,710
Raw materials and supplies	5,075
Prepaid expenses	192
Deferred tax assets	1,014
Short-term loans to subsidiaries and affiliates	3,421
Other accounts receivable	5,185
Consumption taxes receivable	967
Other	22
Allowance for doubtful receivables	(66)
Non-current assets	**113,634**
Property, plant and equipment	**34,404**
Buildings	8,969
Structures	506
Machinery and equipment	15,469
Vehicles and transportation equipment	27
Tools, furniture and fixtures	1,000
Land	4,215
Construction in progress	4,216
Intangible assets	**648**
Patent right	209
Software	327
Other	112
Investments and other assets	**78,580**
Investment securities	3,419
Investments in subsidiaries and affiliates	51,459
Long-term loans receivable from employees	432
Long-term loans receivable from subsidiaries and affiliates	20,250
Claims provable in bankruptcy, claims provable in rehabilitation and other	249
Long-term prepaid expenses	15
Deferred tax assets	3,088
Other	763
Allowance for doubtful receivables	(1,097)
Total Assets	**189,723**

NON-CONSOLIDATED BALANCE SHEET (continued)

(as of March 31, 2011)

(Millions of yen)

Account item	Amount
(LIABILITIES)	
Current liabilities	**52,385**
Notes payable	109
Trade accounts payable	20,619
Short-term loans payable	3,828
Current portion of long-term loans payable	12,399
Lease obligations	485
Other accounts payable	7,592
Accrued expenses	3,447
Accrued income taxes	138
Deposits received	1,923
Reserve for bonuses	1,694
Reserve for bonuses to Directors and Corporate Auditors	46
Other	99
Long-term liabilities	**31,430**
Convertible bond type-bonds with stock acquisition rights	20,000
Long-term loans payable	9,399
Lease obligations	1,385
Other	645
Total Liabilities	**83,816**
(NET ASSETS)	
Shareholders' equity	**105,456**
Common stock	**23,557**
Capital surplus	**41,471**
Capital reserve	41,450
Other capital surplus	20
Retained earnings	**44,048**
Legal profit reserve	2,947
Other retained earnings	41,100
Reserve for advanced depreciation of non-current assets	1,166
Reserve for special depreciation	1
General reserve	27,800
Retained earnings brought forward from the previous fiscal year	12,133
Treasury stock	**(3,620)**
Variance of evaluation and translation	**163**
Unrealized holding gains on securities	213
Deferred gain or loss on derivatives under hedge accounting	(49)
Stock acquisition rights	**287**
Total Net Assets	**105,907**
Total Liabilities and Net Assets	**189,723**

NON-CONSOLIDATED STATEMENT OF INCOME

(from April 1, 2010 to March 31, 2011)

(Millions of yen)

Account item	Amount	
Net sales		**182,344**
Cost of sales		**157,713**
Gross profit		**24,630**
Selling expenses and general and administrative expenses		**21,840**
Operating income		**2,790**
Other income		
Interest income	401	
Dividend income	4,123	
Other	97	4,622
Other expenses		
Interest expenses	463	
Loss on foreign exchange	1,407	
Compensation expense	26	
Depreciation of inactive non-current assets	185	
Other	30	2,113
Ordinary income		**5,299**
Extraordinary gains		
Gains on sale of property, plant and equipment	34	
Reversal of allowance for doubtful receivables	36	
Other	0	71
Extraordinary losses		
Loss on retirement and sale of property, plant and equipment	262	
Impairment loss	146	
Loss on disposal of inventories	212	
Loss on devaluation of investment securities	234	
Loss on devaluation of stocks of subsidiaries and affiliates	299	
Provision of allowance for doubtful receivables	848	
Loss on adjustment for changes of accounting standard for asset retirement obligations	26	
Loss on (earthquake) disaster	103	2,133
Income before income taxes		**3,236**
Income taxes	333	
Deferred income taxes	–	333
Net income		**2,903**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2010 to March 31, 2011)

