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(Securities Code: 6976)
June 7, 2016

To Those Shareholders with Voting Rights:

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

**NOTICE OF CONVOCATION OF THE 75TH ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

You are cordially invited to attend the 75th Ordinary General Meeting of Shareholders of Taiyo Yuden Co., Ltd. (the "Company"), which will be held as described below.

- 1. Date and Time:** 10:00 a.m., June 29, 2016 (Wednesday) (Reception desk opens at 9:00 a.m.)
- 2. Place:** JP Tower Hall & Conference (KITTE 4th Floor) Hall,
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 75th Fiscal Term (from April 1, 2015, to March 31, 2016), 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:** Partial Amendment to the Articles of Incorporation
 - Proposal No. 3:** Election of Seven (7) Directors
 - Proposal No. 4:** Election of Two (2) Audit & Supervisory Board Members
 - Proposal No. 5:** Election of One (1) Substitute Audit & Supervisory Board Member
 - Proposal No. 6:** Revision to the Amount of Remuneration for Audit & Supervisory Board Members

4. Matters to be resolved upon convocation of the 75th 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 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 28, 2016 (Tuesday).

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, the following documents are posted on the Company website 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, these documents are subject to the audit of the Accounting Auditor and the Audit & Supervisory Board Members.
 - Notes to Consolidated Financial Statements, and
 - Notes to Non-consolidated Financial Statements
- (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.t-yuden.com/>

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.
- Please visit the Taiyo Yuden Group's product exhibition at the meeting venue.
- Please note that the souvenir will be provided to the shareholders attending the meeting on a "one for each attendee" basis.

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 29, 2016 (Wednesday) 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 28, 2016 (Tuesday) 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 21.

Voting deadline: June 28, 2016 (Tuesday) 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 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

Under the policy to distribute plentiful returns to its shareholders after ensuring the Company's stable and sustainable earnings structure and acceptable balance sheet including positive net cash, the year-end dividend for the fiscal year ended March 31, 2016, shall be ¥10 per share as follows with a ¥5 increase per share compared with the previous fiscal year.

1. Year-end dividend

(1) Type of dividend property:

Cash

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

¥10 per share (common stock of the Company) Total amount: ¥1,178,168,570

(3) Effective date for dividends from surplus:

June 30, 2016

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

1. Reasons for the amendment

- (1) In light of the current situation of the Company's business and to address future business development, additional purposes of business shall be added.
- (2) In line with the implementation of the Act for Partial Revision of the Companies Act (Act No. 90 of 2014), it has become possible to conclude a liability limitation agreement newly with Directors who are not Executive Directors, etc. and with Audit & Supervisory Board Members who are not Outside Audit & Supervisory Board Members. To address this change, it is proposed to make a necessary revision to Article 26 (Limitation of Liabilities of Outside Directors) and Article 34 (Limitation of Liabilities of Outside Audit & Supervisory Board Members) of the current Articles of Incorporation of the Company. With regard to the amendment to Article 26, each Audit & Supervisory Board Member already has given consent.

2. Description of the amendment

The description of the amendment is as follows.

(Amended parts are underlined.)

<u>Current</u>	<u>Proposed amendment</u>
Article 1. (Omitted) (Purposes of the Company) Article 2. The purpose of the Company shall be to engage in the following businesses: 1.-6. (Omitted) (New establishment) <u>7.</u> All businesses incidental to or associated with the preceding items.	Article 1. (Same as current) (Purposes of the Company) Article 2. The purpose of the Company shall be to engage in the following businesses: 1.-6. (Same as current) <u>7. Development, production and sales of electric charges storage devices and energy regeneration systems</u> <u>8.</u> All businesses incidental to or associated with the preceding items.
Articles 3-25 (Omitted)	Articles 3-25 (Same as current)
(Liability Limitation Agreement with <u>Outside Directors</u>) Article 26. Pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the	(Liability Limitation Agreement with Directors) Article 26. Pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement

