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(Security Code: 6976)  
June 6, 2012

**To Those Shareholders with Voting Rights:**

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

**NOTICE OF CONVOCATION OF THE 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 71st 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 voting in writing or voting via the Internet. Please review the Reference Documents for the General Meeting of Shareholders (on pages 3 to 10) and exercise your voting rights prior to 5:00 p.m., Wednesday, June 27, 2012 in accordance with “GUIDANCE ON EXERCISE OF VOTING RIGHTS” (on pages 11 to 12).**

1. **Date and Time:** 10:00 a.m. June 28, 2012 (Thursday) (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 71st Fiscal Term (from April 1, 2011 to March 31, 2012)
    2. Details of the Non-Consolidated Financial Statements for the 71st Fiscal Term (from April 1, 2011 to March 31, 2012)

**Matters to be resolved:**

- |                        |  |
|------------------------|--|
| <b>Proposal No. 1:</b> | Dividends from Surplus                           |
| <b>Proposal No. 2:</b> | Election of Eight (8) Directors                  |
| <b>Proposal No. 3:</b> | Election of One (1) Corporate Auditor            |
| <b>Proposal No. 4:</b> | Election of One (1) Substitute Corporate Auditor |

#### **4. Resolved matters upon convocation of the 71st Ordinary General Meeting of Shareholders**

- (1) If you exercise your voting rights both in writing (Voting Rights Exercise Form) and via the Internet, only your voting results via the Internet shall be deemed valid.
- (2) If you exercise your voting rights via the Internet more than once, your voting results that reach us last shall be deemed valid.
- (3) If you exercise your voting rights without indicating whether you are in favor of or against a proposal, it shall be deemed that you are in favor of it.
- (4) 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.
- (5) Among documents which shall be provided with this Convocation Notice, Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements are posted on the Company website (<http://www.yuden.co.jp/>) in accordance with laws and regulations, and Article 14 of the articles of incorporation. Therefore, they are not included in the attached documents to this Convocation Notice. In addition to documents included in this Convocation Notice, Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements posted on the Company website are included in the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Corporate Auditors and the Accounting Auditors in the course of respectively preparing the Audit Report and Independent Auditors' Report.

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- 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.
  - If the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements (including Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements) are revised, the revised contents will be disclosed on the Company website (<http://www.yuden.co.jp/>).
  - The temperature inside the venue will be set higher than usual. 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.

## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal No. 1: Dividends from Surplus

In the fiscal year ended March 31, 2012, as retained losses brought forward of ¥12,451 million are recorded, the Company proposes that general reserve of ¥27,800 million is reversed and transferred to retained earnings brought forward in order to cover the losses and pay dividends to shareholders, as stated below.

The Company considers it the most important issue for its management to distribute plentiful returns to its shareholders with the basic policy of continuous and stable dividend payment. However, in view of harsh business conditions and the deterioration in our financial structure, the Company proposes year-end dividend for the fiscal year under review as follows:

#### 1. Appropriation of surplus

##### (1) Item of surplus to be decreased and its amount

General reserve	¥27,800,000,000
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##### (2) Item of surplus to be increased and its amount

Retained earnings brought forward	¥27,800,000,000
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#### 2. Year-end dividend

##### (1) Type of dividend property:

Cash

##### (2) Matters regarding the allocation of dividend property to shareholders and its total amount:

¥2.50 per share (common stock of the Company) Total amount: ¥293,955,963

##### (3) Effective date for dividends from surplus:

June 29, 2012

**Proposal No. 2: Election of Eight (8) Directors**

The terms of office of all of the ten (10) Directors in office will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company hereby asks that eight (8) Directors be elected.

The candidates for Director are as follows:

Candidate number	Name (Date of birth)	Career summary, position and responsibilities in the Company, and significant concurrent positions	Number of Company shares held	
1	Yoshiro Kanzaki (March 16, 1943)	February, 1993 June, 1993 September, 2002 July, 2004 February, 2006 June, 2011	Joined the Company Director, Chief of Integrated Production Management Headquarters of the Company Executive Director, Senior Operating Officer, General Manager of Corporate Management Group, General Manager of Corporate Management Strategy Planning Div. of the Company Executive Vice President & Director of the Company President and Representative Director of the Company Chairman and Representative Director of the Company (to the present)	41,900 shares
		(Reasons for appointment of candidate for Director) Having served as President and Chairman as Representative Director of the Company over the past six (6) years, Mr. Yoshiro Kanzaki has made appropriate management decisions, such as implementation of measures for constitutional improvement and M&A as a growth strategy. He was continuously appointed as a candidate for Director, expected to direct the entire corporate management from a broader perspective based on the abundant experience and good track record for the next one year which is important.		
2	Eiji Watanuki (November 2, 1948)	March, 1971 July, 2006 July, 2007 July, 2010 June, 2011	Joined the Company Director, Senior Managing Officer, Deputy Chief of Sales Headquarters of the Company Director, Chief of Integrated Module Business Headquarters of the Company Director and Executive Operating Officer, in charge of Integrated Module Business, Chief of Integrated Module Business Headquarters of the Company President and Representative Director of the Company (to the present)	11,400 shares
		(Reasons for appointment of candidate for Director) Mr. Eiji Watanuki has abundant experience and a good track record, having engaged in various areas in Japan and overseas, such as sales, production, marketing and business divisions. He is presently taking leadership as President and Representative Director in the implementation of the structural reform consisting of constitutional improvement measures and growth strategies. Mr. Watanuki was appointed as a candidate for Director because it was judged that his continued leadership as part of the management would be most appropriate for the Company.		

Candidate number	Name (Date of birth)	Career summary, position and responsibilities in the Company, and significant concurrent positions	Number of Company shares held	
3	Katsumi Yanagisawa (January 2, 1949)	October, 1973 June, 2005 April, 2007 July, 2007 July, 2010 July, 2011	Joined the Company Director, Senior Managing Officer, Chief of Sales Headquarters of the Company Executive Director, Senior Managing Officer, Chief of Sales Headquarters of the Company Executive Director, Chief of Sales Headquarters of the Company Director and Senior Executive Operating Officer, in charge of Sales, Chief of Sales Headquarters of the Company Director and Senior Executive Operating Officer, in charge of Electronic Components Business of the Company (to the present)	8,740 shares
		(Reasons for appointment of candidate for Director) Mr. Katsumi Yanagisawa has been engaged mainly in management of sales and production divisions 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.		
4	Shoichi Tosaka (August 5, 1955)	March, 1979 June, 2006 April, 2007 July, 2009 April, 2012	Joined the Company Director, Senior Managing Officer, Deputy Chief of Operation Headquarters, General Manager of Quality Assurance Office of the Company Senior Executive Director, Senior Managing Officer, Chief of Operation Headquarters I, General Manager of Corporate-Planning Div. 1 of the Company Senior Executive Director, Chief of Electronic Components Headquarters, in charge of Quality Assurance Office, in charge of Research & Development Laboratory of the Company Director and Senior Executive Operating Officer, in charge of Development/Engineering, Quality Assurance, New Business Planning of the Company (to the present)	7,200 shares
		(Reasons for appointment of candidate for Director) Having engaged in management of various areas such as production, development/engineering, quality assurance, and corporate business planning divisions, 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.		

