

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Securities Code: 6976)

June 5, 2015

**To Those Shareholders with Voting Rights:**

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

**NOTICE OF CONVOCATION OF THE 74TH ORDINARY GENERAL MEETING OF  
SHAREHOLDERS**

You are cordially invited to attend the 74th 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 may exercise your voting rights by either voting in writing or voting via the Internet. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights so that your vote will arrive by 5:00 p.m., June 25, 2015 (Thursday).**

- 1. Date and Time:** 10:00 a.m., June 26, 2015 (Friday) (Reception desk opens at 9:00 a.m.)
- 2. Place:** Halls 1 and 2 ("KITTE"), 4th Floor, JP Tower Hall & Conference, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**
  - Matters to be reported:** Details of the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 74th Fiscal Term (from April 1, 2014, to March 31, 2015), and results of the audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
  - Matters to be resolved:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Election of Eight (8) Directors
    - Proposal No. 3:** Election of Three (3) Audit & Supervisory Board Members
    - Proposal No. 4:** Election of One (1) Substitute Audit & Supervisory Board Member

#### 4. Matters to be resolved upon convocation of the 74th Ordinary General Meeting of Shareholders

##### Exercise of voting rights by proxy

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

##### Disclosure via the Internet

- (1) Among documents which shall be provided with this Convocation Notice, Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements are posted on the Company website as shown below 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 the attached documents concerning the matters to be reported, Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements are subject to the audit of the Accounting Auditor and the Audit & Supervisory Board Members.
- (2) In case any revisions are made after the dispatch of this Convocation Notice up till the day prior to the date of the General Meeting of Shareholders, the revised contents will be disclosed on the following Company website.
- (3) Regarding the detailed results of the resolutions, an extraordinary report on the results of the exercise of voting rights will be posted on the following Company website.

The Company's website: <http://www.yuden.co.jp/>

End

---

##### [Requests]

- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. Please bring this Convocation Notice with you in order to conserve resources.
- On the day of the Meeting, the Company will adopt "Cool Biz" attire, a summer business style without tie/jacket. Accordingly, participants are also encouraged to attend the Meeting in light clothing.

## **Guidelines on Exercising Voting Rights**

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

If you are able to attend the Meeting:

### **Exercising voting rights in person at the Meeting**

Please present the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the Meeting.

In addition, please bring this Convocation Notice with you to the Meeting to use for your reference.

If you are attending the Meeting in person, you do not need to exercise your voting rights in writing or via the Internet.

Meeting date and time: June 26, 2015 (Friday)    Meeting starts: 10:00 a.m.    Reception desk opens: 9:00 a.m.

If you are unable to attend the Meeting:

### **Exercising voting rights in writing (using the Voting Rights Exercise Form)**

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return the form by post.

Voting deadline: June 25, 2015 (Thursday)                      Must be received by 5:00 p.m.

### **[To institutional investors]**

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

## **Exercising voting rights via the Internet**

Before voting via the Internet, please confirm the information provided on pages 5 to 22.

Voting deadline: June 25, 2015 (Thursday)                      Until 5:00 p.m.

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

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

- (1) Exercising voting rights via the Internet is only possible using the website specified by the Company for the purpose of exercising voting rights (see “3. Detailed instructions for exercising voting rights via the Internet” described below). Please note that the code and password for the exercise of voting rights, which are provided on your Voting Rights Exercise Form enclosed with the Convocation Notice, are necessary for exercising voting rights via the Internet.
- (2) The code and password for exercising voting rights provided on this occasion are only valid for this General Meeting. A new code and password will be issued for the next General Meeting.
- (3) Shareholders shall bear any costs related to the use of the Internet (such as Internet provider connection fees and data transmission fees).
- (4) Please confirm the information on the voting rights exercise website regarding the computer operating environment necessary for exercising voting rights via the Internet.
- (5) If you vote both in writing and via the Internet, only your vote cast via the Internet shall be deemed valid.
- (6) If you vote via the Internet more than once, only the last of the votes you cast shall be deemed valid.

### **2. Security**

We are using encryption technology (SSL 128 bit) to prevent voting information from being tampered with or stolen, so you can cast your vote securely.

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

### **3. Detailed instructions for exercising voting rights via the Internet**

- (1) Please access <http://www.it-soukai.com/>.
- (2) Enter your code and password for exercising voting rights. Then click on the "log in" button.
- (3) Enter the password and follow the guidance on the screen to cast your vote. (For security reasons, you will be required to change your password upon your first login.) The code and password for exercising voting rights are printed in the bottom right-hand corner of the Voting Rights Exercise Form enclosed with the Notice of Convocation.

### **4. Inquiries regarding exercising voting rights via the Internet**

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

## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal No. 1: Appropriation of Surplus

The Company considers one of the most important issues for management to be the distribution of plentiful returns to its shareholders, and has set a target for the total return ratio, including the purchase of treasury stock, of 30%. However, at present, it is recognized that steps to cultivate a stable and sustainable earnings structure and improve the Company's balance sheet are necessary; therefore dividends from surplus for the fiscal year ended March 31, 2015, continue to be ¥10 per year, which consists of a ¥5 interim dividend per share and a ¥5 year-end dividend per share.

Under this policy, the appropriation of surplus shall be carried out as follows:

##### 1. Year-end dividend

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

Cash

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

¥5 per share (common stock of the Company)      Total amount: ¥588,735,710

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

June 29, 2015

##### 2. Other matters concerning the appropriation of surplus

Not applicable

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

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

The candidates for Director are as follows:

Candidate No.	Name	Position	Responsibilities	Attendance at meetings of the Board of Directors
1. Reappointment	Eiji Watanuki	President and Chief Executive Officer	—	94.7%
2. Reappointment	Shoichi Tosaka	Director and Senior Executive Operating Officer	Quality Assurance, R&D/Engineering,	100%
3. Reappointment	Katsushige Nakano	Director and Executive Operating Officer	Management Planning	100%
4. Reappointment	Seiichi Tsutsumi	Director and Executive Operating Officer	Integrated Modules & Devices Business	100%
5. Reappointment	Shinji Masuyama	Director and Executive Operating Officer	Electronic Components Business Global SCM Development	94.7%
6. Reappointment	Osamu Takahashi	Director and Senior Operating Officer	New Business Planning Development	100%
7. Reappointment Outside	Yuji Iwanaga	Outside Director (Independent Director)	—	89.4%
8. Reappointment Outside	Hisaji Agata	Outside Director (Independent Director)	—	100%

## 1. Eiji Watanuki (Date of birth: November 2, 1948)

■Reappointment		<b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b>	
■Number of Company shares held		March 1971	Joined the Company
	14,800 shares	April 1996	President of Taiyo Yuden (Singapore) Pte., Ltd.
■Attendance at meetings of the Board of Directors		April 2000	President of Western Japan Branch of the Company
	94.7%	July 2004	Managing Officer, Deputy Chief of Marketing Headquarters of the Company
		July 2006	Director, Senior Managing Officer, Deputy Chief of Sales Headquarters of the Company
		July 2007	Director, Chief of Integrated Modules Business Headquarters of the Company
		July 2010	Director and Executive Operating Officer, in charge of Integrated Modules Business, Chief of Integrated Modules Business Headquarters of the Company
	June 2011	President and Chief Executive Officer of the Company (to the present)	

### **Reasons for appointment of candidate for Director**

Mr. Eiji Watanuki has abundant experience and achievements as a corporate manager, having engaged in various areas in Japan and overseas, such as the sales, production, marketing and business divisions. Since he took office as President and Chief Executive Officer in 2011, he has implemented growth strategies and structural reforms that are beginning to produce favorable results in the form of increased sales and an improved financial position in focus markets such as automotive electrical equipment and industrial equipment. With the aim of achieving record profitability, the expansion of super high-end products and distribution channels at home and abroad; the use of external resources, including capital and business alliances; and aggressive investments for growth have been promoted under his strong leadership. In light of these achievements, Mr. Watanuki was appointed as a candidate for Director as it was judged that his continued leadership of the management team would be most appropriate for the Company.

What are “super high-end products”?

Super high-end products are products uniquely defined by the Company that meet four criteria: a product that obtains the top position in the global market, a product that only 2.5 suppliers can develop in the field, a product that provides solutions for growth markets and a product that sustains a strong competitive edge.

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

■Reappointment		<b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b>	
■Number of Company shares held	10,700 shares	March 1979	Joined the Company
		June 2006	Director, Senior Managing Officer, Deputy Chief of Operation Headquarters, General Manager of Quality Assurance Office of the Company
■Attendance at meetings of the Board of Directors	100%	April 2007	Senior Executive Director, Senior Managing Officer, Chief of Operation Headquarters I, General Manager of Corporate-Planning Div. 1 of the Company
		April 2012	Director and Senior Executive Operating Officer, in charge of Development/Engineering, Quality Assurance, New Business Planning of the Company
		June 2012	Director and Executive Operating Officer, in charge of Development/Engineering, Quality Assurance, New Business Planning, and Optical Media Business of the Company
		April 2014	Director and Executive Operating Officer, in charge of Quality Assurance, R&D/Engineering, Chief of Quality Assurance Headquarters of the Company
		April 2015	Director and Senior Executive Operating Officer, in charge of Quality Assurance, Development/Engineering, Chief of Quality Assurance Headquarters of the Company (to the present)

### **Reasons for appointment of candidate for Director**

Having engaged in management of various areas such as the production, development/engineering, quality assurance and corporate business planning divisions, Mr. Shoichi Tosaka has abundant experience and a good track record as a corporate manager and an engineer. In his current role as Director and Senior Executive Operating Officer, he is committed to enhancing the technological development and quality assurance aspects of the Group's operations, thereby contributing to the enhancement of the Group's business management quality. He was appointed as a candidate for Director, expected to make decisions, supervise and control the entire corporate management as a member of the Board of Directors.

### 3. Katsushige Nakano (Date of birth: February 12, 1952)

<p>■Reappointment</p> <p>■Number of Company shares held 1,100 shares</p> <p>■Attendance at meetings of the Board of Directors 100%</p>	<p><b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b></p> <p>April 1974      Joined Fujitsu Ltd.</p> <p>August 1985    Financial Manager, Fujitsu Australia Ltd.</p> <p>April 1997      Manager of Accounting Division of Telecommunications Business Promotion Division, Fujitsu Ltd.</p> <p>June 1999      CFO, Fujitsu Network Communications Inc.</p> <p>June 2005      Director, Fujitsu Media Devices Ltd.</p> <p>June 2009      President and Representative Director, Fujitsu Media Devices Ltd.</p> <p>March 2010     President and Representative Director, Taiyo Yuden Mobile Technology Co., Ltd.</p> <p>April 2013      Joined the Company, General Manager of Financial Strategy Office of the Company</p> <p>June 2013      Director and Senior Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters, General Manager, Strategic Finance and Accounting Division of the Company</p> <p>April 2014      Director and Executive Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters, Division Manager, Strategic Finance and Accounting Division of the Company</p> <p>April 2015      Director and Executive Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters, Division Manager, Global Corporate Management Division of the Company (to the present)</p>
--	---

#### Reasons for appointment of candidate for Director

Mr. Katsushige Nakano possesses knowledge related to finance and accounting developed through practical experience in both domestic and international corporations. In addition, he has management experience as President and Representative Director, and has demonstrated exceptional insight and oversight capacity in that role. Currently, as Director and Executive Operating Officer, he supervises management planning and business administration and is dedicated to such matters as the smooth running of group operations and risk reduction, thereby contributing to the enhancement of the Group's business management quality. Based on his proven track record, Mr. Nakano was appointed as a candidate for Director, expected to make decisions, supervise and control the entire corporate management as a member of the Board of Directors.