(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, 2010	23,557	41,450	20	41,471	2,947	1,170	2	27,800	10,400	42,321
Change during the fiscal year										
Dividends from surplus									(1,176)	(1,176)
Reversal of reserve for advanced depreciation of non-current assets						(4)			4	–
Reversal of reserve for special depreciation							(1)		1	–
Net income									2,903	2,903
Acquisition of treasury stock										
Net change in items other than shareholders' equity during the fiscal year										
Total change during the fiscal year	–	–	–	–	–	(4)	(1)	–	1,732	1,727
Balance as of March 31, 2011	23,557	41,450	20	41,471	2,947	1,166	1	27,800	12,133	44,048

	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, 2010	(3,592)	103,757	404	(96)	308	248	104,313
Change during the fiscal year							
Dividends from surplus		(1,176)					(1,176)
Reversal of reserve for advanced depreciation of non-current assets		–					–
Reversal of reserve for special depreciation		–					–
Net income		2,903					2,903
Acquisition of treasury stock	(28)	(28)					(28)
Net change in items other than shareholders' equity during the fiscal year			(191)	46	(144)	39	(105)
Total change during the fiscal year	(28)	1,698	(191)	46	(144)	39	1,593
Balance as of March 31, 2011	(3,620)	105,456	213	(49)	163	287	105,907

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 Act), 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) Tangible assets (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 based upon the standards stipulated by the Corporation Tax Act.

2) Intangible assets (excluding lease assets)

The Company uses the straight-line method.

Useful lives are based upon the standards stipulated by the Corporation Tax Act.

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 (5) 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 non-current 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.

As interest-rate swap contracts fulfill the requirements of the preferential accounting method, they are accounted for by the preferential accounting method.

2) Hedging instruments and hedged items

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 transactions only within the scope of actual requirements in accordance with the internal risk management regulations, and will refrain from derivative transactions 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 the fiscal year under review are omitted.

(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) Changes in accounting policies

1) Adoption of Accounting Standard for Asset Retirement Obligations

Effective from the fiscal year under review, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

This change has a slight impact on operating income, ordinary income, and income before income taxes in the fiscal year under review.

2) Adoption of Accounting Standard for Business Combinations

Effective from the fiscal year under review, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

3) Hedge accounting

Although, previously, transactions under forward foreign exchange contracts were recorded based on the contractual forward rate, the principle accounting method is adopted from the fiscal year under review.

This change has a slight impact on operating income, ordinary income, and income before income taxes in the fiscal year under review.

(7) Changes in the presentation method

(Non-consolidated statement of income)

"Provision of allowance for doubtful receivables" which had been included in "Other" of "Extraordinary losses" in the previous fiscal year is separately presented in the fiscal year under review, exceeding 10/100 of total "Extraordinary losses." The amount of "Provision of allowance for doubtful receivables" which was included in "Other" in the previous fiscal year was ¥30 million.

2. Notes to the Non-Consolidated Balance Sheet

(1)	Accumulated depreciation of tangible assets	¥78,555 million
(2)	Short-term monetary receivables from subsidiaries and affiliates	¥34,522 million
	Long-term monetary receivables from subsidiaries and affiliates	¥20,250 million
	Short-term monetary payables to subsidiaries and affiliates	¥14,559 million

3. Notes to the Non-Consolidated Statement of Income

(1)	Sales to subsidiaries and affiliates	¥149,107 million
(2)	Purchases from subsidiaries and affiliates	¥114,331 million
(3)	Transactions other than operating transactions with subsidiaries and affiliates	¥8,796 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	2,871,429	23,021	–	2,894,450

Note: The increase of 23,021 shares in the number of shares of treasury stock (common stock) was due to the purchase of shares of less-than one unit.