<p>Company may enter into an agreement with each of the <u>Outside</u> Directors to the effect that any liability for damages of such Outside Director arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be a prescribed amount set by laws and regulations.</p>	<p>with each of the Directors (<u>excluding those who are Executive Directors, etc.</u>) to the effect that any liability for damages of such Director arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be a prescribed amount set by laws and regulations.</p>
<p>Articles 27–33 (Omitted)</p>	<p>Articles 27–33 (Same as current)</p>
<p>(Liability Limitation Agreement with <u>Outside</u> Audit & Supervisory Board Members) Article 34. Pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with each of the <u>Outside</u> Audit & Supervisory Board Members to the effect that any liability for damages of such Outside Audit & Supervisory Board Member arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be a prescribed amount set by laws and regulations.</p>	<p>(Liability Limitation Agreement with Audit & Supervisory Board Members) Article 34. Pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with each of the Audit & Supervisory Board Members to the effect that any liability for damages of such Audit & Supervisory Board Member arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be a prescribed amount set by laws and regulations.</p>
<p>Articles 35–39 (Omitted)</p>	<p>Articles 35–39 (Same as current)</p>

Proposal No. 3: Election of Seven (7) Directors

Director Eiji Watanuki retired as Director due to his passing on January 24, 2016, and the terms of office of all of the seven (7) Directors will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company hereby requests that seven (7) Directors be elected.

The candidates for Director are as follows:

The content of this proposal had been deliberated at the voluntary Nomination Committee chaired by an independent Outside Director. Based on the Committee's opinions, this proposal has been made.

Candidate No.	Name	Position	Responsibilities	Attendance at meetings of the Board of Directors
1. Reappointment	Shoichi Tosaka	President and Chief Executive Officer	R&D/Engineering	100%
2. Reappointment	Seiichi Tsutsumi	Director and Executive Operating Officer	New Business Planning Development Global SCM Development	100%
3. Reappointment	Shinji Masuyama	Director and Executive Operating Officer	Management Planning	95%
4. Reappointment	Osamu Takahashi	Director and Executive Operating Officer	Integrated Module & Device Business	100%
5. New appointment	Katsuya Sase	Executive Operating Officer	Electronic Components Business	—
6. Reappointment Outside Independent	Hisaji Agata	Outside Director (Independent Director)	—	100%
7. New appointment Outside Independent	Masashi Hiraiwa	—	—	—

Note: Positions and responsibilities above are as of the date when this Convocation Notice is dispatched.

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

■Reappointment		Career summary, position and responsibilities in the Company, and significant concurrent positions	
■Number of Company shares held	11,400 shares	March 1979	Joined the Company
		June 2006	Director, Senior Operating Officer, Deputy Chief of Operation Headquarters, Division Manager of Quality Assurance Division of the Company
■Attendance at meetings of the Board of Directors	100%	April 2007	Senior Executive Director, Senior Operating Officer, Chief of Operation Headquarters I, General Manager of Business Planning Department 1 of the Company
		April 2012	Director and Senior Executive Operating Officer, in charge of R&D/Engineering, Quality Assurance, New Business Planning of the Company
		June 2012	Director and Executive Operating Officer, in charge of R&D/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
		October 2015	Representative and Senior Executive Operating Officer, in charge of Quality Assurance, R&D/Engineering, Chief of Quality Assurance Headquarters of the Company
		November 2015	President and Chief Executive Officer, in charge of R&D/Engineering of the Company (to the present)

Reasons for appointment of candidate for Director

Having engaged in management of various areas such as the production, R&D/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. Since November 2015, as President and Chief Executive Officer of the Company, Mr. Tosaka has been developing sustainable business activities and striving to establish a strong corporate structure with a focus on enhancing the corporate value to lead the Company to the next step. For these reasons, it was judged that Mr. Shoichi Tosaka would be able to properly execute such duties as taking management initiatives as the top management of the Taiyo Yuden Group, making important managerial decisions and supervising business execution, and the Company believes utilizing his capabilities will be the best for the Company, therefore he was appointed as a candidate for Director.

Note: No special interests exist between the Company and Mr. Shoichi Tosaka.

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

■Reappointment	Career summary, position and responsibilities in the Company, and significant concurrent positions	
■Number of Company shares held 8,700 shares	March 1977	Joined the Company
	April 2000	President of Taiyo Yuden (Singapore) Pte., Ltd.
	July 2007	Operating 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 Greater China Area of the Company
	July 2010	Director and Senior Operating Officer, in charge of Greater China Area of the Company
	June 2011	Chairman and Director, TAIYO YUDEN Mobile Technology Co., Ltd.
	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
	April 2016	Director and Executive Operating Officer, in charge of New Business Planning Development and Global SCM Development, Chief of New Business Planning Development 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, as Director and Executive Operating Officer, presently oversees entry to new markets, planning and development of new businesses and the Group's overall procurement and logistics, thereby contributing to the expansion of businesses and the sophistication of the supply chain. For these reasons, 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.