#### 4. Seiichi Tsutsumi (Date of birth: December 5, 1953)

■Reappointment		<b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b>
■Number of Company shares held	8,000 shares	March 1977 Joined the Company April 2000 President of Taiyo Yuden (Singapore) Pte., Ltd. July 2007 Managing Officer, in charge of Products and Sales Planning Control, Sales Headquarters of the Company
■Attendance at meetings of the Board of Directors	100%	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 June 2011 Chairman and Director, TAIYO YUDEN Mobile Technology Co., Ltd. (to the present) July 2011 Director and Senior Operating Officer, in charge of Integrated Modules Business, Chief of Integrated Modules Business Headquarters of the Company April 2015 Director and Executive Operating Officer, in charge of Integrated Modules & Devices Business, Chief of Integrated Modules & Devices Business Headquarters of the Company (to the present)

#### Reasons for appointment of candidate for Director

Mr. Seiichi Tsutsumi has been engaged in operations of the sales and manufacturing divisions since joining the Company, and has experience in corporate management and a good track record as the president of sales and production subsidiaries of the Company mainly in Singapore and China. He is presently making efforts to transform and develop the Group's Integrated Modules & Devices business as Director and Executive Operating Officer, thereby contributing to the strengthening of product competitiveness and the expansion of customers. Mr. Tsutsumi was appointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as a member of the Board of Directors.

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

■Reappointment		<b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b>	
■Number of Company shares held	4,100 shares	March 1980	Joined the Company
		January 2004	Managing Officer, Group Deputy Chief of Production Group ML Products of the Company
■Attendance at meetings of the Board of Directors	94.7%	July 2006	Managing Officer, Chief of Capacitors Business at Operations Headquarters I of the Company
		July 2011	Senior Operating Officer, Chief of Electronic Components Business Headquarters, Chief of Ferrite Applications Division of the Company
		June 2013	Director and Senior Operating Officer, in charge of Electronic Components Business, Chief of Electronic Components Headquarters of the Company
		April 2015	Director and Executive Operating Officer, in charge of Electronic Components Business and Global SCM Development, Chief of Electronic Components Headquarters of the Company (to the present)

### **Reasons for appointment of candidate for Director**

Mr. Shinji Masuyama has abundant experience and a good track record through practical business in various areas such as production system development, engineering and corporate planning divisions since joining the Company. He presently oversees the Electronic Components business and the Group's overall procurement and logistics as Director and Executive Operating Officer and is making efforts to innovate and develop the Group's businesses, thereby contributing to the expansion of businesses and the sophistication of the supply chain. Mr. Masuyama was appointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as a member of the Board of Directors.

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

<ul style="list-style-type: none"> <li>■ Reappointment</li> <li>■ Number of Company shares held 4,200 shares</li> <li>■ Attendance at meetings of the Board of Directors 100%</li> </ul>	<p><b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b></p> <ul style="list-style-type: none"> <li>March 1980      Joined the Company</li> <li>April 2003      Operating Officer, Corporate Management Group (Corporate Control) of the Company</li> <li>April 2008      Managing Officer, in charge of Corporate-Planning, Corporate-Planning Headquarters and Finance, Management &amp; Administration Headquarters of the Company</li> <li>July 2010        Senior Operating Officer, in charge of Corporate-Planning, Corporate-Planning Headquarters and Finance, Management &amp; Administration Headquarters of the Company</li> <li>July 2011        Director and Senior Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters of the Company</li> <li>April 2014       Director and Senior Operating Officer, in charge of New Business Planning Development, Chief of New Business Planning Development Headquarters of the Company (to the present)</li> </ul>
--	---

### 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 making efforts to enter new markets and promote new businesses as Director and Senior Operating Officer, thereby contributing to the steady implementation of growth strategies. Mr. Takahashi was appointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as a member of the Board of Directors.

## 7. Yuji Iwanaga (Date of birth: April 3, 1941)

■Outside/Independent Officer	<b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b>	
■Reappointment	April 1964	Joined Tohato Inc. General Manager of Planning Division and Development Division
■Number of Company shares held	September 1970	Joined General Aircon Co., Ltd. General Manager of Room Aircon Sales Division, Sales Headquarters, and Marketing Headquarters
	0 shares	
■Attendance at meetings of the Board of Directors	April 1981	Admitted to Japan Federation of Bar Association (to the present)
	89.4%	September 1984
■Term of office	December 1984	Joined Lillick, McHose & Charles (currently Pillsbury Winthrop Shaw Pittman LLP), Partner (to the present)
9 years (as of the end of this General Meeting)	April 2003	Admitted to State Bar of California (to the present)
	July 2005	Outside Director of Manufacturers Bank
	June 2006	Outside Director of JMS North America Corporation (to the present)
	June 2007	Outside Director of the Company (to the present)
		Outside Director of SEGA SAMMY HOLDINGS INC. (to the present)

### **Reasons for appointment of candidate for Outside Director**

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. Based on such experience and knowledge, he has made frank and active remarks at meetings of the Company's Board of Directors, helping to activate discussions at the meetings, thereby fulfilling his role as an Outside Independent Director. He also serves as Chairman of the Board of Directors and Chairman of the Nominations Committee and supervises business management in an objective manner. For these reasons, it was judged that he would be able to execute his duties as an Outside Director appropriately. Therefore, the Board of Directors has approved his continued nomination as candidate for Outside Director.

### **Independence of the candidate**

In order to ensure the independence of its outside directors, the Company has established rigorous standards for independence beyond those defined by the Tokyo Stock Exchange. (For detailed information, refer to "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" on page 21.) The candidate meets these standards, and is judged to be sufficiently independent.

## 8. Hisaji Agata (Date of birth: September 16, 1950)

<p>■Outside/Independent Officer</p> <p>■Reappointment</p> <p>■Number of Company shares held 0 shares</p> <p>■Attendance at meetings of the Board of Directors 100%</p> <p>■Term of office 7 years (as of the end of this General Meeting)</p>	<p><b>Career summary, position and responsibilities in the Company, and significant concurrent positions</b></p> <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 Audit &amp; Supervisory Board Member of TMRC Co., Ltd. Outside Audit &amp; Supervisory Board Member of RaQualia Pharma Inc. (to the present)</p>
---	--

### Reasons for appointment of candidate for Outside Director

Mr. Hisaji Agata is an expert in corporate incubation aiming to formulate a highly transparent and sound business structure, and has a long history of achievement and proven insight as a business manager. Based on such experience, he has made active and constructive remarks at meetings of the Company's Board of Directors, thereby fulfilling his role as an Outside Independent Director. He also serves as Chairman of the Remuneration Committee and supervises business management in an objective manner. For these reasons, it was judged that he would be able to execute his duties as an Outside Director appropriately. Therefore, the Board of Directors has approved his continued nomination as candidate for Outside Director.

### Independence of the candidate

In order to ensure the independence of its outside officers, the Company has established rigorous standards for independence beyond those defined by the Tokyo Stock Exchange. (For detailed information, refer to "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" on page 21.) The candidate meets these standards, and is judged to be sufficiently independent.

- Notes: 1. No special interests 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. Neither of the candidates for Outside Director has engaged in any of the following acts: 1) improper business conduct in the Company during their terms as Outside Corporate Officers of the Company, or 2) improper business conduct in other companies where they were in office as Directors, Executive Officers or Audit & Supervisory Board Members in the past five (5) years.
4. Neither of the candidates for Outside Director falls under any of the following facts: 1) the candidate was a business operator or an officer of the Company or any of its subsidiaries in the past; 2) the candidate is currently or was in the past five (5) years a business operator or an officer of a business concern that has specific relations with the Company; 3) the candidate is going to receive or has received in the past two (2) years a considerable amount of cash and/or other assets from the Company or such business concern; or 4) the candidate is a spouse, a relative within the third (3) degree of kinship of a business operator or an officer of the Company or such business concern, or any other equivalent person.
5. The Company's Articles of Incorporation provide that the Company may enter into an agreement with an Outside Director to limit any liability for damages of such Outside Director arising from negligence in the performance of his or her duties, 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 arising from negligence in performance of his or her duties 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 Three (3) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members Norio Osakabe and Kazuhiro Yamakawa will expire and Audit & Supervisory Board Member Mamoru Yamaki will resign from office at the conclusion of this General Meeting of Shareholders. Therefore, the Company hereby requests that three (3) Audit & Supervisory Board Members be elected. The Audit & Supervisory Board has already given its approval for this proposal.

The candidates for Audit & Supervisory Board Member are as follows:

#### 1. Norio Osakabe (Date of birth: May 8, 1954)

■Reappointment	<b>Career summary and significant concurrent positions</b>	
■Number of Company shares held	March 1981	Joined the Company
7,200 shares	October 1988	Manager of Management & Administration Division of the Company
■Attendance at meetings of the Board of Directors	April 1989	Manager of Office of the President of the Company
100%	September 2003	Manager of Legal Affairs Division of the Company
■Attendance at meetings of the Audit & Supervisory Board	July 2004	General Manager of Internal Audit Office of the Company
100%	June 2007	Audit & Supervisory Board Member (Full-time) of the Company (to the present)

#### Reasons for appointment of candidate for Audit & Supervisory Board Member

Since joining the company, Mr. Osakabe has worked for the Management and Administration Division, the Corporate-Planning Division, the Office of the President and the Audit Office. In addition to the legal knowledge and experience he has acquired in these areas, he has sufficient insight into auditing corporate management. Since his appointment as an Audit & Supervisory Board Member, he has audited numerous decisions by the Board of Directors such as changes of representatives, bond issuance and business alliances, and has supervised the execution of duties by Directors. The Company thus judged that he would be able to continue appropriately executing the duties of an Audit & Supervisory Board Member and selected him as a candidate for Audit & Supervisory Board Member.

## 2. Takashi Tomaru (Date of birth: March 25, 1953)

<ul style="list-style-type: none"> <li>■New appointment</li> <li>■Number of Company shares held</li> </ul>	<p>43,500 shares</p>	<p><b>Career summary and significant concurrent positions</b></p> <p>March 1977      Joined the Company</p> <p>April 2001      Senior Operating Officer and General Manager of Production Group of the Company</p> <p>June 2005      Director, Senior Managing Officer, Chief of Management &amp; Administration Headquarters, Platform Control Division, Material &amp; Logistics Control Division of the Company</p> <p>July 2006      Director, Senior Managing Officer, Chief of Management &amp; Administration Headquarters, in charge of CSR &amp; Internal Control Office of the Company</p> <p>April 2007      Executive Director, Senior Managing Officer, Chief of Management &amp; Administration Headquarters, in charge of CSR &amp; Internal Control Office of the Company</p> <p>July 2007      Executive Director, Chief of Management &amp; Administration Headquarters, in charge of CSR &amp; Internal Control Office of the Company</p> <p>July 2011      Director, Senior Operating Officer, in charge of Greater China Area, President, TAIYO YUDEN (CHINA) CO., LTD.</p> <p>April 2014      Senior Operating Officer, Division Manager, Legal Division, Management Planning Headquarters</p> <p>April 2015      Senior Operating Officer, in charge of Auditor's Office (to the present)</p>
--	----------------------	--

### Reasons for appointment of candidate for Audit & Supervisory Board Member

Since joining the company, Mr. Tomaru has been engaged in the operations of the development/engineering and production divisions. In addition, as an Operating Officer and Director, he has served as Chief of Headquarters in the area of management and administration, as well as the President of a subsidiary in China, and has abundant experience in and deep insight into corporate management. The Company thus judged that he would be able to appropriately execute the duties of an Audit & Supervisory Board Member and selected him as a candidate for Audit & Supervisory Board Member.