5. Tax Effect Accounting

Major causes for accrual of deferred tax assets and liabilities

(1) Current assets and liabilities

(Deferred tax assets)	
Accrued expenses	¥237 million
Business tax payable	¥45 million
Reserve for bonuses	¥678 million
Allowance for doubtful receivables	¥7 million
Others	¥69 million
Total deferred tax assets	¥1,037 million
(Deferred tax liabilities)	
Other accounts receivable	¥22 million
Total deferred tax liabilities	¥22 million
Net deferred tax assets	¥1,014 million

(2) Non-current assets and liabilities

(Deferred tax assets)	
Investment securities, etc.	¥152 million
Excessive depreciation	¥308 million
Allowance for doubtful receivables	¥393 million
Stocks of subsidiaries and affiliates	¥512 million
Prepaid retirement benefits	¥2,962 million
Assets for one-time depreciation	¥134 million
Stock acquisition rights	¥116 million
Loss carried forward	¥8,762 million
Others	¥145 million
Subtotal of deferred tax assets	¥13,488 million
Valuation reserve	(¥8,952 million)
Total deferred tax assets	¥4,536 million

(Deferred tax liabilities)	
Reserve for advanced depreciation of non-current assets	¥782 million
Stocks of subsidiaries and affiliates	¥388 million
Unrealized holding gain on investment securities	¥92 million
Others	¥184 million
Total deferred tax liabilities	¥1,448 million
Net deferred tax assets	¥3,088 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.

Not applicable

(2) Corporate Officers and major individual shareholders etc.

Not applicable

(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-shi, Fukushima	¥300 million	Production of Recording Media Products, etc.	Direct ownership 100.0%	Financial assistance Interlocking Corporate Officers	Repayment	1,700	Long-term loans receivable (Note 2)	7,380
Subsidiary	Niigata Taiyo Yuden Co., Ltd.	Joetsu-shi, Niigata	¥1,000 million	Production of Electronic Components	Direct ownership 100.0%	Financial assistance Interlocking Corporate Officers	Repayment	1,000	Long-term loans receivable (Note 2)	8,900
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	13,471	Trade accounts receivable	1,999
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 Corporate Officers	Lending	2,000	Long-term loans receivable (Note 2)	2,000
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	25,036	Trade accounts receivable	4,520
Subsidiary	TAIYO YUDEN (GUANGDONG) CO., LTD.	Guangdong, China	US$ 69,550 thousand	Production of Electronic Components	Direct ownership 88.6% Indirect ownership 11.4%	Purchase of merchandise Interlocking Corporate Officers	Purchases	13,116	Trade accounts payable	2,018
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	22,543	Trade accounts payable	1,910
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	20,039	Trade accounts receivable	2,673
Subsidiary	TAIWAN TAIYO YUDEN CO., LTD.	Taipei, Taiwan	NT$ 333,500 thousand	Sale of Electronic Components	Direct ownership 100.0%	Distribution of the Company's products Interlocking Corporate Officers	Sales	34,756	Trade accounts receivable	6,254
Subsidiary	TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	Shanghai, China	US$ 223 thousand	Sale of Electronic Components	Direct ownership 89.7% Indirect ownership 10.3%	Distribution of the Company's products Interlocking Corporate Officers	Sales	7,534	Trade accounts receivable	2,328
Subsidiary	Victor Advanced Media Co., Ltd.	Chuo-ku, Tokyo	¥200 million	Sale of Recording Media Products, etc.	Direct ownership 65.0%	Distribution of the Company's products Interlocking Corporate Officers	Sales	6,336	Trade accounts receivable	2,171

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 loans receivable, the interest rates are reasonably determined based upon the market rate.
3. As for sales or purchases of merchandise and finished goods, prices are set by reference to the market price.

(4) Companies under the same ownership as the Company
Not applicable

8. Notes to the Per-share Information

(1)	Net assets per share	¥898.23
(2)	Net income per share	¥24.69

9. Significant Subsequent Events

Not applicable

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 12, 2011

The Board of Directors
Taiyo Yuden Co., Ltd.

KPMG AZSA LLC

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

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

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

Pursuant to Article 444, Paragraph 4, of Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements of Taiyo Yuden Co., Ltd. for the 70th fiscal term from April 1, 2010 to March 31, 2011. 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 Act.