Candidate number	Name (Date of birth)	Career summary, position and responsibilities in the Company, and significant concurrent positions		Number of Company shares held
5	Seiichi Tsutsumi (December 5, 1953)	March, 1977	Joined the Company	4,600 shares
		July, 2007	Managing Officer, in charge of Products and Sales Planning Control, Sales Headquarters of the Company	
		July, 2009	Managing Officer, in charge of China of the Company	
		July, 2010	Director and Senior Operating Officer, in charge of China of the Company	
		July, 2011	Director and Senior Operating Officer, in charge of Integrated Module Business, Chief of Integrated Module Business Headquarters of the Company (to the present)	
(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 making efforts for the Group's business expanding as Director and Senior Operating Officer. Mr. Tsutsumi was appointed as a candidate for Director, expected continuously to make decisions, supervise, and execute business operations as a member of the Board of Directors.				
6	Osamu Takahashi (November 25, 1955)	March, 1980	Joined the Company	2,700 shares
		April, 2003	Operating Officer, Corporate Management Group (Corporate Control) 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	
		July, 2011	Director and Senior Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters of the Company (to the present)	
(Reasons for appointment of candidate for Director) Mr. Osamu Takahashi has abundant experience and a good track record through practical business 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 Director and Senior Operating Officer. Mr. Takahashi was appointed as a candidate for Director, expected continuously to make decisions, supervise and execute business operations as a member of the Board of Directors.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities in the Company, and significant concurrent positions	Number of Company shares held
7	Yuji Iwanaga (April 3, 1941) (Outside/Independent Officer)	<p>April, 1964      Joined Tohato Inc. General Manager of Planning Division and Development Division</p> <p>September, 1970      Joined General Aircon Co., Ltd. General Manager of Room Aircon Sales Division, Sales Headquarters, and Marketing Headquarters</p> <p>April, 1981      Admitted to Japan Federation of Bar Association (to the present)</p> <p>September, 1984      Joined Lillick, McHose &amp; Charles (Currently Pillsbury Winthrop Shaw Pittman LLP) (to the present)</p> <p>December, 1984      Admitted to State Bar of California (to the present)</p> <p>April, 2003      Outside Director of Manufacturers Bank</p> <p>July, 2005      Outside Director of JMS North America Corporation (to the present)</p> <p>June, 2006      Outside Director of the Company (to the present)</p> <p>June, 2007      Outside Director of SEGA SAMMY HOLDINGS INC. (to the present)</p>	0 shares
<p>(Reasons for appointment of candidate for Outside Director) As Mr. Yuji Iwanaga has experience as a senior manager in business companies, as well as knowledge and experience as an attorney specialized in corporate legal practices, it was judged that he would be able to objectively supervise management. Therefore, Mr. Iwanaga was appointed as a candidate for Outside Director. (Independence of the candidate) Without any personal, capital and business relationships, as well as other special interests with the Company, Mr. Iwanaga is an independent officer free from possibility of conflict of interests with general shareholders as defined by the Tokyo Stock Exchange. (Years in office as Director) Six (6) years (at the conclusion of this General Meeting of Shareholders)</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities in the Company, and significant concurrent positions	Number of Company shares held
8	Hisaji Agata (September 16, 1950) (Outside/Independent Officer)	<p>April, 1974      Joined Nomura Securities Co., Ltd.</p> <p>March, 1981      Joined Japan Associated Finance Co., Ltd. (Currently JAFCO Co., Ltd.)</p> <p>June, 1997        Director of JAFCO (in charge of Investment Headquarters I)</p> <p>May, 2002        Managing Director of JAFCO (in charge of Investment Headquarters III)</p> <p>March, 2007      Executive Managing Officer of JAFCO (in charge of settlement)</p> <p>October, 2007    Commissioner of JAFCO</p> <p>January, 2008    Representative Director, President of HIBIKI Partners Co., Ltd.</p> <p>June, 2008        Outside Director of the Company (to the present)</p> <p>September, 2008 Special Adviser of HIBIKI Partners Co., Ltd. (to the present)</p> <p>March, 2010      Outside Auditor of RaQualia Pharma Inc. (to the present)</p> <p>Outside Auditor of TMRC Co., Ltd. (to the present)</p>	0 shares
	<p>(Reasons for appointment of candidate for Outside Director)</p> <p>As Mr. Hisaji Agata is an expert in corporate incubation aiming to formulate a highly transparent and sound business structure, and has numerous achievements and insight as a business manager, it was judged that he would be able to objectively supervise management. Therefore, Mr. Agata was appointed as a candidate for Outside Director.</p> <p>(Independence of the candidate)</p> <p>Without any personal, capital and business relationships, as well as other special interests with the Company, Mr. Agata is an independent officer free from possibility of conflict of interests with general shareholders as defined by the Tokyo Stock Exchange.</p> <p>(Years in office as Director)</p> <p>Four (4) years (at the conclusion of this General Meeting of Shareholders)</p>		

- Notes:
1. No conflicts of special interest exist between the Company and each of the candidates.
  2. 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.
  3. 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.
  4. 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.
  5. 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 One (1) Corporate Auditor**

The term of office of Corporate Auditor Mr. Tomonori Akisaka will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company hereby asks that one (1) Corporate Auditor be elected. The Board of Corporate Auditors has already given its approval for this proposal.

The candidate for Corporate Auditor is as follows:

Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions	Number of Company shares held
Tomonori Akisaka (April 14, 1961) (Outside/Independent Officer)	August, 1987 Admitted to the Japanese Institute of Certified Public Accountant (to the present) April, 1997 Assistant Professor at Sano Kokusaijoho College (Currently Sano College) April, 2000 Assistant Professor at College of Commerce of Nihon University June, 2004 Outside Corporate Auditor of the Company (to the present) April, 2005 Professor at Graduate Schools of Hosei University April, 2009 Professor at Professional Graduate School of Meiji University (to the present)	
(Reasons for appointment of candidate for Outside Corporate Auditor) Mr. Tomonori Akisaka has specially studied Companies Act as a professor of graduate school and been familiar with finance and accounting as a certified public accountant. With sufficient insight to audit corporate management, he is expected to provide useful advice to the Board of Directors. Therefore, Mr. Akisaka was appointed as a candidate for Outside Corporate Auditor. Although Mr. Akisaka has not been involved in corporate management in ways other than being an outside officer, it was judged for the above-mentioned reasons that he would be able to appropriately execute the duties of Outside Corporate Auditor. (Independence of the candidate) Without any personal, capital and business relationships, as well as other special interests with the Company, Mr. Akisaka is an independent officer free from possibility of conflict of interests with general shareholders as defined by the Tokyo Stock Exchange. (Years in office as Corporate Auditor) Eight (8) years (at the conclusion of this General Meeting of Shareholders)		4,000 shares

- Notes:
1. No conflicts of special interest exist between the Company and the candidate.
  2. Mr. Tomonori Akisaka 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.
  3. Concerning the candidate for Outside Corporate Auditor, there are no applicable matters relating to 1) improper business execution of the Company during the term in which he is in office as Outside Corporate Officer of the Company, or 2) 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.
  4. 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.
  5. 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, and such agreement between the Company and the candidate is in force. If the candidate's reappointment is approved, the Company plans to continue said agreement. 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.

**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:

Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions		Number of Company shares held
Hiroshi Arai (June 8, 1956)	April, 1983	Admitted to Japan Federation of Bar Association (to the present)	0 shares
	April, 1984	Opened Arai Hiroshi Law Firm (to the present)	
	July, 2002	Corporate Auditor of Air Cycle Home Gunma Co., Ltd.	
	June, 2004	Corporate Auditor of Sogo PR Co., Ltd. (to the present)	
(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 Outside Corporate Auditor. Although Mr. Arai has not been involved in corporate management in ways other than being an outside officer, it was judged for the above-mentioned reasons that he would be able to appropriately execute the duties of Outside Corporate Auditor.			

- 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.

## 《GUIDANCE ON EXERCISE OF VOTING RIGHTS》

Please note that the Company allows shareholders to exercise their voting rights in writing (Voting Rights Exercise Form) or via the Internet.

If you plan to attend the General Meeting of Shareholders in person, it is not necessary to either exercise your voting rights in writing or via the Internet.

### [Voting in writing (Voting Rights Exercise Form)]

Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return the form so that it reaches us by 5:00 p.m., Wednesday, June 27, 2012.

### [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 “2. Instructions for exercising voting rights via the Internet” described 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., Wednesday, June 27, 2012.
- (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.
- (5) If you exercise your voting rights both in writing and via the Internet, only your voting results via the Internet shall be deemed valid.
- (6) If you exercise your voting rights via the Internet more than once, your voting results that reach us last shall be deemed valid.

#### 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 have inquiries concerning the exercise of 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)

### **[To Institutional investors]**

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

## Attached Documents

### BUSINESS REPORT (from April 1, 2011 to March 31, 2012)

#### 1. Current Status of the Taiyo Yuden Group

##### (1) Review of operations

The Group remained under harsh business conditions attributable to historically strong yen and other factors, despite recovering from stagnation in production activities caused by the Great East Japan Earthquake and the floods in Thailand. Furthermore, with financial crisis in Europe and a slowdown in economic growth in emerging countries, the future of the economy is still unclear.