### 3. Kazuhiro Yamakawa (Date of birth: December 22, 1944)

■Reappointment	<b>Career summary and significant concurrent positions</b>	
■Outside/Independent Officer	March 1971	Public Prosecutor of Tokyo District Public Prosecutor's Office
■Number of Company shares held	March 1977	Public Prosecutor with the Civil Affairs Bureau of the Ministry of Justice
0 shares	April 1977	Organizer of Legislative Council of the Ministry of Justice
■Attendance at meetings of the Board of Directors	March 1981	Public Prosecutor of Tokyo District Public Prosecutor's Office
89.4%	March 1983	Admitted to Japan Federation of Bar Association (to the present)
■Attendance at meetings of the Audit & Supervisory Board	April 1983	Assistant Professor of College of Law of Nihon University
95.2%	February 1990	Professor of College of Law of Nihon University
■Term of office	July 2003	Director of Law Institute of College of Law of Nihon University
4 years (as of the end of this General Meeting)	April 2004	Professor of Nihon University Law School
	June 2011	Outside Audit & Supervisory Board Member of the Company (to the present)
	January 2015	Professor Emeritus of Nihon University (to the present)

#### Reasons for appointment of candidate for Outside Audit & Supervisory Board Member

Mr. Kazuhiro Yamakawa is familiar with general legal affairs including corporate legal practices and has sufficient insight into auditing corporate management based on his abundant experience as a public prosecutor, an attorney and a university professor. Since his appointment as an Outside Audit & Supervisory Board Member, he has examined if there are any blind spots in terms of the internal control and risk management systems peculiar to the Company and audited to see if there are any defects in the business judgments made by the Board of Directors or the execution of duties by Directors.

Although Mr. Yamakawa has not been involved in corporate management other than being an outside officer, the Company judged for the above-mentioned reasons that he would be able to continue appropriately executing the duties of an Outside Audit & Supervisory Board Member and selected him as a candidate for Outside Audit & Supervisory Board Member.

#### Independence of the candidate

To ensure the independence of its outside officers, the Company has established rigorous standards for independence beyond those defined by the Tokyo Stock Exchange. (For detailed information, refer to "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" on page 21.) The candidate meets these standards and is judged to be sufficiently independent.

- Notes:
1. No special interests exist between the Company and each of the candidates.
  2. Mr. Kazuhiro Yamakawa is a candidate for Outside Audit & Supervisory Board Member as stipulated in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act. He also satisfies the requirements for Independent Auditor defined by the Tokyo Stock Exchange.
  3. The candidate for Outside Audit & Supervisory Board Member has not engaged in any of the following acts: 1) improper business conduct in the Company during his term as Outside Corporate Officer of the Company, or 2) improper business conduct in other companies where he was in office as Director, Executive Officer or Audit & Supervisory Board Member in the past five (5) years.
  4. The candidate for Outside Audit & Supervisory Board Member does not fall under any of the following facts: 1) the candidate was a business operator or an officer of the Company or any of its subsidiaries in the past; 2) the candidate is currently or was in the past five (5) years a business operator or an officer of a business concern that has specific relations with the Company; 3) the candidate is going to receive or has received in the past two (2) years a considerable amount of cash and/or other assets from the Company or such business concern; or 4) the candidate is a spouse or a relative within the third (3) degree of kinship of a business operator or an officer of the Company or such business concern, or any other equivalent person.

5. The Company's Articles of Incorporation provide that the Company may enter into an agreement with an Outside Audit & Supervisory Board Member to limit any liability for damages of such Outside Audit & Supervisory Board Member arising from negligence in the performance of his or her duties, and the Company is currently in liability limitation agreement with Mr. Kazuhiro Yamakawa, a candidate for Outside Audit & Supervisory Board Member. If the reappointment of Mr. Yamakawa is approved, the Company will continue said agreement. An overview thereof is provided below.  
The Outside Audit & Supervisory Board Member shall be liable to the Company for damages arising from negligence in performance of his or her duties up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Companies Act, as long as the Outside Audit & Supervisory Board Member performs his or her duty in good faith and without gross negligence.

#### **Proposal No. 4: Election of One (1) Substitute Audit & Supervisory Board Member**

In order to prepare for a case when the number of Outside Audit & Supervisory Board Members stipulated by laws and regulations might be insufficient, the Company hereby asks that one (1) substitute Outside Audit & Supervisory Board Member be elected in advance. The Audit & Supervisory Board has already given its approval for this proposal.

The candidate for the substitute Outside Audit & Supervisory Board Member is as follows:

#### **Hiroshi Arai** (Date of birth: June 8, 1956)

<b>■Number of Company shares held</b>	<b>Career summary and significant concurrent positions</b>	
0 shares	April 1983	Admitted to Japan Federation of Bar Association (to the present)
	April 1984	Opened Arai Hiroshi Law Firm (to the present)
	July 2002	Audit & Supervisory Board Member of Aircycle Home Gunma Co., Ltd.
	June 2004	Audit & Supervisory Board Member of SOGO-PR Co., Ltd. (to the present)

#### **Reasons for appointment of candidate for substitute Outside Audit & Supervisory Board Member**

The Company judged that Mr. Hiroshi Arai would conduct fair audits from a legal viewpoint with specialized knowledge 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 Audit & Supervisory Board Members stipulated by laws and regulations might be insufficient, Mr. Arai was appointed as a candidate for substitute Outside Audit & Supervisory Board Member.

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 Audit & Supervisory Board Member.

#### **Independence of the candidate**

In order to ensure the independence of its outside officers, the Company has established rigorous standards for independence beyond those defined by the Tokyo Stock Exchange. (For detailed information, refer to “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members” on page 21.) The candidate meets these standards, and is judged to be sufficiently independent.

- Notes:
1. No special interests exist between the Company and the candidate.
  2. The candidate for Outside Audit & Supervisory Board Member has not engaged in any improper business conduct in other companies where he was in office as director, executive officer or Audit & Supervisory Board Member in the past five (5) years.
  3. The Company’s Articles of Incorporation provide that the Company may enter into an agreement with an Outside Audit & Supervisory Board Member to limit any liability for damages of such Outside Audit & Supervisory Board Member arising from negligence in the performance of his or her duties. In accordance with this provision, the Company will enter into such a liability limitation agreement with Mr. Hiroshi Arai, a candidate for substitute Outside Audit & Supervisory Board Member, when Mr. Arai actually assumes the post of Audit & Supervisory Board Member. An overview of said agreement is provided below.  
The Outside Audit & Supervisory Board Member shall be liable to the Company for damages arising from negligence in performance of his or her duties up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Companies Act, as long as the Outside Audit & Supervisory Board Member performs his or her duty in good faith and without gross negligence.

## [Reference]

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

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

#### Relationships with Shareholders

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

#### Relationship with Corporate Clients

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

#### Relationships of Financial Interest

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

#### Providers of specialized services

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

#### Close relatives

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

officer, or corporate officer of a company that employs a director or audit & supervisory board member from the Company or one of the Company's current subsidiaries.

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

**BUSINESS REPORT**  
(from April 1, 2014 to March 31, 2015)

**1. Current Status of the Taiyo Yuden Group****(1) Review of operations and results**

In the fiscal year under review (from April 1, 2014 to March 31, 2015), despite some sluggish growth in the world economy, the business climate for the Group continued to recover on the whole, supported by steady economies in major developed countries such as the U.S. and Europe.

The Group is implementing earnings improvement measures consisting of both growth strategies and structural reforms. With regard to growth strategies, we have strived to expand sales of super high-end products with competitive edge for high-growth devices such as smartphones. TAIYO YUDEN Mobile Technology Co., Ltd., a subsidiary, moved its head office in July 2014 to Ome-shi, Tokyo, establishing a system to increase the production of communication devices. Niigata Taiyo Yuden Co., Ltd., a subsidiary engaged in the production of capacitors, plans to complete the construction of a new plant in December 2015. We have also endeavored to diversify our operations with measures such as promoting sales of high reliability products, reinforcing system solution proposals and expanding distribution channels in focus markets such as those for automotive electrical equipment and industrial equipment, healthcare, and environmental and energy. At the same time, with regard to structural reforms, we are making efforts to improve the break-even point by, for example, implementing net income management via a mini-company system and continuous improvement of the financial structure.

As a result, net sales of the Group for the fiscal year totaled ¥227,095 million (a 9.1% increase compared with the previous fiscal year), operating income was ¥13,153 million (a 15.8% increase compared with the previous fiscal year), ordinary income was ¥15,653 million (a 28.4% increase compared with the previous fiscal year), and net income was ¥10,919 million (a 56.2% increase compared with the previous fiscal year).

The average exchange rate during the fiscal year under review of ¥108.42 per US dollar represents a weakening of ¥8.81 compared with the average value of the yen in the previous fiscal year of ¥99.61 per US dollar.

**Consolidated Sales by Product**

Consolidated sales by product are as follows:

Product	74th Term (current fiscal year)		Year-on-year changes	
	Amount	Percentage of total	Amount	Percentage of change
	(Millions of yen)	(%)	(Millions of yen)	(%)
Capacitors	112,903	49.7	8,670	8.3
Ferrite and applied products	41,834	18.4	7,088	20.4
Integrated modules & devices	49,510	21.8	7,134	16.8
Other electronic components	4,278	1.9	(1,006)	(19.0)
Optical media products	12,859	5.7	(1,373)	(9.6)
Other	5,708	2.5	(1,640)	(22.3)
<b>Total</b>	<b>227,095</b>	<b>100.0</b>	<b>18,872</b>	<b>9.1</b>

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

[Capacitors]

**Main products:** Multilayer ceramic capacitors

**Outline of performance in the fiscal year under review:** Because sales for all equipment increased compared with the previous fiscal year, overall net sales increased 8.3% year on year to ¥112,903 million, driven by year-on-year increases in sales for consumer equipment and components, information equipment, communications equipment, automotive electrical equipment and industrial equipment.

[Ferrite and applied products]

**Main products:** Metallic power inductors "MCOIL™", winding inductors, multilayer chip inductors

**Outline of performance in the fiscal year under review:** Despite a year-on-year decrease in sales for consumer equipment and components, overall net sales increased 20.4% compared with the previous fiscal year to ¥41,834 million, driven by year-on-year increases in sales for information equipment, communications equipment, automotive electrical equipment and industrial equipment.

[Integrated Modules & Devices]

**Main products:** SAW/FBAR devices for mobile communications, power supply modules, high-frequency modules, embedded-parts multilayer wiring substrate "EOMIN™"

**Outline of performance in fiscal year under review:** Despite year-on-year decreases in sales for power supply modules and high-frequency modules, overall net sales increased 16.8% year on year to ¥49,510 million as a result of a year-on-year increase in sales for SAW/FBAR devices for mobile communications.