Certified Copy of the Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

May 12, 2011

The Board of Directors
Taiyo Yuden Co., Ltd.

KPMG AZSA LLC

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

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

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

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements, and the supplementary schedules of Taiyo Yuden Co., Ltd. for the 70th fiscal term from April 1, 2010 to March 31, 2011. 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 Act.

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 70th fiscal term from April 1, 2010 to March 31, 2011, 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 audit plan (auditing policies, focused items, division of duties), received reports and explanations regarding the status of audits and the results thereof from each Corporate Auditor with making efforts to commoditize the information, and reviewed the deliberations at the Meeting of the Board of Directors. Also, we received 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 audit plan, each Corporate Auditor made efforts to collect information and established auditing circumstances through communication with Directors and Operating Officers, internal audit department and other employees, and attended the Board of Directors Meetings, Management Implementation Committee and other important meetings to receive reports regarding the status of execution of duties from Directors and Operating Officers etc. and requested explanations as necessary. Each Corporate Auditor also inspected the approved documents such as draft plan circulated to obtain permission 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, which are described in the business report, are performed in conformity of laws, regulations and the Company's articles of incorporation, and the establishment of other systems necessary to ensure proper business operations of the company set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Companies Act, and monitored and verified the systems (internal control system) established in accordance with the resolution of the Board of Directors.

   Regarding internal control over financial reports, Corporate Auditors received reports from directors, etc. and KPMG AZSA LLC on their evaluations of such internal control and the status of audits, and requested explanation as necessary. Corporate Auditors reviewed the details of basic policy and initiatives concerning control of the Company, which are described in the business report, based on deliberations at the Meeting of the Board of Directors and other meetings. Corporate Auditors also received from subsidiaries their business reports while maintaining communication and information sharing with their Directors and Corporate Auditors and examined the status of operations and conditions of assets by visiting the subsidiaries as necessary. In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules for the year ended on March 31, 2011.

   Further, Corporate Auditors monitored and verified that Accounting Auditors 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 131 of the Corporate Calculation Regulations, as per the "Standards for the Quality Control of Audits" (Business Accounting Council) from the Accounting Auditor and requested explanations as necessary. In accordance with the procedures mentioned above, we 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, 2011.

2. Results of Audit

(1) Results of audit of business report

i. The business report 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 description in business reports and the execution of duties by Directors regarding the internal control system; and

iv. There are no matters to be pointed out with respect to the basic policies on control of the Company in the business report. Activities described in the business report, are in line with such basic policies, 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 LLC, are fair and reasonable.

(3) Results of audit of consolidated financial statements

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

May 19, 2011

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, at the current stage, the Company is aiming to become a stably and sustainably growing company, and it is placing priority 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 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: ¥587,934,725

(3) Effective date for dividends from surplus:
June 30, 2011

2. Other matters concerning dividends from surplus
Not applicable

Proposal No. 2: Election of Ten (10) Directors

The terms of office of all of the nine (9) Directors in office will expire at the conclusion of this 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 ten (10) Directors be elected.

The candidates for Director are as follows:

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Career summary, position and responsibility at the Company, and significant concurrent positions</th><th>Number of Company shares held</th></tr>
<tr><td rowspan="2">1</td><td>Yoshiro Kanzaki
(March 16, 1943)</td><td>February, 1993 Joined the Company
June, 1993 Director of the Company
September, 2002 Executive Director of the Company
July, 2004 Executive Vice President & Director of the Company
February, 2006 President and Representative Director of the Company
April, 2008 President and Representative Director, Chief of Corporate-Planning Headquarters of the Company (to the present)</td><td rowspan="2">37,000 shares</td></tr>
<tr><td colspan="2">(Reasons for appointment of candidate for Director)
Having served as President and Representative Director of the Company over the past five (5) years, Mr. Yoshiro Kanzaki has made appropriate management decisions in some harsh business phases. He was appointed as a candidate for Director, expected to direct the entire corporate management from a broader perspective based on abundant experience and a good track record as a manager.</td></tr>
<tr><td rowspan="2">2</td><td>Shoichi Tosaka
(August 5, 1955)</td><td>March, 1979 Joined the Company
July, 2006 Director, Senior Managing Officer, Chief of Operation Headquarters I, General Manager of Corporate-Planning Div. 1 of the Company
July, 2007 Senior Executive Director, Chief of Corporate-Planning Headquarters, Research & Development Laboratory of the Company
April, 2008 Senior Executive Director, Chief of Electronic Components Headquarters, Deputy Chief of Corporate-Planning Headquarters, in charge of Research & Development Laboratory of the Company
July, 2009 Senior Executive Director, in charge of Operation, Quality Assurance and Development, Chief of Electronic Components Headquarters of the Company
July, 2010 Director and Senior Executive Operating Officer, in charge of Operation, Quality Assurance and Development, Chief of Electronic Components Headquarters of the Company (to the present)</td><td rowspan="2">5,000 shares</td></tr>
<tr><td colspan="2">(Reasons for appointment of candidate for Director)
Having engaged in various areas such as production, development/engineering, quality assurance, and corporate business planning divisions for a long time, Mr. Shoichi Tosaka has abundant experience and a good track record. He is presently serving as Director and Senior Executive Operating Officer in charge of the Group’s management and business execution. He was appointed as a candidate for Director, expected continuously to make decisions, supervise and control the entire corporate management as a member of the Board of Directors.</td></tr>
</table>

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Career summary, position and responsibility at the Company, and significant concurrent positions</th><th>Number of Company shares held</th></tr>
<tr><td rowspan="2">3</td><td>Katsumi Yanagisawa
(January 2, 1949)</td><td>October, 1973 Joined 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
July, 2010 Director and Senior Executive Operating Officer, in charge of Sales, Chief of Sales Headquarters of the Company (to the present)</td><td rowspan="2">7,640 shares</td></tr>
<tr><td colspan="2">(Reasons for appointment of candidate for Director)
Mr. Katsumi Yanagisawa has been engaged mainly in operations of sales and production divisions since joining the Company and strived to develop markets, accumulating abundant practical experience in Japan and overseas. He is presently serving as Director and Senior Executive Operating Officer in charge of the Group’s business management and business execution. Mr. Yanagisawa was appointed as a candidate for Director, expected continuously to make decisions, supervise and control the entire corporate management as a member of the Board of Directors.</td></tr>
<tr><td rowspan="2">4</td><td>Takashi Tomaru
(March 25, 1953)</td><td>March, 1977 Joined 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, in charge of CSR & Internal Control Office of the Company
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 of the Company
July, 2010 Director and Executive Operating Officer, in charge of Management & Administration, Material and CSR & Internal Control, Chief of Management & Administration Headquarters, Chief of Material Headquarters of the Company (to the present)</td><td rowspan="2">10,000 shares</td></tr>
<tr><td colspan="2">(Reasons for appointment of candidate for Director)
Mr. Takashi Tomaru has abundant experience and good track record, having engaged in various areas such as development/engineering, production, and administrative divisions. He is presently serving as Director and Executive Operating Officer and making efforts for the Group’s business management. Mr. Tomaru was appointed as a candidate for Director, expected continuously to make decisions, supervise and control the entire corporate management based on such affluent experience and achievements as a member of the Board of Directors.</td></tr>
</table>