In the electronics industry to which the Group belongs, while markets of smartphones and tablet PCs steadily expanded, demand for electronic components was sluggish due to inventory adjustment of PCs and liquid crystal panels.

Under such circumstances, the Group is implementing a structural reform consisting of constitutional improvement measures and growth strategies, so as to respond to present and future business environments. Especially for the purpose of constitutional improvement, the Group has worked out measures to reduce fixed costs through the structural reform centering on the maximum use of overseas bases, withdrawal of unprofitable products, reorganization of domestic and overseas bases, and cut in workforce. As part of the constitutional improvement measures, in the fiscal year under review, the Group implemented structural reform such as by soliciting voluntary retirement at the Company and group subsidiaries, and recorded costs for business restructuring of ¥4,276 million as extraordinary loss, including special extra retirement payment incurred in connection with the structural reform.

By business segment, in the electronic components segment, the Group supplied products intended for the market of smartphones for which demand has continued to expand, by enhancing the production system mainly for super high-end products such as capacitors and SAW/FBAR devices. In the recording media products and other segments, the Group enhanced its efforts for making the recording media products segment profitable, in which the structural reform was implemented in the previous fiscal year.

Accordingly, the consolidated net sales totaled ¥183,795 million (down 12.6% year on year), operating loss totaled ¥8,010 million (operating income of ¥8,792 million in the previous fiscal year), and ordinary loss totaled ¥9,070 million (ordinary income of ¥6,740 million in the previous fiscal year). With costs for business restructuring including special extra retirement payment incurred in connection with the solicitation for voluntary retirement, and reversal of deferred tax assets, net loss totaled ¥21,599 million, compared to net loss of ¥5,506 million in the previous fiscal year.

The average exchange rate during the fiscal year under review of ¥79.02 per the US dollar represents a rise of ¥7.44 compared to the average value of the yen in the previous fiscal year of ¥86.46 per dollar.

Consolidated sales by business segment are as follows:

**Consolidated Sales by Business Segment**

By business segment	71st Term (current fiscal year) from April 1, 2011 to March 31, 2012		Year-on-year changes	
	Amount	Percentage of total	Amount	Percentage of change
	(Millions of yen)	(%)	(Millions of yen)	(%)
Capacitors	84,461	45.9	(17,099)	(16.8)
Ferrite and applied products	27,929	15.2	(3,089)	(10.0)
Modules	29,166	15.9	(2,596)	(8.2)
Other electronic components	19,294	10.5	3,767	24.3
Recording media products	16,152	8.8	(4,326)	(21.1)
Other	6,791	3.7	(3,261)	(32.4)
Total	183,795	100.0	(26,606)	(12.6)

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

[Capacitors]

In the fiscal year under review, overall consolidated net sales decreased 16.8% year on year to ¥84,461 million, because of year-on-year decreases in sales of consumer products including televisions, products for information equipment including PCs, and products for components including liquid crystal panels.

Main products: Multilayer ceramic capacitor, axial leaded ceramic capacitor, polyacene capacitor

[Ferrite and applied products]

In the fiscal year under review, overall consolidated net sales decreased 10.0% year on year to ¥27,929 million, because of year-on-year decreases in sales of all products.

Main products: Multilayer chip inductor, winding chip inductor, winding power inductor

[Modules]

In the fiscal year under review, overall consolidated net sales decreased 8.2% year on year to ¥29,166 million with the decreased sales of power supply modules, despite a year-on-year increase in sales of high-frequency modules.

Main products: Various power supply modules, high-frequency module, parts embedded wiring board

[Other electronic components]

In the fiscal year under review, overall consolidated net sales increased 24.3% year on year to ¥19,294 million with a year-on-year increase in sales of main products SAW/FBAR devices such as SAW filters.

Main products: SAW/FBAR devices such as SAW filters

[Recording media products]

In the fiscal year under review, overall consolidated net sales decreased 21.1% year on year to ¥16,152 million with year-on-year decreases in sales of CD-R, and DVD-R/DVD+R, despite a steady growth in sales of BD-R.

Main products: CD-R, DVD-R/DVD+R, BD-R

[Other]

Most of sales in this segment are from the mounting business conducted by subsidiaries and affiliates. Consolidated net sales in this segment decreased 32.4% year on year to ¥6,791 million.

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

Business terms	68th Term from April 1, 2008 to March 31, 2009	69th Term from April 1, 2009 to March 31, 2010	70th Term from April 1, 2010 to March 31, 2011	71st Term (current fiscal year) from April 1, 2011 to March 31, 2012
Net sales (Millions of yen)	185,452	195,690	210,401	183,795
Ordinary income (loss) (Millions of yen)	(12,601)	1,966	6,740	(9,070)
Net loss (Millions of yen)	(14,332)	(680)	(5,506)	(21,599)
Net loss per share (Yen)	(121.51)	(5.78)	(46.82)	(183.70)
Total assets (Millions of yen)	225,451	236,361	221,272	208,461
Net assets (Millions of yen)	139,435	139,263	127,626	104,400
Net assets per share (Yen)	1,181.28	1,179.82	1,080.61	884.70

## (3) Capital investment

Capital investment during the fiscal year under review amounted to ¥29,101 million on payment basis (¥17,519 million during the previous fiscal year). This consists mainly of investment in facilities to increase production capacity of ceramic capacitors mainly for smartphones.

## (4) Financing

During the fiscal year under review, the Company issued the 1st unsecured straight bond of ¥8,000 million in February 2012. In addition, the net balance of short-term loans payable increased by ¥6,053 million, and the Company borrowed ¥12,000 million in the long term, while repaying a long-term borrowing of ¥12,563 million.

For the purpose of financial stability, a commitment line of ¥10,000 million effective for three (3) years has been set. However, the Company has not used the line as of March 31, 2012.

Among the balance of Euroyen convertible bond type-bonds with subscription rights to shares due 2014 at ¥20,000 million as of March 31, 2012, advanced redemption of ¥19,635 million was made on April 27, 2012.

## (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 subscription rights to shares of other companies

Not applicable

## (9) Mid-to-long term management strategies, target management indicators, and issues to be addressed

Implementing the structural reform consisting of constitutional improvement measures and growth strategies in order to improve profitability in response to present and future business environments, and achieve continuous growth, the Group decided to formulate and carry out a new Mid-term Management Plan for three years from the fiscal year ending March 31, 2013. In particular, the Group will work to boost its corporate value by targeting devices for which markets are expected to expand as typified by smartphones by

proposing products meeting market needs in a timely manner, and by developing into markets which should be focused on, such as the markets of industrial equipment, automobiles, healthcare, and environmental energies.

The Group also will make continuous efforts for improvement in profitability, its financial structure and asset efficiency. As target management indicators, the Group aims to turn cash flow for a single year and net cash in the fiscal year ending March 31, 2016 positive, focusing on cash flow management, and to increase consolidated ROE to 8% or over.

In order to deal with the critical issue of overcoming overall deficits for the fourth consecutive fiscal year, the Group will be committed to improvement in profitability and financial structure, taking measures by product as stated below:

1) Capacitors

The Group will enhance ultra-small products of 0402 size and 0603 size for growing devices including smartphones and tablet PCs, as well as cutting-edge super high-end products of various sizes, as improving systems according to an expansion in demand. In a large-capacity zone over  $100\mu\text{F}$ , the Group will promote an expansion of the market of multilayer ceramic capacitors by proactively developing into the market of electrolytic capacitors, with an eye to further growth. Furthermore, product lineups for markets of high-quality products, such as industrial equipment, automobiles, and healthcare will be strengthened. Meanwhile, as for production systems, the Group will strive to make the maximum use of overseas bases through accelerating overseas development of high-end products which had been produced in Japan, and work on highly efficient production.

2) Inductors

The Group will accelerate development of super high-end products meeting customers' needs more than before. Specifically, product lineups of high-frequency multilayer chip inductors and multilayer chip beads of ultra-small 0402 size will be expanded. The Group will also develop products such as super high-end power inductors using new metal materials which enable smaller size and larger current, strategically launch them into the market, and expand relevant production capacity. Meanwhile, as with capacitors, the Group will establish production systems which would facilitate the maximum use of overseas bases and highly efficient production.