[Other electronic components]

**Main products:** Energy devices

**Outline of performance in fiscal year under review:** Overall net sales decreased 19.0% year on year to ¥4,278 million.

[Optical media products]

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

**Outline of performance in fiscal year under review:** Overall net sales decreased 9.6% year on year to ¥12,859 million.

[Other]

**Main products:** Device mounting business conducted by subsidiary companies

**Outline of performance in fiscal year under review:** Overall net sales decreased 22.3% year on year to ¥5,708 million.

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

Business terms	Fiscal 2011 (71st Term)	Fiscal 2012 (72nd Term)	Fiscal 2013 (73rd Term)	Fiscal 2014 (74th Term) (current fiscal year)
Net sales (Millions of yen)	183,795	192,903	208,222	227,095
Operating income (loss) (Millions of yen)	(8,010)	4,850	11,358	13,153
Ordinary income (loss) (Millions of yen)	(9,070)	7,118	12,192	15,653
Net income (loss) (Millions of yen)	(21,599)	1,867	6,989	10,919
Net income (loss) per share (Yen)	(183.70)	15.88	59.38	92.74
Total assets (Millions of yen)	208,461	225,991	247,596	265,454
Net assets (Millions of yen)	104,400	115,814	128,556	150,856
Net assets per share (Yen)	884.70	981.92	1,090.26	1,278.07

**(3) Capital investment**

Capital investment during the fiscal year under review amounted to ¥18,773 million on an acceptance basis (¥19,126 million during the previous fiscal year). This investment bolstered production capacity of super high-end products for the expanding smartphone market. In particular, investment was focused on ultra-small multilayer ceramic capacitors, SAW/FBAR devices for mobile communications, and metallic and ultra-small multilayer inductors.

**(4) Financing**

During the fiscal year under review, in April 2014 the Company redeemed ¥365 million for the Euro-yen convertible bond-type bonds with subscription rights to shares due in 2014 and in January 2015 redeemed ¥8,000 million in the 1st issue of unsecured bonds. In addition, the net balance of short-term loans payable increased by ¥1,093 million, and the Company repaid long-term loans payable of ¥12,494 million.

For the purpose of financial stability, a commitment line of ¥10,000 million effective for three (3) years has been established. However, the Company has not used the line as of March 31, 2015.

**(5) Acquisitions or disposal of the stock, equity interests, or subscription rights to shares of other companies**

The Company entered into a capital and business alliance with ELNA Co., Ltd., in November 2014. In association therewith, the Company acquired 15,000,000 Class A preferred shares (26.50% of ELNA's outstanding shares) from current ELNA shareholders Japan Industrial Partners II Investment Limited Partnership and Japan Industrial Partners II Parallel Investment Limited Partnership.

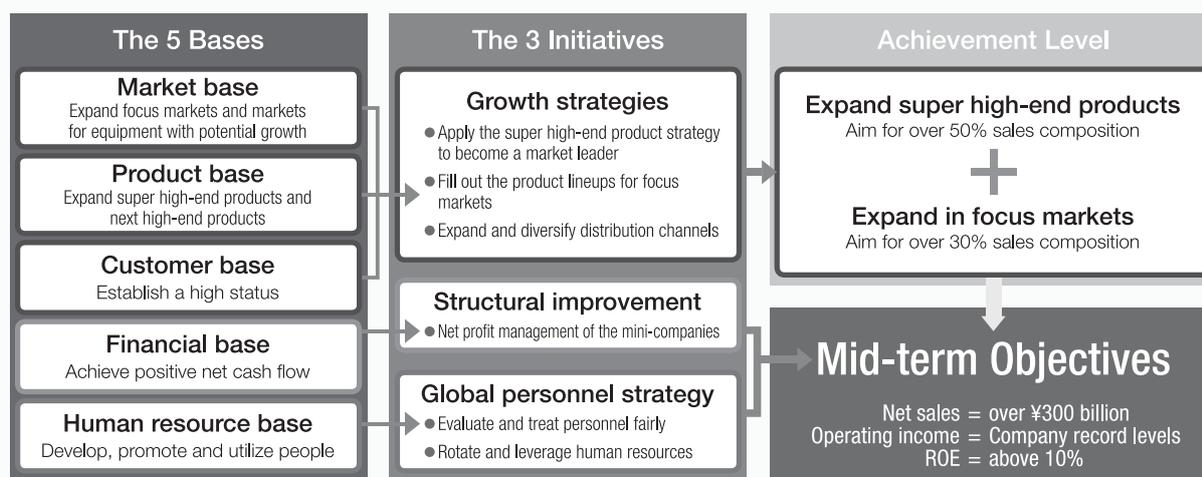
**(6) Mid-to-long term management strategies, target management indicators, and issues to be addressed**

The Group is promoting earnings improvement measures consisting of both growth strategies and structural reforms. As a growth strategy, the Group will offer highly marketable and sought-after super high-end products in a timely manner for high-growth devices such as smartphones. In addition, the Group is working to boost its corporate value by targeting expanded sales in focus markets such as automotive electrical equipment, industrial equipment, healthcare, and energy/environment.

The Group is also making continuous efforts for improvement in its financial strength and asset efficiency. As a target management indicator, the Group is focusing on cash flow management, with a goal of achieving consolidated return on equity (ROE) greater than 10% along with positive net cash as early as possible.

The Company considers one of the most important issues for management to be the distribution of plentiful returns to its shareholders, and has set a target for the total return ratio, including the purchase of treasury stock, of 30%. Based on the policy to enrich returns to shareholders subsequent to the establishment of a stable and sustainable earnings structure and improvement of the Company's balance sheet including positive net cash, we plan to distribute an annual dividend of ¥15 per share for the fiscal year ending March 31, 2016.

## Basic Strategies of the Group toward Fulfillment of the Objectives of the Mid-term Management Plan



What are super high-end products?

Super high-end products are products uniquely defined by the Company that meet four criteria: a product that obtains the top position in the global market, a product that only 2.5 suppliers can develop in the field, a product that provides solutions for growth markets and a product that sustains a strong competitive edge.

The Group is committed to improvement in profits and financial strength, taking measures by product as stated below:

#### 1) Capacitors

The Group will enhance its super high-end products for high-growth devices such as smartphones, both ultra-small and ultra-low profile multilayer ceramic capacitors and cutting edge products of various sizes, and will streamline systems in response to the expansion of demand. Furthermore, the Group will strengthen high-quality, high-reliability product lineups for focus markets such as automotive electrical equipment, industrial equipment, healthcare, and energy/environment. In the high-capacitance zone over 100 $\mu$ F, the Group will promote an expansion of the market for its multilayer ceramic capacitors by proactively expanding into the market for electrolytic capacitors, with an eye to further growth. Meanwhile, as for its production systems, the Group will pursue highly efficient production at all of its domestic and overseas production sites, while striving to make the maximum use of its overseas production bases by accelerating overseas development of high-end products, which previously have been produced in Japan. In addition, the Group intends to establish its production systems in response to the expansion of demand for high-growth devices such as smartphones and automotive electrical equipment in focus markets.

#### 2) Ferrite and applied products

In the areas of multilayer chip inductors and winding inductors, the Group will accelerate development of super high-end products that are more suited to customers' needs than ever before. In particular, with regard to power inductors, the Group will strengthen its line-up of "MCOIL<sup>TM</sup>" products employing new metallic materials that enable much smaller size and larger current, strategically launching them into the market and expanding relevant production capacity. In addition, we plan to expand our line-up of High-Q multilayer chip inductors and ultra-small multilayer chip inductors. Meanwhile, with regard to its production systems, as with capacitors, the Group will strive to make the maximum use of overseas production sites and achieve highly efficient production at all of its domestic and overseas production sites. In addition, the Group intends to establish its production systems in response to the expansion of demand for high-growth devices such as smartphones and automotive electrical equipment in focus markets.

3) Integrated modules & devices

The Group will develop the high-frequency products business with SAW/FBAR technology at its core, proactively launch into the market super high-end products using "EOMIN<sup>TM</sup>", an embedded-parts wiring substrate which was invented with the Group's unique technologies, and strengthen the power supply business that includes regeneration systems for the energy market. The Group will strive to establish a production system for SAW/FBAR devices for mobile communications, responding to the expansion in the number of installed devices resulting from the adoption of the next-generation communications standard LTE.

4) Other electronic components

Regarding energy devices, the Group will develop applications in high-tech fields, and expand sales to the energy field. The Group continues marketing activities in the highly reliable market for large-scale lithium ion capacitors. To accelerate these activities, the Company entered into a capital and business alliance with ELNA Co., Ltd., in November 2014 to promote joint development/production and cooperation for material procurement. In the future, the Group will strive to raise competitiveness in the market and expand business.

Your continued support will be greatly appreciated.

**(7) Status of principal subsidiaries (as of March 31, 2015)**

Name	Location	Capital stock	Percentage of equity participation of the Company	Principal business
TAIWAN TAIYO YUDEN CO., LTD.	Taiwan	NT\$333 million	100.0	Sale of Electronic Components
KOREA TAIYO YUDEN CO., LTD.	Korea	10,000 million WON	100.0	Production and Sale of Electronic Components
KOREA KYONG NAM TAIYO YUDEN CO., LTD.	Korea	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
TAIYO YUDEN (GUANGDONG) CO., LTD.	China	US\$85,550 thousand	100.0 (9.3)	Production of Electronic Components
TAIYO YUDEN (SHANGHAI) TRADING CO., LTD.	China	US\$223 thousand	100.0 (10.3)	Sale of Electronic Components
TAIYO YUDEN (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.	The Philippines	P.P.490 million	100.0	Production of Electronic Components
TAIYO YUDEN (SARAWAK) SDN. BHD.	Malaysia	MYR100 million	100.0	Production of Electronic Components
TAIYO YUDEN (U.S.A.) INC.	U.S.A.	US\$3,154 thousand	100.0	Sale of Electronic Components
TAIYO YUDEN EUROPE GmbH	Germany	EUR 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 Optical Media Products, etc.
Victor Advanced Media Co., Ltd.	Tokyo	¥100 million	65.0	Sale of Optical 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.	Tokyo	¥100 million	100.0	Production of Electronic Components

- Notes: 1. Figures in parentheses shown under "Percentage of equity participation of the Company" is the percentage of indirect ownership.
2. The Company has 30 consolidated subsidiaries, including the 19 companies listed in "Status of principal subsidiaries" above, one (1) affiliate accounted for by the equity method and one (1) affiliate not accounted for by the equity method. The consolidated business performance in this fiscal year under review is described in the above "(1) Review of operations and results."
3. DONGGUAN TAIYO YUDEN CO., LTD. underwent an absorption type merger with TAIYO YUDEN (GUANGDONG) CO., LTD. as the surviving company in the fiscal year under review. Therefore, it is excluded from the scope of consolidation.
4. TAIYO YUDEN Mobile Technology Co., Ltd., moved its head office to a location in Tokyo from Kanagawa as of July 1, 2014.