Candidate number	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions	Number of Company shares held
5	Eiji Watanuki (November 2, 1948)	March, 1971 Joined 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 July, 2010 Director and Executive Operating Officer, in charge of Integrated Module Business, Chief of Integrated Module Business Headquarters of the Company (to the present)	9,000 shares
	(Reasons for appointment of candidate for Director) Mr. Eiji Watanuki has abundant experience and a good track record, having engaged in various areas such as sales, production, marketing, and business divisions since joining the Company. He is presently making efforts for the Company's business development as Director and Executive Operating Officer. Mr. Watanuki was appointed as a candidate for Director, expected continuously to make decisions, supervise and control the entire corporate management based on those achievements as a member of the Board of Directors.		
6	Akihiko Mochizuki (September 8, 1953)	May, 1986 Joined the Company July, 2006 Director, Senior Managing Officer, Chief of Operation Headquarters II of the Company July, 2007 Director, Chief of Recording Media Product Headquarters, General Manager of Quality Assurance Office of the Company July, 2009 Director, in charge of Recording Media Business, Chief of Recording Media Product Headquarters of the Company July, 2010 Director and Senior Operating Officer, in charge of Recording Media Business, Chief of Recording Media Product Headquarters of the Company (to the present)	3,000 shares
	(Reasons for appointment of candidate for Director) Mr. Akihiko Mochizuki has abundant experience and a good track record, having engaged in various areas such as R&D, business, quality assurance divisions since joining the Company. He is presently making efforts for the Company's business development as Director and Senior Operating Officer. Mr. Mochizuki was appointed as a candidate for Director, expected continuously to make decisions, supervise and execute business operations based on those achievements as a member of the Board of Directors.		
7	Seiichi Tsutsumi (December 5, 1953)	March, 1977 Joined the Company April, 2007 Chief of Products and Sales Planning Control Div., Sales Headquarters of the Company July, 2007 Managing Officer, in charge of Products and Sales Planning Control, Sales Headquarter of the Company July, 2009 Managing Officer, in charge of China of the Company June, 2010 Director and Senior Operating Officer, in charge of China of the Company (to the present)	3,000 shares
	(Reasons for appointment of candidate for Director) Mr. Seiichi Tsutsumi has been engaged in operations of sales and manufacturing divisions since joining the Company, and has abundant experience and a good track record through practical business as a president of sales and production subsidiaries of the Company mainly in Singapore and China. He is presently in charge of management of China as Director and Senior Operating Officer and a president of principal subsidiaries in Taiwan and China. Mr. Tsusumi was appointed as a candidate for Director, expected to make decisions, supervise, formulate and execute strategies for China as a member of the Board of Directors.		

Candidate number	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions		Number of Company shares held
8	*Osamu Takahashi (November 25, 1955)	March, 1980	Joined the Company	1,000 shares
		December, 2000	General Manager of Management Planning Department, Management & Administration Headquarters of the Company	
		April, 2003	Operating Officer, Corporate Management Group (Corporate Control) of the Company	
		July, 2006	Managing Officer, Deputy Chief of Management & Administration Headquarters of the Company	
		April, 2008	Managing Officer, in charge of Corporate-Planning, Corporate-Planning Headquarters and Finance, Management & Administration Headquarters of the Company	
		July, 2010	Senior Operating Officer, in charge of Corporate-Planning, Corporate-Planning Headquarters and Finance, Management & Administration Headquarters of the Company (to the present)	
	(Reasons for appointment of candidate for Director) Mr. Osamu Takahashi has accumulated experience and a good track record in various areas such as engineering, marketing, management and administration, and corporate-planning divisions since joining the Company. He is presently in charge of formulation and execution of management strategies as Senior Operating Officer. Mr. Takahashi was appointed as a candidate for Director, expected to make decisions, supervise and execute business operations as a member of the Board of Directors.			

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Career summary, position and responsibility at the Company, and significant concurrent positions</th><th>Number of Company shares held</th></tr>
<tr><td rowspan="2">9</td><td>Yuji Iwanaga
(April 3, 1941)
(Outside/Independent Officer)</td><td>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)</td><td rowspan="2">0
shares</td></tr>
<tr><td colspan="2">(Reasons for appointment of candidate for Outside Director)
Mr. Yuji Iwanaga is considered qualified as Outside Director, having experience as a manager in business companies, as well as knowledge and experience as an attorney specialized in corporate legal practices. Furthermore, the Company judged that Mr. Iwanaga would 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, Mr. Iwanaga was appointed as a candidate for Outside Director.
Mr. Iwanage will have served as Outside Director for the Company for five (5) years upon the conclusion of this General Meeting of Shareholders.</td></tr>
</table>