Note: No special interests exist between the Company and Mr. Seiichi Tsutsumi.

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

■Reappointment		Career summary, position and responsibilities in the Company, and significant concurrent positions	
■Number of Company shares held	4,200 shares	March 1980	Joined the Company
		January 2004	Operating Officer, Group Deputy Chief of Production Group ML Products of the Company
■Attendance at meetings of the Board of Directors	95%	July 2006	Operating Officer, Division Manager of Capacitors Business Division at Operations Headquarters I of the Company
		July 2011	Senior Operating Officer, Chief of Electronic Components Headquarters, Division Manager 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
		April 2016	Director and Executive Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters of the Company (to the present)

Reasons for appointment of candidate for Director

Mr. Shinji Masuyama has abundant experience and a good track record through practical business in various areas such as production system R&D/Engineering and business divisions since joining the Company. He presently oversees management planning and business administration as Director and Executive Operating Officer, thereby contributing to smooth business operation, risk reduction and the improvement of corporate governance. 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.

Note: No special interests exist between the Company and Mr. Shinji Masuyama.

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

	Career summary, position and responsibilities in the Company, and significant concurrent positions	
■Reappointment		
■Number of Company shares held	March 1980	Joined the Company
	April 2003	Operating Officer, Corporate Management Group (Corporate Control) of the Company
4,600 shares	April 2008	Operating Officer, in charge of Corporate Planning, Corporate Planning Headquarters and Finance, Management & Administration Headquarters of the Company
■Attendance at meetings of the Board of Directors	July 2010	Senior Operating Officer, in charge of Corporate Planning, Corporate Planning Headquarters and Finance, Management & Administration Headquarters of the Company
	July 2011	Director and Senior Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters of the Company
	April 2014	Director and Senior Operating Officer, in charge of New Business Planning and Development, Chief of New Business Planning Development Headquarters of the Company
	April 2016	Director and Executive Operating Officer in charge of Integrated Module & Device Business, Chief of Integrated Module & Device Business Headquarters of the Company (to the present)
	100%	Chairman and Director, TAIYO YUDEN Mobile Technology Co., Ltd. (to the present)

Reasons for appointment of candidate for Director

Mr. Osamu Takahashi has abundant experience and a good track record through practical business in various areas such as engineering, marketing, management and administration, and corporate-planning divisions since joining the Company. He is presently contributing to strengthening product competitiveness and the expansion of customers in the Group's Integrated Modules & Devices business as Director and Executive Operating Officer. For these reasons, 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.

Note: No special interests exist between the Company and Mr. Osamu Takahashi.

5. Katsuya Sase (Date of birth: January 12, 1964)

■New appointment	Career summary, position and responsibilities in the Company, and significant concurrent positions	
■Number of Company shares held 4,200 shares	April 1986	Joined the Company
	April 2004	General Manager of Engineering Quality Assurance Control, ML Ceramic Devices Engineering Department, Engineering Group of the Company
	April 2012	Division Manager of Capacitor Product Division, Electronic Components Headquarters of the Company
	June 2013	Operating Officer, Division Manager of Capacitor Product Division, Electronic Components Headquarters of the Company
	April 2015	Senior Operating Officer, in charge of Electronic Components Division 1 and 2, Deputy Chief of Electronic Components Headquarters, Division Manager of Electronic Components Division 1, Electronic Components Headquarters of the Company
	April 2016	Executive Operating Officer, in charge of Electronic Components Business, Chief of Electronic Components Headquarters, Division Manager of Electronic Components Division 1, Electronic Components Headquarters of the Company (to the present)

Reasons for appointment of candidate for Director

Mr. Katsuya Sase has abundant experience and a good track record through engaging, since joining the Company, in operations in various areas such as the engineering and business divisions and leading the capacitors business, which is the Company's principal business. He presently oversees the electronic components business as Executive Operating Officer, thereby contributing to strengthening engineering capability and improving productivity. For these reasons, Mr. Sase 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.

Note: No special interests exist between the Company and Mr. Katsuya Sase.