**(8) Principal business activities (as of March 31, 2015)**

Business	Main products
Capacitors business	Multilayer ceramic capacitors
Ferrite and applied products business	Metallic power inductors "MCOIL™", winding inductors, multilayer chip inductors
Integrated modules & devices business	SAW/FBAR devices for mobile communications, power supply modules, high-frequency modules, embedded-parts multilayer wiring substrate "EOMIN™"
Other electronic components business	Energy devices
Optical media products business	CD-R, DVD-R/DVD+R, BD-R
Other business	Device mounting business conducted by subsidiary companies

**(9) Principal offices and plants (as of March 31, 2015)**

## 1) Principal Company locations

Main offices	Head Office (Ueno, Taito-ku, Tokyo)
	Takasaki Global Center (Takasaki-shi, Gunma)
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)
	Haruna Plant (Takasaki-shi, Gunma)
Production sites	Nakanojo Plant (Agatsuma-gun, Gunma)
	Tamamura Plant (Sawa-gun, Gunma)
	Yawatabara Plant (Takasaki-shi, Gunma)
Development site	R&D Center (Takasaki-shi, Gunma)

## 2) Principal locations of subsidiaries

Described in the above "(7) Status of principal subsidiaries."

**(10) Employees (as of March 31, 2015)**

## 1) Employees of the Taiyo Yuden Group

Number of employees (persons)	Increase (decrease) from the previous fiscal year (persons)
18,262	1,827

Notes: 1. The number of employees is the number currently at work and does not include temporary employees.

2. The increase of employees at the Taiyo Yuden Group from the previous fiscal year has resulted mainly from the increase in production volume at production subsidiaries in China and ASEAN countries.

## 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)
2,577	5	41.9	17.5

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

**(11) Major creditors (as of March 31, 2015)**

Creditor	Loan outstanding (Millions of yen)
Syndicated Loan	10,000
Sumitomo Mitsui Banking Corporation	9,326
The Iyo Bank, Ltd.	3,980
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,381
The Gunma Bank, Ltd.	2,000

Note: Sumitomo Mitsui Banking Corporation is the lead bank for the syndicated loan.

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

Not applicable

**2. Shares of the Company (as of March 31, 2015)**

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

(2) **Total number of shares issued:** 120,481,395 shares  
(including 2,734,253 shares of treasury stock)

(3) **Number of shareholders:** 11,321

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

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,567,600	15.7
Japan Trustee Services Bank, Ltd. (Trust Account)	9,738,100	8.2
STATE STREET BANK AND TRUST COMPANY	4,495,800	3.8
Sumitomo Mitsui Banking Corporation	4,000,000	3.3
BNP Paribas Securities (Japan) Ltd.	3,037,238	2.5
The Iyo Bank, Ltd.	3,000,100	2.5
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,295,000	1.9
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	2,161,034	1.8
NORTHERN TRUST CO.(AVFC) RE 15PCT TREATY ACCOUNT	1,922,209	1.6
Sato Traffic Orphan Welfare Fund	1,916,640	1.6

Notes: 1. The Company holds 2,734,253 shares of treasury stock, but 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**

Not applicable

### 3. Status of Subscription Rights to Shares

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

Name	Date of resolution for issuance	Shareholding status	Number of 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
1st July 2007 issue of subscription rights to shares	June 28, 2007	2 Directors (excluding Outside Directors)	6 units	6,000 shares of the common stock of the Company	July 14, 2007 through July 13, 2027
2nd July 2007 issue of subscription rights to shares	June 28, 2007	2 Directors (excluding Outside Directors)	10 units	10,000 shares of the common stock of the Company	July 14, 2007 through July 13, 2027
June 2008 issue of subscription rights to shares	June 27, 2008	2 Directors (excluding Outside Directors)	10 units	10,000 shares of the common stock of the Company	July 15, 2008 through July 14, 2028
May 2009 issue of subscription rights to shares	May 25, 2009	2 Directors (excluding Outside Directors)	10 units	10,000 shares of the common stock of the Company	June 10, 2009 through June 9, 2029
June 2010 issue of subscription rights to shares	June 29, 2010	3 Directors (excluding Outside Directors)	14 units	14,000 shares of the common stock of the Company	July 22, 2010 through July 21, 2030
June 2011 issue of subscription rights to shares	June 29, 2011	4 Directors (excluding Outside Directors)	22 units	22,000 shares of the common stock of the Company	July 14, 2011 through July 13, 2031
April 2012 issue of subscription rights to shares	April 25, 2012	4 Directors (excluding Outside Directors)	23 units	23,000 shares of the common stock of the Company	May 11, 2012 through May 10, 2032
May 2013 issue of subscription rights to shares	May 24, 2013	4 Directors (excluding Outside Directors)	6 units	6,000 shares of the common stock of the Company	June 10, 2013 through June 9, 2033
July 2013 issue of subscription rights to shares	June 27, 2013	6 Directors (excluding Outside Directors)	31 units	31,000 shares of the common stock of the Company	July 12, 2013 through July 11, 2033
July 2014 issue of subscription rights to shares	June 27, 2014	6 Directors (excluding Outside Directors)	32 units	32,000 shares of the common stock of the Company	July 14, 2014 through July 13, 2034

Notes: 1. Main requirements for the exercise of subscription rights to shares, etc.

- 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 following the day when such proposal has been approved.
  - c) Upon the death of the holder of subscription rights to shares, his or her heir (limited to one (1) heir) may exercise the subscription rights to shares within three (3) months from the day following the day when the holder passed away.
- 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 resolutions adopted at the General Meeting of Shareholders and at the Meeting of the Board of Directors.

- 7) If the holder of subscription rights to shares has become unable to exercise the subscription rights to shares or if he or she has lost the Rights according to the “Contract for Allotment of Subscription Rights to Shares,” the Company may acquire the relevant subscription rights without consideration.
2. Subscription rights to shares issued up until the 1st July 2007 issue were granted upon approval at the General Meeting of Shareholders after the end of the fiscal term. However, from the 2nd July 2007 issue onward, the form in which the Rights were granted changed due to the Rights issued being accounted for as expenses at the beginning of the fiscal term as part of Directors’ bonuses.
3. Up until the May 2013 issue, the eligible service period subject to subscription rights to shares was each fiscal year. However, effective from the July 2013 issue, the eligible service period subject to subscription rights to shares has been revised to “up until the conclusion of the Ordinary General Meeting of Shareholders” pertaining to the fiscal year that ends within one (1) year after the Director’s election.

**(2) Status of the subscription rights to shares delivered to Operating Officers and employees during the fiscal year under review**

Name	Date of resolution for issuance	Shareholding status	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
July 2014 issue of subscription rights to shares	June 27, 2014	11 Operating Officers	23 units	23,000 shares of the common stock of the Company	July 14, 2014 through July 13, 2034

Note: The main requirements for the exercise of subscription rights to shares, etc., are as shown in Note 1. above.

**(3) Other important matters concerning the subscription rights to shares (as of March 31, 2015)**

## Euro-yen zero coupon convertible bonds with stock acquisition rights due in 2021

	Euro-yen zero coupon convertible bonds with stock acquisition rights due in 2021
Date of resolution for issuance	January 9, 2014
Number of subscription rights to shares underlying the bonds	2,000
Class and number of shares underlying subscription rights	The class of share underlying subscription rights 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 of the assets contributed upon the exercise of subscription rights to shares	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.
Conversion price	¥2,069
Exercise period of subscription rights to shares	From February 10, 2014 to end of bank business hours on January 13, 2021 (local time at location where exercise request is received)
Main exercise conditions of subscription rights to shares	No partial exercise of each subscription right to shares shall be permitted

#### 4. Corporate Officers (as of March 31, 2015)

##### (1) Directors and Audit & Supervisory Board Members

Name	Position	Responsibilities in the Company and significant concurrent positions
Eiji Watanuki	President and Chief Executive Officer	—
Shoichi Tosaka	Director and Executive Operating Officer	In charge of Quality Assurance and R&D/Engineering, Chief of Quality Assurance Headquarters
Katsushige Nakano	Director and Executive Operating Officer	In charge of Management Planning, Chief of Management Planning Headquarters, Division Manager of Strategic Finance and Accounting Division
Seiichi Tsutsumi	Director and Senior Operating Officer	In charge of Integrated Modules & Devices Business, Chief of Integrated Modules & Devices Business Headquarters Chairman and Director, Taiyo Yuden Mobile Technology Co., Ltd.
Osamu Takahashi	Director and Senior Operating Officer	In charge of New Business Planning Development, Chief of New Business Planning Development Headquarters
Shinji Masuyama	Director and Senior Operating Officer	In charge of Electronic Components Business, Chief of Electronic Components Headquarters
Yuji Iwanaga	Outside Director (Independent Officer)	Partner of Pillsbury Winthrop Shaw Pittman LLP Outside Director of JMS North America Corporation Outside Director of SEGA SAMMY HOLDINGS INC.
Hisaji Agata	Outside Director (Independent Officer)	Special Adviser of HIBIKI Partners Co., Ltd. Outside Audit & Supervisory Board Member of RaQualia Pharma Inc.
Norio Osakabe	Audit & Supervisory Board Member (Full-time)	—
Mamoru Yamaki	Audit & Supervisory Board Member (Full-time)	—
Tomonori Akisaka	Outside Audit & Supervisory Board Member (Independent Officer)	Professor at Professional Graduate School of Meiji University
Kazuhiro Yamakawa	Outside Audit & Supervisory Board Member (Independent Officer)	Professor Emeritus of Nihon University

Notes: 1. Directors Yuji Iwanaga and Hisaji Agata are Outside Directors as stipulated in Article 2, Paragraph 15 of the Companies Act.

2. Audit & Supervisory Board Members Tomonori Akisaka and Kazuhiro Yamakawa are Outside Audit & Supervisory Board Members as stipulated in Article 2, Paragraph 16 of the Companies Act.

3. Director Yuji Iwanaga and Audit & Supervisory Board Member Kazuhiro Yamakawa are attorneys.

4. Audit & Supervisory Board Member 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. The position and/or responsibilities of Directors were altered as of April 1, 2015 (altered parts are underlined):

Name	Position	Responsibilities in the Company and significant concurrent positions
Shoichi Tosaka	Director and <u>Senior Executive Operating Officer</u>	In charge of Quality Assurance and R&D/Engineering, Chief of Quality Assurance Headquarters
Katsushige Nakano	Director and Executive Operating Officer	In charge of Management Planning, Chief of Management Planning Headquarters, <u>Division Manager, Global Corporate Management Division</u>

Name	Position	Responsibilities in the Company and significant concurrent positions
Seiichi Tsutsumi	Director and <u>Executive Operating Officer</u>	In charge of Integrated Modules & Devices Business, Chief of Integrated Modules & Devices Business Headquarters Chairman and Director, Taiyo Yuden Mobile Technology Co., Ltd.
Shinji Masuyama	Director and <u>Executive Operating Officer</u>	In charge of Electronic Components Business <u>and Global SCM Development</u> , Chief of Electronic Components Headquarters

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

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

#### 1. Policy to determine the remuneration paid to Corporate Officers

- The Company shall provide transparent and fair remuneration based on quantitative guidelines.
- The Company shall employ appropriate standards for remuneration which take into account the situation of competitors as well as economic and social conditions.
- The Company shall employ a remuneration system emphasizing incentives coupled to business performance for the purpose of improving business performance.

#### 2. Contents of policy

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

- The system for remuneration paid to Directors is as follows.