3) Integrated module

The business structural reform to shift from existing business models centering on modules to integrated modules will be implemented. The Group will develop the high-frequency products business with the core of SAW/FBAR technology, proactively launch into the market super high-end products using EOMIN® a parts embedded wiring board which was invented with the Group's unique technologies, and enhance the power supply business, such as regeneration systems for the energy market. The Group will strive to establish a production system of SAW/FBAR devices, responding to the expansion of the market of smartphones and tablet PCs and the increase in the number of installed devices.

4) Energy device

As for products related to energy devices, such as polyacene capacitors and lithium ion capacitors, the Group will find applications in high-tech fields, and develop into the energy field to expand sales, in parallel with developing products.

5) Recording media

The Group will make efforts for making CD-R, DVD-R, and BD-R mainly for consumer use profitable, and develop the business as creating a highly reliable market of archive-related products.

Your continued support will be greatly appreciated.



**(10) Status of principal subsidiaries (as of March 31, 2012)**

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\$18,555 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	MYR100 million	100.0	Production of Electronic Components
TAIYO YUDEN (U.S.A.) INC.	U.S.A.	US\$3,154 thousand	100.0	Sale of Electronic Components
TAIYO YUDEN EUROPE GmbH	Germany	EUR 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	100.0	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 36, 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 the above-mentioned “(1) Review of operations.”

3. Chuki Seiki Co., Ltd. became the Company’s wholly owned subsidiary upon the acquisition of its shares on August 1, 2011.

**(11) Principal business (as of March 31, 2012)**

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, parts embedded wiring board
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, 2012)**

## 1) Principal offices, plants and laboratory of the Company

Head Office	6-16-20, Ueno, Taito-ku, Tokyo
Sales offices	Sendai (Sendai-shi, Miyagi)
	Gunma (Takasaki-shi, Gunma)
	Metropolitan (Taito-ku, Tokyo)
	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) Status of principal subsidiaries.”

**(13) Employees (as of March 31, 2012)**

## 1) Employees of the Taiyo Yuden Group

Number of employees (persons)	Increase (decrease) from the previous fiscal year (persons)
16,194	(1,073)

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)
2,977	(11)	39.9	16.4

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

**(14) Major creditors (as of March 31, 2012)**

Creditor	Loan outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	9,821
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,739
The Iyo Bank, Ltd.	5,328
The Gunma Bank, Ltd.	2,000
The Towa Bank, Ltd.	1,910

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

Not applicable

**2. Shares of the Company (as of March 31, 2012)**

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

**(2) Total number of shares issued:** 120,481,395 shares  
(including 2,899,010 shares of treasury stock)

**(3) Number of shareholders:** 13,121

**(4) Major shareholders (Top 10)**

Name	Number of shares held (hundreds of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	156,721	13.3
Japan Trustee Services Bank, Ltd. (Trust Account)	111,042	9.4
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT	42,062	3.5
Sumitomo Mitsui Banking Corporation	40,000	3.4
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	32,173	2.7
The Iyo Bank, Ltd.	30,001	2.5
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	28,805	2.4
MORGAN STANLEY & CO. LLC	27,912	2.3
JPMorgan Securities Japan Co., Ltd.	24,400	2.0
Nippon Life Insurance Company	23,805	2.0

Notes: 1. The Company holds 2,899,010 shares of treasury stock, however, it is excluded from the above-mentioned major shareholders.

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

**(5) Other important matters concerning shares of the Company**

The Company changed the number of shares constituting one unit of stock from 1,000 to 100 shares on August 1, 2011.

### 3. Status of Subscription Rights to Shares

#### (1) Status of subscription rights to shares held by Corporate Officers of the Company delivered as a consideration for the execution of their duties (as of March 31, 2012)

Name	Period of service	Date of resolution for issuance	Number of Directors subject to the allotment of subscription rights to shares (excluding Outside Directors)	Total number of subscription rights to shares	Class and number of shares to be issued or transferred upon exercise of the subscription rights to shares	Exercisable period for the subscription rights to shares
June 2005 Issue of subscription rights to shares	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 subscription rights to shares	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 subscription rights to shares	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 subscription rights to shares	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 subscription rights to shares	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 subscription rights to shares	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 subscription rights to shares	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
June 2011 Issue of subscription rights to shares	April 2011 through March 2012	June 29, 2011	8 Directors	44 units	44,000 shares of the common stock of the Company	July 14, 2011 through July 13, 2031

## **(2) Main requirements for the subscription rights to shares, etc.**

### 1) Common requirements for the subscription rights to shares issued from June 2005 to June 2011

1. The holder of the subscription rights to shares may exercise his or her rights only within ten (10) days from the day following the retirement as Director of the Company.
2. Notwithstanding the above condition 1., the holder of the subscription rights to shares may exercise his or her subscription rights to shares in the case falling under the following items within a period set forth as follows.
  - a) If the holder of the subscription rights to shares does not become entitled to exercise the subscription rights to shares within nineteen (19) years and eleven (11) months from the date of resolution for issuance, the holder of subscription rights to shares may exercise his or her rights within one (1) month from the day following the day when nineteen (19) years and eleven (11) months have elapsed from the date of resolution for issuance.
  - b) If a proposal for a merger agreement under which the Company is to be merged as a dissolving company, or a share exchange agreement or a share transfer under which the Company is to become a wholly owned subsidiary is approved at a General Meeting of Shareholders of the Company, the holder of subscription rights to shares may exercise his or her rights within ten (10) days from the day after such approval date.
  - c) If the holder of subscription rights to shares should die, his or her heir (limited to one heir) may exercise the subscription rights to shares within three (3) months from the day following the retirement due to such death.
3. The holder of subscription rights to shares may not partially exercise any unit of the subscription rights to shares.
4. Subscription rights to shares shall be granted without consideration.
5. The value of assets contributed upon the exercise of subscription rights to shares shall be ¥1 per share.
6. Any other terms and conditions shall be governed by a “Contract for Allotment of Subscription Rights to Shares” entered into between the Company and the Director to whom the subscription rights to shares have been allotted in accordance with the resolutions adopted at the General Meeting of Shareholders and at the Meeting of the Board of Directors.

### 2) Reason and conditions for cancellation of the subscription rights to shares issued in June 2005

1. The Company may, without consideration, cancel subscription rights to shares that have not been exercised within the period set forth in 2. b) under “1) Common requirements for the subscription rights to shares issued from June 2005 to June 2011.”
2. The Company may, at any time, cancel subscription rights to shares acquired and held by the Company without consideration.

### 3) Terms and conditions for the acquisition of subscription rights to shares issued in and after August 2006

If a holder of subscription rights to shares can no longer exercise his or her subscription rights to shares under “1) Common requirements for the subscription rights to shares issued from June 2005 to June 2011” or loses his or her rights based on the regulation set forth in the “Contract for Allotment of Subscription Rights to Shares,” the Company may acquire such subscription rights to shares without consideration.

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

## **(3) Status of the subscription rights to shares delivered during the fiscal year under review**

Not applicable

**(4) Other important matters concerning the subscription rights to shares**

- 1) Euroyen convertible bond type-bonds with subscription rights to shares 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
<b>[Descriptions of convertible bond type-bonds with subscription rights to shares]</b>	
Total amount of bonds	¥20 billion
Amount of each bond	The face value of each bond with subscription rights to shares 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 subscription rights to shares 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.)
<b>[Description of subscription rights to shares]</b>	
Number of subscription rights to shares 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 subscription rights to shares shall be common stock. The number of shares of common stock of the Company to be delivered upon the exercise of the subscription rights to shares 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 subscription rights to shares	No payment necessary in exchange for subscription rights to shares
Description and value of the assets contributed upon the exercise of subscription rights to shares	1) Upon the exercise of subscription rights to shares, bonds with the subscription rights to shares 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 subscription rights to shares	From May 11, 2007 to end of bank business hours on April 14, 2014 (local time at location of exercise request)

Note: With advanced redemption of part of the bond, ¥19,635 million, by choice of holders of the bond on April 27, 2012 in accordance with provisions in the description of the bond with subscription rights to shares, the balance decreased to ¥365 million.