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Career summary, position and responsibility at the Company, and significant concurrent positions</th><th>Number of Company shares held</th></tr>
<tr><td rowspan="2">10</td><td>Hisaji Agata
(September 16, 1950)
(Outside/Independent Officer)</td><td>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)</td><td rowspan="2">0 shares</td></tr>
<tr><td colspan="2">(Reasons for appointment of candidate for Outside Director)
Mr. Hisaji Agata is considered qualified as Outside Director, having numerous achievements and insight as an expert in corporate incubation, aiming to formulate a highly transparent and sound business structure, as well as management. Furthermore, the Company judged that Mr. Agata would 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, Mr. Agata was appointed as a candidate for Outside Director.
Mr. Agata will have served as Outside Director for the Company for three (3) years upon the conclusion of this General Meeting of Shareholders.</td></tr>
</table>

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 Companies Act and Independent Officers as stipulated in Article 436-2 of the Securities Listing Regulations of the 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, operating officers or corporate auditors in the past five (5) years.
5. Concerning facts relating to the each candidate for Outside Director’s involvement in a business concern with specific relations with the Company, there are no applicable matters relating to 1) his being a business executor of a business concern with specific relations with the Company, 2) the provision and receipt of a large amount of money or other assets, 3) a kinship relationship within the third degree with a business executor of the Company or a business concern with specific relations with the Company, 4) experience as a business executor at a business concern with specific relations with the Company in the past five (5) years, or 5) experience as business executor at a merged company, etc. in the past two (2) years.
6. The Company’s articles of incorporation provide that the Company may enter into an agreement with an Outside Director to the effect that any liability for damages of such Outside Director arising from negligence in the performance of his 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 Companies Act, as long as the Outside Director performs his or her duty in good faith and without gross negligence.

Proposal No. 3: Election of Two (2) Corporate Auditors

Corporate Auditor Mr. Toshinobu Inada will resign, and the term of office of Corporate Auditor Mr. Norio Osakabe will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company hereby asks that two (2) Corporate Auditors be elected.

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

The candidates for Corporate Auditor are as follows:

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, position at the Company, and significant concurrent positions</th><th>Number of Company shares held</th></tr>
<tr><td rowspan="2">1</td><td>Norio Osakabe
(May 8, 1954)</td><td>March, 1981
October, 1988

April, 1989

September, 2003

July, 2004

June, 2007</td><td>Joined the Company
Manager of Management & Administration Div. of the Company
Manager of Office of the President of the Company
Manager of Legal Affairs Div. of the Company
General Manager of Internal Audit Office of the Company
Corporate Auditor (Full-time) of the Company (to the present)</td><td rowspan="2">4,000
shares</td></tr>
<tr><td colspan="3">(Reasons for appointment of candidate for Corporate Auditor)
Mr. Norio Osakabe has worked in administration, corporate-planning, office of the president and audit divisions for a long time since joining the Company, cultivating legal knowledge and experience, as well as sufficient insight into corporate management. Accordingly, as it is judged that Mr. Osakabe would be able to appropriately execute the duties of Corporate Auditor, he was appointed as a candidate for Corporate Auditor.</td></tr>
<tr><td rowspan="2">2</td><td>*Kazuhiro Yamakawa
(December 22 1944)
(Outside/Independent Officer)</td><td>March, 1971