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

#### “Monthly remuneration”

Fixed remuneration that is distributed based on roles and responsibilities.

#### “Director bonus”

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

#### “Stock option remuneration”

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

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

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

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

	Number of persons paid and total amount of remuneration		Content					
			Monthly remuneration		Director bonus		Stock option remuneration	
	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors	8	255	8	172	6	49	6	33
Audit & Supervisory Board Members	4	60	4	60	—	—	—	—
Total	12	316	12	233	6	49	6	33
(Outside Corporate Officers)	(4)	(33)	(4)	(33)	(—)	(—)	(—)	(—)

Notes: 1. The “Number of persons” refers to the number of persons subject to remuneration for the fiscal year under review, not the number of persons in office.

2. The limit of remunerations paid to Directors was resolved to be ¥450 million or less per year at the 66th Ordinary General Meeting of Shareholders held on June 28, 2007. The limit of remunerations paid to Audit & Supervisory Board Members was resolved to be ¥6 million or less per month at the 52nd Ordinary General Meeting of Shareholders held on June 29, 1993.

3. Figures are rounded down to the nearest million yen.

**(3) Outside Directors and Outside Audit & Supervisory Board Members**

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

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

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

Not applicable

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

Classification, Name	Attendance at meetings of the Board of Directors (held 19 times)	Attendance at meetings of the Audit & Supervisory Board (held 21 times)	Main activities
Director Yuji Iwanaga	17 times (Attendance rate: 89.4%)	—	As an independent Outside Director and based on his professional perspective as an attorney, Mr. Iwanaga contributes to these meetings with appropriate comments from the viewpoint of shareholders and other stakeholders, including checks on the direction of management strategies and responses to various risks.
Director Hisaji Agata	19 times (Attendance rate: 100.0%)	—	As an independent Outside Director and based on his professional perspective with respect to corporate management while serving as advisor to and Outside Audit & Supervisory Board Member of other companies, Mr. Agata contributes to these meetings with appropriate comments on the execution of important duties such as management planning and business alliances.
Audit & Supervisory Board Member Tomonori Akisaka	14 times (Attendance rate: 73.6%)	17 times (Attendance rate: 80.9%)	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 graduate school professor and his professional perspective as a certified public accountant.
Audit & Supervisory Board Member Kazuhiro Yamakawa	17 times (Attendance rate: 89.4%)	20 times (Attendance rate: 95.2%)	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 university professor and his professional perspective as an attorney.

**(4) Liability Limitation Agreement**

Based on the stipulations of Article 427, Paragraph 1 of the Companies Act, the Company has established in its Articles of Incorporation the right to enter into agreements with Outside Directors and Outside Audit & Supervisory Board Members which limit the liability of such Outside Directors and Outside Audit & Supervisory Board Members for damages.

The outline of the Liability Limitation Agreements entered into between the Company and Outside Directors Yuji Iwanaga and Hisaji Agata, and Outside Audit & Supervisory Board Members 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 a failure to perform his or her duty up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Companies Act, as long as the Outside Director performs his or her duty in good faith and without gross negligence.

2) Liability Limitation Agreement for Outside Audit & Supervisory Board Members

The Outside Audit & Supervisory Board Member shall be liable to the Company for damages caused in relation to a failure to perform his or her duty up to the minimum amount prescribed in the provision of Article 425, Paragraph 1 of the Companies Act, as long as the Outside Audit & Supervisory Board Member performs his or her duty in good faith and without gross negligence.

**(5) Other important matters concerning Corporate Officers**

Not applicable

## 5. Accounting Auditors

### (1) Name of Accounting Auditors

KPMG AZSA LLC

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

(Millions of yen)

	Amount
1) Remuneration paid or payable to the Accounting Auditors for the Company	65
2) Remuneration or other financial interests paid or payable to the Accounting Auditors for the Company and subsidiaries	69

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

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

### (3) Non-auditing services

Not applicable

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

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

### (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) Summary of contents of Liability Limitation Agreements

Not applicable

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

Not applicable

## **6. Details of the Resolutions on the Establishment and Maintenance of Systems to Ensure the Appropriate Execution of Business Operations**

Pursuant to the implementation of the “Act for Partial Revision of the Companies Act” (Act No. 90 of 2014) and partial revisions to the Ordinance for Enforcement of the Companies Act, the Company reviewed the basic policy regarding the improvement of its internal control systems and adopted a resolution at the Board of Directors meeting held on April 28, 2015.

The content of the resolution is as follows:

### **1. System for ensuring that Directors, Operating Officers and employees perform their duties in accordance with laws, regulations and the Articles of Incorporation, as well as a system for ensuring the appropriate business operations within the company group (the “Taiyo Yuden Group”) consisting of the Company and its subsidiaries**

- 1) The Board of Directors shall resolve important matters in accordance with laws, regulations and the Articles of Incorporation, as well as the “Board of Directors Regulations” and other internal regulations.
- 2) The Board of Directors shall strengthen the management system for risk factors surrounding the management and supervise the execution of duties by Directors.
- 3) Audit & Supervisory Board Members shall monitor the appropriateness of resolutions by the Board of Directors, as well as the execution of duties by Directors and Operating Officers.
- 4) A Compliance and Risk Management Committee shall be established as a system to promote the Group’s compliance activities. The committee shall designate a responsible person for each of the items set forth in the “Taiyo Yuden Group CSR Code of Conduct” and conduct compliance activities on an ongoing basis in accordance with the compliance management system.
- 5) A whistleblower system shall be operated for early detection of compliance-related problems of the Group. The detected problems shall be investigated and corrective measures shall be taken to prevent a recurrence.
- 6) Corporate information and other materials relating to the Group shall be swiftly and appropriately disclosed to shareholders and investors.
- 7) A firm and uncompromising stance will be taken on an organizational basis against antisocial movements or groups.
- 8) Internal control shall be streamlined and operated for the purpose of ensuring the reliability of financial reports in accordance with the Financial Instruments and Exchange Act.
- 9) As for the execution of business operations at subsidiaries, the relevant operating division/departments of the Company shall be the contact to grasp the circumstances thereof, and sufficient exchange of information and coordination of interests shall be conducted with regard to important information in accordance with the “Group Management Rules” to ensure appropriateness of business operations while respecting the management intentions of the respective subsidiaries.

### **2. System for the storage and management of information with regard to the execution of duties by Directors and Operating Officers of the Company**

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

### **3. Rules for managing risks of loss with respect to the Company and other systems**

- 1) A Compliance and Risk Management Committee shall be established as a system to promote risk management activities. The committee shall designate a responsible person for each risk category. Risk management activities, which consist of risk identification, evaluation of risk levels, decision and execution of risk countermeasures and monitoring/review of the status of implemented countermeasures, shall be continuously performed as per the Group risk management system.

- 2) As per the Company's Group Business Continuity and Risk Management Regulations, the effects on business activities resulting from the occurrence of any risks including natural disasters shall be preassumed, an emergency task force shall be formed depending on the scale of expected adverse effects and preventive measures shall be taken in advance during peacetime. In case a business continuity problem arises, countermeasures shall be taken in compliance with the BCP (Business Continuity Plan) put in place to enable the early resumption of business activities.

#### **4. System for ensuring the duties of Directors of the Company are efficiently performed**

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

#### **5. System for ensuring appropriate business operations within the Taiyo Yuden Group**

##### **(1) System for reporting to the Company on matters concerning the execution of duties by Directors of the subsidiaries of the Company and other persons with similar authority**

- 1) The status of the performed business operations at subsidiaries shall be reported as per the Company's "Group Management Rules" to encourage the sharing of information with relevant departments of the Company.
- 2) The Company shall strive to understand the management circumstances of its subsidiaries by dispatching some of its Operating Officers and/or employees to the relevant subsidiaries.

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

- 1) As per the Group risk management system, the subsidiary shall continuously perform its risk identification, evaluation of risk levels, decision and execution of risk countermeasures and monitoring/review of the status of implemented countermeasures.
- 2) As per the Company's Group Business Continuity and Risk Management Regulations, the subsidiary shall preassume circumstances in which effects on business activities could result from the occurrence of risks including natural disasters, determine the possible formation of an emergency task force depending on the scale of expected adverse effects and take preventive measures in advance during peacetime. In case a business continuity problem arises, the subsidiary shall take countermeasures in compliance with the BCP (Business Continuity Plan) put in place to enable the early resumption of business activities.

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

- 1) The Company shall formulate its "Group Management Rules" to help subsidiaries handle their decision making efficiently, whereas the subsidiaries shall put the rules into practice.
- 2) The Internal Audit Office of the Company monitors whether business operations of subsidiaries are conducted appropriately and efficiently from an independent standpoint. The monitoring results shall be provided appropriately as feedback to the relevant subsidiaries and to the Chief Executive Officer of the Company. The information therein also shall be shared with the Audit & Supervisory Board Members of the Company.

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

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

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

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

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

- 1) As dedicated staff who support Audit & Supervisory Board Members’ auditing operations under the control of the Audit & Supervisory Board, employees who serve as secretariat members (the “Secretariat Staff”) shall be in place.
- 2) Designation, transfer, performance evaluation, promotion, disciplinary actions, etc., of the Secretariat staff shall be consulted with the Audit & Supervisory Board in advance to obtain its accord.

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

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

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

- 1) Audit & Supervisory Board Members shall participate in important meetings on managerial matters and audit the decision making of Directors, as well as the execution of duties by Directors and Operating Officers.
- 2) Audit & Supervisory Board Members shall timely collect information necessary for their audits through communication with Directors, Operating Officers, and employees. Audit & Supervisory Board Members shall also request, as necessary, reports therefrom regarding the execution of their duties and inspect the relevant documents.
- 3) Audit & Supervisory Board Members shall periodically exchange information with the Internal Audit Office, and take close cooperation therewith.
- 4) Audit & Supervisory Board Members shall periodically, or on an as needed-basis, exchange information with the Accounting Auditor, and request reporting therefrom, as necessary.

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

### **(1) System for reporting to Audit & Supervisory Board Members of the Company by Directors, Operating Officers and employees of the Company**

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

### **(2) System for reporting to Audit & Supervisory Board Members of the Company by Directors and employees of any subsidiary of the Company**

- 1) The subsidiaries of the Company shall streamline and maintain the system that allows Directors, etc., and employees of any subsidiary to directly report to Audit & Supervisory Board Members of the Company with regard to the violation of laws, regulations and/or internal regulations by Directors, etc., as per their respective internal whistleblowing rules.
- 2) The full-time Audit & Supervisory Board Members of the Company shall seek to maintain an environment conducive to collecting information and performing audits through communication with Directors and employees of the subsidiaries by sharing the tasks with each other.

**(3) System for ensuring that anyone who has reported to an Audit & Supervisory Board Member does not suffer from detrimental treatment for the reason of having made said report**

The Group shall stipulate a scheme to fully protect informants in its internal rules, and streamline and maintain a preventive system, under which anyone who has used the whistleblower system to report to the Audit & Supervisory Board and/or the Audit & Supervisory Board Members shall not be unfavorably treated.

## **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 suited to control decision-making over the financial and business policies of the Company. In the case that such persons make large-scale purchase offers of the Company's stock, the Company will try to disclose information in a proper and timely manner and take actions which are appropriate at that point in time, aiming at ensuring and improving the common interests of the shareholders.