2) Status of the subscription rights to shares delivered as a consideration for the execution of duties in and after the fiscal year under review

Subscription rights to shares delivered to Corporate Officers of the Company by resolution at a meeting of the Board of Directors as a consideration for the execution of their duties in and after the fiscal year under review are as follows:

Name	Period of service	Date of resolution for issuance	Number of Directors subject to the allotment of subscription rights to shares (excluding Outside Directors)	Total number of subscription rights to shares	Class and number of shares to be issued or transferred upon exercise of the subscription rights to shares	Exercisable period for the subscription rights to shares
April 2012 Issue of subscription rights to shares	April 2012 through March 2013	April 25, 2012	8 Directors	38 units	38,000 shares of the common stock of the Company	May 11, 2012 through May 10, 2032

Main requirements for the subscription rights to shares

It is the same as “(2) 1) Common requirements for the subscription rights to shares issued from June 2005 to June 2011” stated above.

#### 4. Corporate Officers (as of March 31, 2012)

##### (1) Directors and Corporate Auditors

Position	Name	Responsibilities in the Company and significant concurrent positions
Chairman and Representative Director	Yoshiro Kanzaki	
President and Representative Director	Eiji Watanuki	
Director and Senior Executive Operating Officer	Shoichi Tosaka	In charge of Development/Engineering and Quality Assurance
Director and Senior Executive Operating Officer	Katsumi Yanagisawa	In charge of Electronic Components Business
Director and Senior Operating Officer	Takashi Tomaru	Regional Director of Greater China
Director and Senior Operating Officer	Akihiko Mochizuki	In charge of Recording Media Business, Chief of Recording Media Product Headquarters
Director and Senior Operating Officer	Seiichi Tsutsumi	In charge of Integrated Module Business, Chief of Integrated Module Business Headquarters
Director and Senior Operating Officer	Osamu Takahashi	In charge of Management Planning, Chief of Management Planning Headquarters
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 (Full-time)	Norio Osakabe	
Corporate Auditor (Full-time)	Mamoru Yamaki	
Corporate Auditor (Outside / Independent Officer)	Tomonori Akisaka	Professor at Professional Graduate School of Meiji University
Corporate Auditor (Outside / Independent Officer)	Kazuhiro Yamakawa	Professor at College of Law of Nihon University

- Notes: 1. Directors Yuji Iwanaga and Hisaji Agata are Outside Directors (Independent Officers).  
2. Corporate Auditors Tomonori Akisaka and Kazuhiro Yamakawa are Outside Corporate Auditors (Independent Officers).  
3. Director Yuji Iwanaga and Corporate Auditor Kazuhiro Yamakawa 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 concurrently serving.  
6. Personnel changes of Directors and Corporate Auditors during the fiscal year under review are as follows:  
Corporate Auditor Toshinobu Inada resigned from the position of Corporate Auditor at the conclusion of the 70th Ordinary General Meeting of Shareholders held on June 29, 2011.  
7. Changes in responsibilities of Directors in and after the fiscal year under review are as follows:

Name	New responsibilities	Former responsibilities	Date of revision
Shoichi Tosaka	In charge of Development/Engineering, Quality Assurance, and New Business Planning	In charge of Development/Engineering and Quality Assurance	April 1, 2012



## (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

	Number of persons paid and total amount of remuneration		Content					
			Monthly remuneration		Director bonus		Stock option-type remuneration	
	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors	10	244	10	203	-	-	8	41
Corporate Auditors	5	62	5	62	-	-	-	-
Total	15	307	15	265	-	-	8	41
(Outside Directors and Outside Corporate Auditors)	(5)	(32)	(5)	(32)	(-)	(-)	(-)	(-)

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 or less 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. 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
Outside Corporate Auditor Tomonori Akisaka	Professor at Professional Graduate School of Meiji University	No special relationship
Outside Corporate Auditor Kazuhiro Yamakawa	Professor at College of Law of Nihon 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

Name	Attendance at meetings of the Board of Directors (held 18 times)	Attendance at meetings of the Board of Corporate Auditors (held 21 times)	Main activities
Outside Director Yuji Iwanaga	18 times (Attendance rate: 100.0%)	-	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	18 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 Tomonori Akisaka	17 times (Attendance rate: 94.4%)	21 times (Attendance rate: 100.0%)	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 deep insight cultivated as a professor of graduate school and professional perspective as a certified public accountant.
Outside Corporate Auditor Kazuhiro Yamakawa	13 times (Attendance rate: 100.0%)	16 times (Attendance rate: 100.0%)	Mr. Yamakawa 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 professor of University and professional perspective as an attorney.

Note: Attendance rate of Corporate Auditor Kazuhiro Yamakawa is subject to 13 meetings of the Board of Directors and 16 meetings of the Board of Corporate Auditors held on and after the date of his assumption of office, June 29, 2011.

**(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 Company and Outside Directors Yuji Iwanaga and Hisaji Agata, and Outside Corporate Auditors Tomonori Akisaka and Kazuhiro Yamakawa, 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

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

(Millions of yen)

	Amount
1) Remuneration paid or payable to the Accounting Auditors for the Company	69
2) Remuneration or other financial interests paid or payable to the Accounting Auditors for the Company and subsidiaries	73

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

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

### (3) Business affairs other than accounting audits

The Company has entrusted advisory service concerning IFRS (International Financial Reporting Standards) to the Accounting Auditors.

### (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 Representative Director, 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, eliminates and improves 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.

## **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) 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 management plan and enhancing corporate governance, the Company is conducting the following measures:

#### **1) Implementation of the Mid-term Management Plan**

Implementing the structural reform consisting of constitutional improvement measures and growth strategies in order to improve profitability in response to present and future business environments, and achieve continuous growth, the Company decided to formulate and carry out a new Mid-term Management Plan for three years from the fiscal year ending March 31, 2013. In particular, the Company will work to boost its corporate value by targeting devices for which markets are expected to expand as typified by smartphones by proposing products meeting market needs in a timely manner, and by developing into markets which should be focused on, such as the markets of industrial equipment, automobiles, healthcare, and environmental energies.

#### **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) All Outside Directors and Outside Corporate Auditors are appointed as Independent Officers who have no possibility of conflict of interests with general shareholders.
- ii) The Company established the operating officer system and has Operating Officers in place so as to separate supervising function from operating function.
- iii) Principal meetings and roles of committees are as follows.
  - 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.
  - TM Meeting  
In TM Meeting consisting of Directors with a rank of Executive Operating Officer or higher, matters concerning personnel, organizations, and remunerations in the entire Group are deliberated



and determined, and matters concerning important management policies are deliberated in advance.

- 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.