March, 1977

April, 1977

March, 1981

March, 1983

April, 1983

February, 1990

July, 2003

April, 2004</td><td>Public Prosecutor of Tokyo District Public Prosecutor's Office
Public Prosecutor with the Civil Affairs Bureau of the Ministry of Justice
Organizer of Legislative Council of the Ministry of Justice
Public Prosecutor of Tokyo District Public Prosecutor's Office
Admitted to Japan Federation of Bar Association (to the present)
Assistant Professor of College of Law of Nihon University
Professor of College of Law of Nihon University (to the present)
Director of Law of College of Law of Nihon University
Professor of Nihon University Law School</td><td rowspan="2">0
shares</td></tr>
<tr><td colspan="3">(Reasons for appointment of candidate for Outside Corporate Auditor)
Mr. Kazuhiro Yamakawa is familiar with general legal affairs including corporate legal practices, and has sufficient insight into auditing corporate management, based on abundant experience as a public prosecutor, attorney, and university professor. Accordingly, as the Company judged that he would provide useful advice to the Board of Directors, Mr. Yamakawa was appointed as a candidate for Outside Corporate Auditor. The Company also judged that the candidate would objectively execute audits, taking into account general shareholders' profits as an Independent Officer.</td></tr>
</table>

Notes: 1. "*" indicates new candidate for Outside Corporate Auditor.

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

3. Mr. Kazuhiro Yamakawa is a candidate for Outside Corporate Auditor as stipulated in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act. He also fulfills the requirements of an Independent Officer established by the Tokyo Stock Exchange.

4. Concerning the candidate for Outside Corporate Auditor, there are no applicable matters relating to improper business execution, etc. in other companies where he was in office as director, operating officer or corporate auditor in the past five (5) years.

5. Concerning facts relating to the candidate for Outside Corporate Auditor's involvement in a business concern with specific relations with the Company, there are no applicable matters relating to 1) his being a business executor of a business concern with specific relations with the Company, 2) the provision and receipt of a large amount of money or other assets, 3) a kinship relationship within the third degree with a business executor of the Company or a business concern with specific relations with the Company, 4) experience as a business executor at a business concern with specific relations with the Company in the past five (5) years, or 5) experience as business executor at a merged company, etc. in the past two (2) years.
6. The Company's articles of incorporation provide that the Company may enter into an agreement with an Outside Corporate Auditor to the effect that any liability for damages of such Outside Corporate Auditor arising from negligence in the performance of his duties shall be limited. In accordance with this provision, the Company will enter into such a liability limitation agreement with Mr. Kazuhiro Yamakawa, a candidate for Outside Corporate Auditor, when Mr. Yamakawa 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 Companies Act, as long as the Outside Corporate Auditor 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 a case when the number of Outside Corporate Auditors stipulated by laws and regulations might be insufficient, the Company hereby asks that one (1) substitute Outside Corporate Auditor be elected in advance.

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

The candidate for the substitute Outside Corporate Auditor is as follows:

<table>
<tr><th>Name
(Date of birth)</th><th colspan="2">Career summary, position at the Company,
and significant concurrent positions</th><th>Number of Company shares held</th></tr>
<tr><td rowspan="4">Hiroshi Arai
(June 8, 1956)</td><td>April, 1983</td><td>Admitted to Japan Federation of Bar Association (to the present)</td><td rowspan="5">0
shares</td></tr>
<tr><td>April, 1984</td><td>Opened Arai Hiroshi Law Firm (to the present)</td></tr>
<tr><td>July, 2002</td><td>Outside Corporate Auditor of Air Cycle Home Gunma Co., Ltd.</td></tr>
<tr><td>June, 2004</td><td>Outside Corporate Auditor of Sogo PR Co., Ltd. (to the present)</td></tr>
<tr><td colspan="3">(Reasons for appointment of candidate for substitute Outside Corporate Auditor)
The Company judged that Mr. Hiroshi Arai would conduct fair audit works from a legal viewpoint with special insight into corporate legal affairs based on abundant practical experience as an attorney. Accordingly, in order to prepare for a case when the number of Outside Corporate Auditors stipulated by laws and regulations might be insufficient, Mr. Arai was appointed as a candidate for substitute Corporate Auditor.</td></tr>
</table>

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

2. The Company's articles of incorporation provide that the Company may enter into an agreement with an Outside Corporate Auditor to the effect that any liability for damages of such Outside Corporate Auditor arising from negligence in the performance of his 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 Companies Act, as long as the Outside Corporate Auditor performs his or her duty in good faith and without gross negligence.