### **(2) Efforts to realize the basic policy**

The Company believes that further achievement of management from the shareholder's perspective through the consistent execution of the Mid-term Management Plan and the strengthening of corporate governance will lead to the protection and enhancement of corporate value of the Company and the common interests of the shareholders. Thus, the Company is implementing the efforts listed above in "1. (6) Mid-to-long term management strategies, target management indicators, and issues to be addressed" (on pages 25 and 26), and "Reference: Our Corporate Governance Initiatives" (on pages 45 to 47).

Reference: Our Corporate Governance Initiatives

#### **1. Basic Policy for Corporate Governance**

Since its foundation, the Taiyo Yuden Group has implemented a management philosophy that focuses on "employee well-being," "betterment of local communities" and "responsibility to provide returns to shareholders." Over the years, we have strived to build strong relationships with all stakeholders, including the Company's shareholders, with a strong focus on enhancing corporate value.

Based on this policy, we intend to continuously increase corporate value through the review, as required, of the structure and schemes that would ensure swift decision making and appropriate execution of business operations, and by engaging in excellent business activities in order to enhance our competitiveness with an emphasis on management transparency/fairness and information disclosure.

#### **2. Corporate Governance Structure**

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

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

##### **2) Board of Directors**

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

- b) The Board of Directors shall strengthen the management system for risk factors surrounding corporate management of the Company and always monitor the execution of business operations.
  - c) To ensure the fairness of meetings and strengthen the authority of management oversight, the Board of Directors shall be chaired by the Chairman of the Board of Directors (Outside Directors, if the Chairman of Board of Directors is absent or unable to act as the chairman).
  - d) To ensure the effective decision making by the Board of Directors, the Management Implementation Committee shall deliberate in advance policy matters regarding business operations for Group management, whereas the TM (Top Management) Meeting shall deliberate in advance matters concerning personnel, organization and remuneration systems for the entire Group. Both organs shall determine matters delegated by the Board of Directors.
  - e) Operating Officers are in place in order to further clarify roles and responsibilities of Directors who monitor and supervise the management of business and persons who execute business operations. The Operating Officers shall conduct business flexibly and quickly as an executor responsible for the section he or she is in charge, under the direction of the Chief Executive Officer, in accordance with management policies and strategies determined at meetings of the Board of Directors.
- 3) Directors
- a) The Company has eight (8) Directors, at present. Two (2) of them are appointed as independent Outside Directors.
  - b) To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one (1) year.
  - c) The reason for the selection of directors is disclosed by taking into account knowledge, experience, history of achievement and other factors.
  - d) In electing Outside Directors, to ensure transparency in the authority of management oversight, the Company has established rigorous "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members" as requirements for their appointment by reference to other standards for independence established by financial instrument exchanges and organizations advising the exercise of voting rights, including the "Securities Listing Regulations" set forth by the Tokyo Stock Exchange.
  - e) Except for Outside Directors, the Directors concurrently serve as Operating Officers who are in charge of both oversight and the execution of operations. Directors shall report with emphasis on the business performance and oversight operations of the divisions/departments they are in charge of to the Board of Directors.
- 4) Audit & Supervisory Board and Audit & Supervisory Board Members
- a) The Company has adopted an Audit & Supervisory Board Members system. The Audit & Supervisory Board meeting is held monthly, in principle.
  - b) The Company has four (4) Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members. Two (2) of them are appointed as independent Outside Audit & Supervisory Board Members.
  - c) To raise the effectiveness of audits, each Audit & Supervisory Board Member attends Board of Directors meetings and attends meetings related to the execution of business operations and other important meetings by sharing the tasks with each other. Moreover, Audit & Supervisory Board Members strive to strengthen the auditing system through frequent communications with the Accounting Auditors and the internal audit department by meeting regularly, witnessing accounting audits as observers and conducting joint audits with the internal audit department.
  - d) The Audit & Supervisory Board has its own dedicated staff to smoothly conduct auditing operations such as information communications and data management.
- 5) Voluntary advisory panels
- a) For the purpose of conducting "highly transparent and fair management," the Company has established a Nominations Committee and a Remuneration Committee.
  - b) Both Committees consist of Directors with a rank of Executive Operating Officer or higher, Outside Directors and one (1) Audit & Supervisory Board Member. They are chaired by independent Outside Directors to ensure objectivity of each deliberated matter.
  - c) The Nominations Committee deliberates matters such as the designation of candidates for Corporate Officers to be elected/dismissed, the draft on nominating or dismissing officer positions and disciplinary actions. The Remuneration Committee deliberates systems of remuneration to Corporate Officers, as well as details of remuneration to each Corporate Officer. The matters deliberated at the respective committees are discussed at the Board of Directors for determination.



**CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

Account item	74th Fiscal Term (as of March 31, 2015)	(Reference) 73rd Fiscal Term (as of March 31, 2014)
	Amount	Amount
(ASSETS)		
<b>Current assets</b>	<b>154,971</b>	<b>143,759</b>
Cash and deposits	46,709	59,250
Trade notes and accounts receivable	55,773	43,012
Merchandise and finished goods	15,564	14,179
Work in process	16,014	13,457
Raw materials and supplies	12,555	9,927
Deferred tax assets	1,179	460
Other	7,455	3,793
Allowance for doubtful receivables	(281)	(322)
<b>Non-current assets</b>	<b>110,482</b>	<b>103,837</b>
<b>Property, plant and equipment</b>	<b>97,708</b>	<b>94,397</b>
Buildings and structures	73,929	70,723
Machinery and transportation equipment	240,195	226,115
Tools, furniture and fixtures	21,569	20,257
Land	8,635	7,697
Construction in progress	8,123	4,481
Accumulated depreciation	(254,745)	(234,877)
<b>Intangible assets</b>	<b>715</b>	<b>1,412</b>
Goodwill	-	600
Other	715	811
<b>Investments and other assets</b>	<b>12,058</b>	<b>8,027</b>
Investment securities	9,071	4,859
Net defined benefit asset	22	11
Deferred tax assets	927	906
Other	2,398	2,576
Allowance for doubtful receivables	(360)	(325)
<b>Total Assets</b>	<b>265,454</b>	<b>247,596</b>

**CONSOLIDATED BALANCE SHEETS (continued)**

(Millions of yen)

Account item	74th Fiscal Term (as of March 31, 2015)	(Reference) 73rd Fiscal Term (as of March 31, 2014)
	Amount	Amount
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>	<b>66,719</b>	<b>68,392</b>
Trade notes and accounts payable	23,899	18,597
Bonds due within one year	-	8,000
Convertible bond type-bonds with subscription rights to shares due within one year	-	365
Short-term loans payable	12,366	10,623
Long-term loans payable due within one year	5,269	12,472
Other accounts payable	11,435	6,430
Income tax payable	1,708	1,159
Deferred tax liabilities	788	695
Reserve for bonuses	3,249	2,746
Reserve for bonuses for Directors and Audit & Supervisory Board Members	109	74
Other	7,892	7,226
<b>Long-term liabilities</b>	<b>47,878</b>	<b>50,647</b>
Convertible bond type-bonds with subscription rights to shares	20,082	20,096
Long-term loans payable	16,569	21,861
Deferred tax liabilities	6,290	5,144
Liabilities for retirement benefits	2,872	1,936
Reserve for retirement benefits for officers	129	117
Other	1,934	1,491
<b>Total Liabilities</b>	<b>114,597</b>	<b>119,040</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>	<b>144,978</b>	<b>135,236</b>
Common stock	23,557	23,557
Capital surplus	41,495	41,495
Retained earnings	83,339	73,597
Treasury stock	(3,413)	(3,412)
<b>Accumulated other comprehensive income</b>	<b>5,511</b>	<b>(6,860)</b>
Unrealized holding gains on securities	2,125	979
Deferred gain or loss on derivatives under hedge accounting	7	(31)
Foreign currency translation adjustments	3,774	(7,774)
Adjustment for retirement benefit obligations etc. of foreign subsidiaries	(396)	(34)
<b>Subscription rights to shares</b>	<b>227</b>	<b>170</b>
<b>Minority interests</b>	<b>139</b>	<b>9</b>
<b>Total Net Assets</b>	<b>150,856</b>	<b>128,556</b>
<b>Total Liabilities and Net Assets</b>	<b>265,454</b>	<b>247,596</b>

**CONSOLIDATED STATEMENTS OF INCOME**

(Millions of yen)

Account item	74th Fiscal Term (from April 1, 2014 to March 31, 2015)		(Reference) 73rd Fiscal Term (from April 1, 2013 to March 31, 2014)	
		Amount		Amount
<b>Net sales</b>		<b>227,095</b>		<b>208,222</b>
<b>Cost of sales</b>		<b>174,347</b>		<b>160,640</b>
<b>Gross profit</b>		<b>52,748</b>		<b>47,582</b>
<b>Selling expenses and general and administrative expenses</b>		<b>39,595</b>		<b>36,223</b>
<b>Operating income</b>		<b>13,153</b>		<b>11,358</b>
<b>Other income</b>				
Interest income	334		278	
Dividend income	84		80	
Foreign exchange profit	7		24	
Equity in earnings of affiliates	2,134		1,321	
Subsidies	787		181	
Life insurance dividends income	70		77	
Other	386	3,805	239	2,203
<b>Other expenses</b>				
Interest expenses	324		510	
Interest on bonds	61		73	
Compensation expenses	201		155	
Bond issuance cost	-		60	
Depreciation of inactive non-current assets	343		398	
Other	373	1,304	171	1,369
<b>Ordinary income</b>		<b>15,653</b>		<b>12,192</b>
<b>Extraordinary income</b>				
Gains on sale of property, plant and equipment	34		23	
Gain on transfer of business	102		-	
Other	2	139	0	24
<b>Extraordinary losses</b>				
Loss on retirement and sale of property, plant and equipment	460		281	
Impairment loss	94		622	
Loss on devaluation of investment securities	1		134	
Business structure improvement expenses	320		862	
Other	0	878	162	2,064
<b>Net income before income taxes</b>		<b>14,915</b>		<b>10,152</b>
Income taxes	3,520		2,495	
Deferred income taxes	359	3,880	679	3,175
<b>Net income before minority interests</b>		<b>11,035</b>		<b>6,977</b>
Minority interests in income (loss)		115		(12)
<b>Net income (loss)</b>		<b>10,919</b>		<b>6,989</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

**(From April 1, 2014 to March 31, 2015)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	23,557	41,495	73,597	(3,412)	135,236
Change during the current fiscal year					
Dividends from surplus			(1,177)		(1,177)
Net income			10,919		10,919
Acquisition of treasury stock				(0)	(0)
Net change in items other than shareholders' equity during the current fiscal year					
Total of changes during the current fiscal year	-	-	9,742	(0)	9,741
Balance at end of current fiscal year	23,557	41,495	83,339	(3,413)	144,978

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total net assets
	Unrealized holding gains on securities	Deferred gain or loss on derivatives under hedge accounting	Foreign currency translation adjustments	Adjustment for retirement benefit obligations etc. of foreign subsidiaries	Total accumulated other comprehensive income			
Balance at beginning of current fiscal year	979	(31)	(7,774)	(34)	(6,860)	170	9	128,556
Change during the current fiscal year								
Dividends from surplus								(1,177)
Net income								10,919
Acquisition of treasury stock								(0)
Net change in items other than shareholders' equity during the current fiscal year	1,146	39	11,548	(362)	12,372	56	129	12,558
Total of changes during the current fiscal year	1,146	39	11,548	(362)	12,372	56	129	22,300
Balance at end of current fiscal year	2,125	7	3,774	(396)	5,511	227	139	150,856