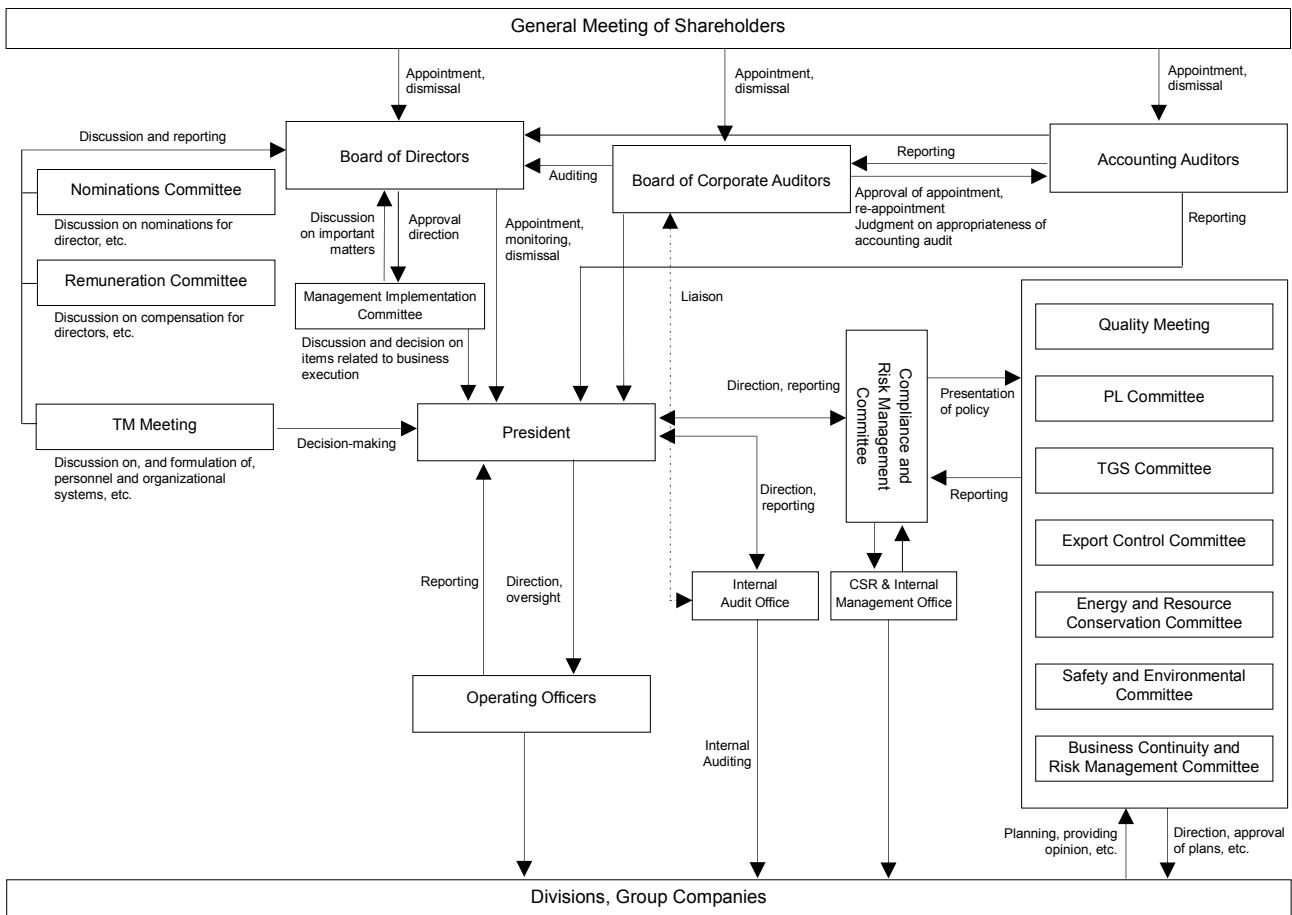
- Remuneration Committee

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.

- 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]



**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

Account item	71st Fiscal Term (as of March 31, 2012)	(Reference) 70th Fiscal Term (as of March 31, 2011)
	Amount	Amount
(ASSETS)		
<b>Current assets</b>	<b>104,398</b>	<b>119,575</b>
Cash and deposits	27,912	39,957
Trade notes and accounts receivable	41,865	41,190
Merchandise and finished goods	13,099	13,275
Work in process	8,529	9,318
Raw materials and supplies	8,920	9,893
Deferred tax assets	404	1,774
Other	3,956	4,381
Allowance for doubtful receivables	(289)	(216)
<b>Non-current assets</b>	<b>104,062</b>	<b>101,696</b>
<b>Property, plant and equipment</b>	<b>94,021</b>	<b>87,602</b>
Buildings and structures	64,204	62,069
Machinery and transportation equipment	192,930	179,944
Tools, furniture and fixtures	18,212	17,648
Land	7,686	7,715
Construction in progress	10,396	10,742
Accumulated depreciation	(199,409)	(190,517)
<b>Intangible assets</b>	<b>2,624</b>	<b>3,430</b>
Goodwill	1,801	2,646
Other	823	784
<b>Investments and other assets</b>	<b>7,416</b>	<b>10,664</b>
Investment securities	4,550	4,677
Deferred tax assets	579	3,626
Other	2,532	2,610
Allowance for doubtful receivables	(246)	(250)
<b>Total Assets</b>	<b>208,461</b>	<b>221,272</b>

**CONSOLIDATED BALANCE SHEETS (continued)**

(Millions of yen)

Account item	71st Fiscal Term (as of March 31, 2012)	(Reference) 70th Fiscal Term (as of March 31, 2011)
	Amount	Amount
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>	<b>69,757</b>	<b>55,402</b>
Trade notes and accounts payable	15,345	17,047
Current portion of convertible bond type-bonds with subscription rights to shares	19,635	-
Short-term loans payable	9,031	2,996
Current portion of long-term loans payable	4,147	12,539
Other accounts payable	7,593	10,288
Income tax payable	586	1,120
Deferred tax liabilities	615	484
Reserve for bonuses	1,741	2,951
Reserve for bonuses for Directors and Corporate Auditors	-	46
Provision for business structure improvement	474	-
Other	10,585	7,926
<b>Long-term liabilities</b>	<b>34,303</b>	<b>38,244</b>
Bonds payable	8,000	-
Convertible bond type-bonds with subscription rights to shares	365	20,000
Long-term loans payable	17,297	9,469
Lease obligations	1,662	2,009
Deferred tax liabilities	3,649	2,301
Liabilities for employees' retirement benefits	1,659	3,400
Liabilities for retirement benefits for Directors and Corporate Auditors	107	136
Negative goodwill	31	51
Other	1,530	874
<b>Total Liabilities</b>	<b>104,061</b>	<b>93,646</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>	<b>128,222</b>	<b>150,709</b>
Common stock	23,557	23,557
Capital surplus	41,471	41,471
Retained earnings	66,820	89,301
Treasury stock	(3,625)	(3,620)
<b>Accumulated other comprehensive income</b>	<b>(24,198)</b>	<b>(23,643)</b>
Unrealized holding gains on securities	433	381
Deferred gain or loss on derivatives under hedge accounting	5	(49)
Foreign currency translation adjustments	(24,637)	(23,975)
<b>Subscription rights to shares</b>	<b>329</b>	<b>287</b>
<b>Minority interests</b>	<b>46</b>	<b>272</b>
<b>Total Net Assets</b>	<b>104,400</b>	<b>127,626</b>
<b>Total Liabilities and Net Assets</b>	<b>208,461</b>	<b>221,272</b>

**CONSOLIDATED STATEMENTS OF INCOME**

(Millions of yen)

Account item	71st Fiscal Term (from April 1, 2011 to March 31, 2012)		(Reference) 70th Fiscal Term (from April 1, 2010 to March 31, 2011)	
	Amount		Amount	
<b>Net sales</b>		<b>183,795</b>		<b>210,401</b>
<b>Cost of sales</b>		<b>157,064</b>		<b>164,471</b>
<b>Gross profit</b>		<b>26,731</b>		<b>45,930</b>
<b>Selling expenses and general and administrative expenses</b>		<b>34,742</b>		<b>37,137</b>
<b>Operating income (loss)</b>		<b>(8,010)</b>		<b>8,792</b>
Other income				
Interest income	183		173	
Dividend income	93		80	
Equity in earnings of affiliates	69		1	
Subsidies	71		58	
Life insurance dividends income	40		57	
Other	179	638	153	525
Other expenses				
Interest expenses	410		476	
Interest on bonds	11		-	
Bond issuance cost	40		-	
Loss on foreign exchange	526		1,441	
Depreciation of inactive non-current assets	349		546	
Other	360	1,698	112	2,577
<b>Ordinary income (loss)</b>		<b>(9,070)</b>		<b>6,740</b>
<b>Extraordinary gains</b>				
Gains on sale of property, plant and equipment	29		941	
Gain on change of employee retirement benefit plan	55		-	
Gain on negative goodwill	11		-	
Other	-	96	172	1,113
<b>Extraordinary losses</b>				
Loss on retirement and sale of property, plant and equipment	495		2,172	
Impairment loss	268		7,343	
Loss on disposal of inventories	141		312	
Loss on devaluation of investment securities	442		-	
Loss on (earthquake) disaster	-		1,409	
Loss on adjustment for changes of accounting standard for asset retirement obligations	-		27	
Business structure improvement expenses	4,276		-	
Other	25	5,650	241	11,507
<b>Loss before income taxes and minority interests</b>		<b>(14,624)</b>		<b>(3,653)</b>
Income taxes	1,139		1,878	
Deferred income taxes	5,831	6,971	(42)	1,836
<b>Loss before minority interests</b>		<b>(21,595)</b>		<b>(5,489)</b>
Minority interests in income		4		16
<b>Net loss</b>		<b>(21,599)</b>		<b>(5,506)</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(Millions of yen)

Account item		71st Fiscal Term (from April 1, 2011 to March 31, 2012)	(Reference) 70th Fiscal Term (from April 1, 2010 to March 31, 2011)	
		Amount	Amount	
Shareholders' equity	Common stock	Balance at beginning of the term	23,557	23,557
		Balance at end of the term	23,557	23,557
	Capital surplus	Balance at beginning of the term	41,471	41,471
		Balance at end of the term	41,471	41,471
	Retained earnings	Balance at beginning of the term	89,301	95,984
		Change during the term		
		Dividends from surplus	(881)	(1,176)
		Net loss	(21,599)	(5,506)
		Total change during the term	(22,481)	(6,682)
		Balance at end of the term	66,820	89,301
	Treasury stock	Balance at beginning of the term	(3,620)	(3,592)
		Change during the term		
		Acquisition of treasury stock	(4)	(28)
		Total change during the term	(4)	(28)
		Balance at end of the term	(3,625)	(3,620)
	Total shareholders' equity	Balance at beginning of the term	150,709	157,420
		Change during the term		
		Dividends from surplus	(881)	(1,176)
Net loss		(21,599)	(5,506)	
Acquisition of treasury stock		(4)	(28)	
Total change during the term		(22,486)	(6,710)	
	Balance at end of the term	128,222	150,709	

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (continued)**

(Millions of yen)

Account item			71st Fiscal Term (from April 1, 2011 to March 31, 2012)	(Reference) 70th Fiscal Term (from April 1, 2010 to March 31, 2011)
			Amount	Amount
Accumulated other comprehensive income	Unrealized holding gains on securities	Balance at beginning of the term	381	695
		Change during the term		
		Net change in items other than shareholders' equity during the term	52	(313)
		Total change during the term	52	(313)
		Balance at end of the term	433	381
	Deferred gain or loss on derivatives under hedge accounting	Balance at beginning of the term	(49)	(96)
		Change during the term		
		Net change in items other than shareholders' equity during the term	55	46
		Total change during the term	55	46
		Balance at end of the term	5	(49)
	Foreign currency translation adjustments	Balance at beginning of the term	(23,975)	(19,259)
		Change during the term		
		Net change in items other than shareholders' equity during the term	(662)	(4,715)
		Total change during the term	(662)	(4,715)
		Balance at end of the term	(24,637)	(23,975)
	Total accumulated other comprehensive income	Balance at beginning of the term	(23,643)	(18,661)
Change during the term				
Net change in items other than shareholders' equity during the term		(554)	(4,981)	
Total change during the term		(554)	(4,981)	
	Balance at end of the term	(24,198)	(23,643)	
Subscription rights to shares	Balance at beginning of the term	287	248	
	Change during the term			
	Net change in items other than shareholders' equity during the term	41	39	
	Total change during the term	41	39	
	Balance at end of the term	329	287	
Minority interests	Balance at beginning of the term	272	256	
	Change during the term			
	Net change in items other than shareholders' equity during the term	(226)	16	
	Total change during the term	(226)	16	
	Balance at end of the term	46	272	
Total net assets	Balance at beginning of the term	127,626	139,263	
	Change during the term			
	Dividends from surplus	(881)	(1,176)	
	Net loss	(21,599)	(5,506)	
	Acquisition of treasury stock	(4)	(28)	
	Net change in items other than shareholders' equity during the term	(739)	(4,926)	
	Total change during the term	(23,225)	(11,637)	
	Balance at end of the term	104,400	127,626	

**NON-CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

Account item	71st Fiscal Term (as of March 31, 2012)	(Reference) 70th Fiscal Term (as of March 31, 2011)
	Amount	Amount
<b>(ASSETS)</b>		
<b>Current assets</b>	<b>67,035</b>	<b>76,089</b>
Cash and deposits	7,810	16,288
Notes receivable	475	486
Trade accounts receivable	33,990	37,291
Merchandise and finished goods	2,765	2,498
Work in process	2,477	3,710
Raw materials and supplies	3,643	5,075
Prepaid expenses	145	192
Deferred tax assets	-	1,014
Short-term loans to subsidiaries and affiliates	10,220	3,421
Other accounts receivable	4,892	5,185
Consumption taxes receivable	674	967
Other	67	22
Allowance for doubtful receivables	(128)	(66)
<b>Non-current assets</b>	<b>109,846</b>	<b>113,634</b>
<b>Property, plant and equipment</b>	<b>35,991</b>	<b>34,404</b>
Buildings	9,396	8,969
Structures	599	506
Machinery and equipment	16,323	15,469
Vehicles and transportation equipment	25	27
Tools, furniture and fixtures	980	1,000
Land	4,215	4,215
Construction in progress	4,450	4,216
<b>Intangible assets</b>	<b>676</b>	<b>648</b>
Patent right	180	209
Software	360	327
Other	135	112
<b>Investments and other assets</b>	<b>73,178</b>	<b>78,580</b>
Investment securities	3,308	3,419
Investments in subsidiaries and affiliates	49,472	51,459
Long-term loans receivable from employees	378	432
Long-term loans receivable from subsidiaries and affiliates	20,230	20,250
Claims provable in bankruptcy, claims provable in rehabilitation and other	246	249
Long-term prepaid expenses	305	15
Deferred tax assets	-	3,088
Other	751	763
Allowance for doubtful receivables	(1,515)	(1,097)
<b>Total Assets</b>	<b>176,881</b>	<b>189,723</b>

**NON-CONSOLIDATED BALANCE SHEETS (continued)**

(Millions of yen)

Account item	71st Fiscal Term (as of March 31, 2012)	(Reference) 70th Fiscal Term (as of March 31, 2011)
	Amount	Amount
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>	<b>66,559</b>	<b>52,385</b>
Notes payable	87	109
Trade accounts payable	18,788	20,619
Current portion of convertible bond type-bonds with subscription rights to shares	19,635	-
Short-term loans payable	9,031	3,828
Current portion of long-term loans payable	4,077	12,399
Lease obligations	545	485
Other accounts payable	5,538	7,592
Accrued expenses	6,294	3,447
Accrued income taxes	49	138
Deposits received	1,629	1,923
Reserve for bonuses	700	1,694
Reserve for bonuses to Directors and Corporate Auditors	-	46
Deferred tax liabilities	0	-
Other	180	99
<b>Long-term liabilities</b>	<b>28,689</b>	<b>31,430</b>
Bonds payable	8,000	-
Convertible bond type-bonds with subscription rights to shares	365	20,000
Long-term loans payable	17,297	9,399
Lease obligations	1,197	1,385
Deferred tax liabilities	1,325	-
Other	504	645
<b>Total Liabilities</b>	<b>95,249</b>	<b>83,816</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>	<b>80,957</b>	<b>105,456</b>
<b>Common stock</b>	<b>23,557</b>	<b>23,557</b>
<b>Capital surplus</b>	<b>41,471</b>	<b>41,471</b>
Capital reserve	41,450	41,450
Other capital surplus	20	20
<b>Retained earnings</b>	<b>19,554</b>	<b>44,048</b>
Legal profit reserve	2,947	2,947
Other retained earnings	16,606	41,100
Reserve for advanced depreciation of non-current assets	1,257	1,166
Reserve for special depreciation	0	1
General reserve	27,800	27,800
Retained earnings (losses) brought forward from the previous term	(12,451)	12,133
<b>Treasury stock</b>	<b>(3,625)</b>	<b>(3,620)</b>
<b>Variance of evaluation and translation</b>	<b>345</b>	<b>163</b>
Unrealized holding gains on securities	339	213
Deferred gain or loss on derivatives under hedge accounting	5	(49)
<b>Subscription rights to shares</b>	<b>329</b>	<b>287</b>
<b>Total Net Assets</b>	<b>81,631</b>	<b>105,907</b>
<b>Total Liabilities and Net Assets</b>	<b>176,881</b>	<b>189,723</b>