**NON-CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

Account item	74th Fiscal Term (as of March 31, 2015)	(Reference) 73rd Fiscal Term (as of March 31, 2014)
	Amount	Amount
(ASSETS)		
<b>Current assets</b>	<b>90,490</b>	<b>81,043</b>
Cash and deposits	10,636	26,135
Notes receivable	778	969
Trade accounts receivable	50,446	33,310
Merchandise and finished goods	2,921	2,411
Work in process	3,549	3,296
Raw materials and supplies	3,359	3,365
Prepaid expenses	427	453
Short-term loans to subsidiaries and affiliates	7,563	4,380
Other accounts receivable	9,107	6,639
Consumption taxes receivable	1,688	65
Other	11	15
<b>Non-current assets</b>	<b>95,952</b>	<b>103,451</b>
<b>Property, plant and equipment</b>	<b>27,396</b>	<b>29,486</b>
Buildings	7,989	8,502
Structures	441	484
Machinery and equipment	12,130	14,294
Vehicles and transportation equipment	49	63
Tools, furniture and fixtures	857	636
Land	4,207	4,214
Construction in progress	1,720	1,290
<b>Intangible assets</b>	<b>523</b>	<b>616</b>
Patent right	86	118
Software	385	415
Other	50	82
<b>Investments and other assets</b>	<b>68,032</b>	<b>73,347</b>
Investment securities	7,644	3,463
Investments in subsidiaries and affiliates	48,230	49,242
Long-term loans receivable from employees	217	262
Long-term loans receivable from subsidiaries and affiliates	14,628	23,157
Claims provable in bankruptcy, claims provable in rehabilitation and other	360	308
Long-term prepaid expenses	46	246
Other	886	833
Allowance for doubtful receivables	(3,981)	(4,166)
<b>Total Assets</b>	<b>186,442</b>	<b>184,494</b>

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

(Millions of yen)

Account item	74th Fiscal Term (as of March 31, 2015)	(Reference) 73rd Fiscal Term (as of March 31, 2014)
	Amount	Amount
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>	<b>62,940</b>	<b>64,724</b>
Notes payable	30	34
Trade accounts payable	31,157	22,215
Short-term loans payable	12,366	10,623
Current portion of long-term loans payable	4,519	11,722
Bonds due within one year	-	8,000
Convertible bond type-bonds with subscription rights to shares due within one year	-	365
Other accounts payable	6,320	3,802
Accrued expenses	3,051	3,004
Lease obligations	211	211
Accrued income taxes	253	155
Deposits received	1,823	1,489
Reserve for bonuses	1,840	1,619
Reserve for bonuses to Directors and Audit & Supervisory Board Members	109	74
Deferred tax liabilities	25	-
Other	1,231	1,405
<b>Long-term liabilities</b>	<b>37,733</b>	<b>42,132</b>
Convertible bond type-bonds with subscription rights to shares	20,082	20,096
Long-term loans payable	15,194	19,736
Lease obligations	242	454
Deferred tax liabilities	1,838	1,492
Other	374	351
<b>Total Liabilities</b>	<b>100,673</b>	<b>106,856</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>	<b>83,560</b>	<b>76,665</b>
Common stock	23,557	23,557
Capital surplus	41,495	41,495
Capital reserve	41,450	41,450
Other capital surplus	44	44
Retained earnings	21,921	15,026
Legal profit reserve	2,947	2,947
Other retained earnings	18,973	12,078
Reserve for advanced depreciation of non-current assets	1,308	1,249
Retained earnings (losses) brought forward from the previous term	17,664	10,828
Treasury stock	(3,413)	(3,412)
<b>Variance of evaluation and translation</b>	<b>1,981</b>	<b>802</b>
Unrealized holding gains on securities	1,974	834
Deferred gain or loss on derivatives under hedge accounting	7	(31)
<b>Subscription rights to shares</b>	<b>227</b>	<b>170</b>
<b>Total Net Assets</b>	<b>85,769</b>	<b>77,638</b>
<b>Total Liabilities and Net Assets</b>	<b>186,442</b>	<b>184,494</b>

**NON-CONSOLIDATED STATEMENTS OF INCOME**

(Millions of yen)

Account item	74th Fiscal Term (from April 1, 2014 to March 31, 2015)		(Reference) 73rd Fiscal Term (from April 1, 2013 to March 31, 2014)	
	Amount		Amount	
<b>Net sales</b>		<b>206,149</b>		<b>178,893</b>
<b>Cost of sales</b>		<b>181,850</b>		<b>156,062</b>
<b>Gross profit</b>		<b>24,298</b>		<b>22,831</b>
<b>Selling expenses and general and administrative expenses</b>		<b>22,724</b>		<b>20,033</b>
<b>Operating income (loss)</b>		<b>1,573</b>		<b>2,797</b>
<b>Other income</b>				
Interest income	282		330	
Dividend income	6,885		1,456	
Foreign exchange profit	520		584	
Subsidy income	146		-	
Other	553	8,388	178	2,551
<b>Other expenses</b>				
Interest expenses	300		485	
Interest on bonds	61		73	
Compensation expense	110		136	
Depreciation of inactive non-current assets	117		135	
Bond issuance cost	-		60	
Provision of allowance for doubtful accounts	-		814	
Other	82	672	55	1,761
<b>Ordinary income (loss)</b>		<b>9,289</b>		<b>3,587</b>
<b>Extraordinary income</b>				
Gains on sale of property, plant and equipment	80	80	50	50
<b>Extraordinary losses</b>				
Loss on retirement and sale of property, plant and equipment	73		71	
Impairment loss	71		113	
Loss on devaluation of stocks of subsidiaries and affiliates	719		-	
Disaster loss	-		110	
Other	47	911	26	322
<b>Net income (loss) before income taxes</b>		<b>8,458</b>		<b>3,316</b>
Income taxes	467		532	
Deferred income taxes	(81)	386	(8)	523
<b>Net income (loss)</b>		<b>8,072</b>		<b>2,792</b>

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Common stock									
	Common stock	Capital surplus			Legal profit reserve	Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
						Reserve for advanced depreciation of non-current assets	Retained earnings brought forward from the previous fiscal year			
Balance at beginning of current fiscal year	23,557	41,450	44	41,495	2,947	1,249	10,828	15,026	(3,412)	76,665
Change during the current fiscal year										
Dividends from surplus							(1,177)	(1,177)		(1,177)
Provision of reserve for advanced depreciation of non-current assets						62	(62)			-
Reversal of reserve for advanced depreciation of non-current assets						(2)	2			-
Net income							8,072	8,072		8,072
Acquisition of treasury stock									(0)	(0)
Net change in items other than shareholders' equity during the current fiscal year										
Total change during the current fiscal year	-	-	-	-	-	59	6,835	6,895	(0)	6,894
Balance at end of current fiscal year	23,557	41,450	44	41,495	2,947	1,308	17,664	21,921	(3,413)	83,560

	Variance of evaluation and translation			Stock acquisition rights	Total net assets
	Unrealized holding gains on securities	Deferred gain or loss on derivatives under hedge accounting	Total variance of evaluation and translation		
Balance at beginning of current fiscal year	834	(31)	802	170	77,638
Change during the current fiscal year					
Dividends from surplus					(1,177)
Provision of reserve for advanced depreciation of non-current assets					-
Reversal of reserve for advanced depreciation of non-current assets					-
Net income					8,072
Acquisition of treasury stock					(0)
Net change in items other than shareholders' equity during the current fiscal year	1,140	39	1,179	56	1,236
Total change during the current fiscal year	1,140	39	1,179	56	8,130
Balance at end of current fiscal year	1,974	7	1,981	227	85,769

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

**INDEPENDENT AUDITORS' REPORT**

May 18, 2015

The Board of Directors  
Taiyo Yuden Co., Ltd.

**KPMG AZSA LLC**

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

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

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

Pursuant to Article 444, Paragraph 4 of Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements of Taiyo Yuden Co., Ltd. for the 74th fiscal term from April 1, 2014 to March 31, 2015.

*Management's responsibility for the consolidated financial statements*

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

*Independent auditors' responsibility*

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

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

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

*Audit opinion*

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

*Interests in the Company*

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

**INDEPENDENT AUDITORS' REPORT**

May 18, 2015

The Board of Directors  
Taiyo Yuden Co., Ltd.

**KPMG AZSA LLC**

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

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

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

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements, and the supplementary schedules of Taiyo Yuden Co., Ltd. for the 74th fiscal term from April 1, 2014 to March 31, 2015.

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

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

*Independent auditors' responsibility*

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

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

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

*Audit opinion*

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

*Interests in the Company*

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

Certified Copy of the Report of the Audit & Supervisory Board  
**REPORT OF THE AUDIT & SUPERVISORY BOARD**

The Audit & Supervisory Board, following deliberations on the reports made by each Audit & Supervisory Board Member concerning the audit of execution of duties by Directors of the Board for the 74th fiscal term from April 1, 2014 to March 31, 2015, has prepared this Audit Report as the unanimous opinion of all Audit & Supervisory Board Members and hereby submits it as follows:

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

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

In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, and pursuant to the audit plan, each Audit & Supervisory Board Member conducted an examination of the status of operations and assets at the Company's head office and primary business locations. Such examinations by each Audit & Supervisory Board Member were conducted by attending Board of Directors Meetings, Management Implementation Committee meetings, and other important meetings, receiving reports from Directors and Operating Officers regarding the status of execution of their duties and requesting further explanations as necessary, and inspecting important decision documents etc., while seeking to maintain an environment conducive to collecting information and performing audits through communication with Directors, Operating Officers, and the internal audit department and other employees. Each Audit & Supervisory Board Member verified the resolutions adopted by the Board of Directors Meetings regarding the establishment of the system for ensuring that the Directors' duties 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. Audit & Supervisory Board Members 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. Audit & Supervisory Board Members also conducted an examination of the status of operations and assets at the Company's subsidiaries by maintaining communication and information sharing with their Directors and Audit & Supervisory Board Members, receiving business reports from the subsidiaries, and visiting the subsidiaries as necessary. In accordance with the procedures mentioned above, we reviewed the business report and supplementary schedules for the year ended on March 31, 2015.

Further, Audit & Supervisory Board Members monitored and verified that Accounting Auditors maintained independence and conducted the audits appropriately. Each Audit & Supervisory Board Member also received reports of the status of the execution of duties from Accounting Auditors and requested further explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that duties are performed appropriately", based on Article 131 of the Corporate Calculation Regulations, as per the "Standards for the Quality Control of Audits" (Business Accounting Council) from the Accounting Auditor and requested explanations as necessary. In accordance with the procedures mentioned above, we 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, as well as 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, 2015.

## 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 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 22, 2015

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

Norio Osakabe (Seal)  
Audit & Supervisory Board Member (Full-time)

Mamoru Yamaki (Seal)  
Audit & Supervisory Board Member (Full-time)

Tomonori Akisaka (Seal)  
Outside Audit & Supervisory Board Member

Kazuhiro Yamakawa (Seal)  
Outside Audit & Supervisory Board Member