**NON-CONSOLIDATED STATEMENTS OF INCOME**

(Millions of yen)

Account item	71st Fiscal Term (from April 1, 2011 to March 31, 2012)		(Reference) 70th Fiscal Term (from April 1, 2010 to March 31, 2011)	
	Amount		Amount	
<b>Net sales</b>		<b>161,458</b>		<b>182,344</b>
<b>Cost of sales</b>		<b>154,729</b>		<b>157,713</b>
<b>Gross profit</b>		<b>6,729</b>		<b>24,630</b>
<b>Selling expenses and general and administrative expenses</b>		<b>20,120</b>		<b>21,840</b>
<b>Operating income (loss)</b>		<b>(13,391)</b>		<b>2,790</b>
Other income				
Interest income	385		401	
Dividend income	1,551		4,123	
Other	75	2,012	97	4,622
Other expenses				
Interest expenses	405		463	
Interest on bonds	11		-	
Bond issuance cost	40		-	
Loss on foreign exchange	580		1,407	
Compensation expense	7		26	
Depreciation of inactive non-current assets	230		185	
Provision of allowance for doubtful accounts	476		-	
Other	35	1,788	30	2,113
<b>Ordinary income (loss)</b>		<b>(13,166)</b>		<b>5,299</b>
<b>Extraordinary gains</b>				
Gains on sale of property, plant and equipment	18		34	
Reversal of allowance for doubtful receivables	-		36	
Other	-	18	0	71
<b>Extraordinary losses</b>				
Loss on retirement and sale of property, plant and equipment	108		262	
Impairment loss	225		146	
Loss on disposal of inventories	26		212	
Loss on devaluation of investment securities	442		234	
Loss on devaluation of stocks of subsidiaries and affiliates	1,453		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	
Business structure improvement expenses	2,689	4,947	-	2,133
<b>Income (loss) before income taxes</b>		<b>(18,095)</b>		<b>3,236</b>
Income taxes	150		333	
Deferred income taxes	5,366	5,517	-	333
<b>Net income (loss)</b>		<b>(23,612)</b>		<b>2,903</b>

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(Millions of yen)

Account item			71st Fiscal Term (from April 1, 2011 to March 31, 2012)	(Reference) 70th Fiscal Term (from April 1, 2010 to March 31, 2011)		
			Amount	Amount		
Shareholders' equity	Common stock		Balance at beginning of the term	23,557	23,557	
			Balance at end of the term	23,557	23,557	
	Capital surplus	Capital reserve		Balance at beginning of the term	41,450	41,450
				Balance at end of the term	41,450	41,450
		Other capital surplus		Balance at beginning of the term	20	20
				Balance at end of the term	20	20
		Total capital surplus		Balance at beginning of the term	41,471	41,471
				Balance at end of the term	41,471	41,471
	Retained earnings	Legal profit reserve		Balance at beginning of the term	2,947	2,947
				Balance at end of the term	2,947	2,947
		Other retained earnings	Reserve for advanced depreciation of non-current assets	Balance at beginning of the term	1,166	1,170
				Change during the term		
				Provision of reserve for advanced depreciation of non-current assets	95	-
				Reversal of reserve for advanced depreciation of non-current assets	(4)	(4)
				Total change during the term	91	(4)
				Balance at end of the term	1,257	1,166
		Other retained earnings	Reserve for special depreciation	Balance at beginning of the term	1	2
				Change during the term		
				Reversal of reserve for special depreciation	(1)	(1)
				Total change during the term	(1)	(1)
		Other retained earnings	General reserve	Balance at beginning of the term	27,800	27,800
				Balance at end of the term	27,800	27,800
		Retained earnings	Retained earnings brought forward from the previous term	Balance at beginning of the term	12,133	10,400
Change during the term						
Dividends from surplus				(881)	(1,176)	
Provision of reserve for advanced depreciation of non-current assets				(95)	-	
Reversal of reserve for advanced depreciation of non-current assets				4	4	
Reversal of reserve for special depreciation				1	1	
Net income (loss)				(23,612)	2,903	
Total change during the term				(24,584)	1,732	
Balance at end of the term				(12,451)	12,133	
Total retained earnings	Total retained earnings			Balance at beginning of the term	44,048	42,321
		Change during the term				
		Dividends from surplus	(881)	(1,176)		
		Provision of reserve for advanced depreciation of non-current assets	-	-		
		Reversal of reserve for advanced depreciation of non-current assets	-	-		
		Reversal of reserve for special depreciation	-	-		
		Net income (loss)	(23,612)	2,903		
		Total change during the term	(24,494)	1,727		
Balance at end of the term	19,554	44,048				

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (continued)**

(Millions of yen)

Account item			71st Fiscal Term (from April 1, 2011 to March 31, 2012)	(Reference) 70th Fiscal Term (from April 1, 2010 to March 31, 2011)
			Amount	Amount
Shareholders' equity	Treasury stock	Balance at beginning of the term	(3,620)	(3,592)
		Change during the term		
		Acquisition of treasury stock	(4)	(28)
		Total change during the term	(4)	(28)
		Balance at end of the term	(3,625)	(3,620)
	Total shareholders' equity	Balance at beginning of the term	105,456	103,757
		Change during the term		
		Dividends from surplus	(881)	(1,176)
		Net income (loss)	(23,612)	2,903
		Acquisition of treasury stock	(4)	(28)
Total change during the term		(24,499)	1,698	
	Balance at end of the term	80,957	105,456	
Variance of evaluation and translation	Unrealized holding gains on securities	Balance at beginning of the term	213	404
		Change during the term		
		Net change in items other than shareholders' equity during the term	126	(191)
		Total change during the term	126	(191)
		Balance at end of the term	339	213
	Deferred gain or loss on derivatives under hedge accounting	Balance at beginning of the term	(49)	(96)
		Change during the term		
		Net change in items other than shareholders' equity during the term	55	46
		Total change during the term	55	46
		Balance at end of the term	5	(49)
	Total variance of evaluation and translation	Balance at beginning of the term	163	308
		Change during the term		
Net change in items other than shareholders' equity during the term		181	(144)	
Total change during the term		181	(144)	
	Balance at end of the term	345	163	
Subscription rights to shares	Balance at beginning of the term	287	248	
	Change during the term			
	Net change in items other than shareholders' equity during the term	41	39	
	Total change during the term	41	39	
	Balance at end of the term	329	287	
Total net assets	Balance at beginning of the term	105,907	104,313	
	Change during the term			
	Dividends from surplus	(881)	(1,176)	
	Net income (loss)	(23,612)	2,903	
	Acquisition of treasury stock	(4)	(28)	
	Net change in items other than shareholders' equity during the term	223	(105)	
	Total change during the term	(24,275)	1,593	
	Balance at end of the term	81,631	105,907	

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

**INDEPENDENT AUDITORS' REPORT**

May 11, 2012

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 71st fiscal term from April 1, 2011 to March 31, 2012.

*Management's responsibility for the consolidated financial statements*

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

*Independent auditors' responsibility*

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

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

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

*Audit opinion*

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

*Interests in the Company*

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

**INDEPENDENT AUDITORS' REPORT**

May 11, 2012

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 71st fiscal term from April 1, 2011 to March 31, 2012.

*Management's responsibility for the non-consolidated financial statements, etc.*

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

*Independent auditors' responsibility*

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

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

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

*Audit opinion*

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

*Interests in the Company*

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

**AUDIT REPORT**

The 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 71st fiscal term from April 1, 2011 to March 31, 2012, 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, regularly received reports from Directors etc. regarding the status of establishment and operations of the system (internal control system) established in accordance with the relevant resolution of the Board of Directors, and requested explanations as necessary. Corporate Auditor also considered the content of the basic policy set forth in Article 118, Item 3 (a) of Enforcement Regulations of the Companies Act, which is described in the business report. 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, 2012.

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, 2012.

## 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.

### (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 18, 2012

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

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

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

Tomonori Akisaka (Seal)  
Outside Corporate Auditor

Kazuhiro Yamakawa (Seal)  
Outside Corporate Auditor