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

■Outside/Independent Officer		Career summary, position and responsibilities in the Company, and significant concurrent positions	
■Reappointment	April 1974	March 1981	Joined Nomura Securities Co., Ltd. Joined Japan Associated Finance Co., Ltd. (Currently JAFCO Co., Ltd.)
■Number of Company shares held	June 1997	May 2002	Director of JAFCO (in charge of Investment Headquarters I) Managing Director of JAFCO (in charge of Investment Headquarters III)
	0 shares	March 2007	Executive Managing Officer of JAFCO (in charge of settlement)
■Attendance at meetings of the Board of Directors	100%	October 2007	Commissioner of JAFCO
		January 2008	Representative Director, President of HIBIKI Partners Co., Ltd.
■Term of office 8 years (as of the end of this General Meeting)	June 2008	September 2008	Outside Director of the Company (to the present) Special Adviser of HIBIKI Partners Co., Ltd. (to the present)
	March 2010		Outside Audit & Supervisory Board Member of TMRC Co., Ltd. Outside Audit & Supervisory Board Member of RaQualia Pharma Inc.
	March 2016		Audit & Supervisory Committee Member (Outside Director) of RaQualia Pharma Inc. (to the present)

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 with regard to significant directions such as corporate strategies and appropriate risk taking, while maintaining independence and fairness, 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, providing advice and presiding at meetings from an objective perspective unrelated to business execution to help strengthen the corporate governance function. 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 19.) The candidate meets these standards, and is judged to be sufficiently independent.

Notes: 1. No special interests exist between the Company and Mr. Hisaji Agata.

2. Mr. Hisaji Agata is a candidate for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

3. Mr. Hisaji Agata 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, a relative within the third (3rd) degree of kinship of a business operator or an officer of the Company or such business concern, or any other equivalent person.

4. 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 an agreement between the Company and Mr. Agata is

in force. If his reappointment is approved, the Company plans to continue said agreement. An overview of said agreement 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 duties in good faith and without gross negligence.

7. Masashi Hiraiwa (Date of birth: December 4, 1952)

■Outside/Independent Officer	Career summary, position and responsibilities in the Company, and significant concurrent positions	
■ New appointment	April 1981	Admitted to the Japan Federation of Bar Association. (to the present)
■Number of Company shares held	April 1981	Joined OHHARA LAW OFFICE (to the present)
	August 2005	Supervisor, LCP, Inc.
0 shares	April 2011	Director, THE NAGANUMA SCHOOL (to the present)
	October 2012	Supervisor, Japan Logistics Fund, Inc.

Reasons for appointment of candidate for Outside Director

Mr. Masashi Hiraiwa engaged in the management of school corporations and investment corporations as an officer or in a similar position, and possesses remarkable expertise in laws and a broad perspective as an attorney specializing in corporate legal affairs. For these reasons, it was judged that he would be able to fulfill a monitoring function over the Company's overall management such as governance and legal compliance including internal control, such as offering constructive opinions and organizing points of discussion or debate from an objective perspective at meetings of the Company's Board of Directors. Therefore, he was appointed as a 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 19.) The candidate meets these standards, and is judged to be sufficiently independent.

- Notes: 1. No special interests exist between the Company and Mr. Masashi Hiraiwa.
2. Mr. Masashi Hiraiwa is a candidate for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
3. Mr. Masashi Hiraiwa 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, a relative within the third (3rd) degree of kinship of a business operator or an officer of the Company or such business concern, or any other equivalent person.
4. 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. If Mr. Hiraiwa's appointment is approved, the Company plans to enter into a similar agreement. An overview of said agreement 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 duties in good faith and without gross negligence.

Proposal No. 4: Election of Two (2) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Member Tomonori Akisaka will expire and Audit & Supervisory Board Member Norio Osakabe will resign from office at the conclusion of this General Meeting of Shareholders. Therefore, the Company hereby requests that two (2) 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. Katsushige Nakano (Date of birth: February 12, 1952)

■New appointment		Career summary, position and responsibilities in the Company, and significant concurrent positions
■Number of Company shares held	1,800 shares	April 1974 Joined FUJITSU LIMITED. August 1985 Finance Manager of Fujitsu Australia Limited April 1997 General Manager in charge of Accounting Department, Communication Business Promotion Headquarters of FUJITSU LIMITED June 1999 Chief Financial Officer of Fujitsu Network Communications, Inc. June 2005 Director of FUJITSU MEDIA DEVICES LIMITED June 2009 President and Chief Executive Officer of the same company March 2010 President and Chief Executive Officer, TAIYO YUDEN Mobile Technology Co., Ltd. April 2013 Joined the Company, Division Manager of Financial Strategy Division June 2013 Director and Senior Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters, Division Manager of Financial Strategy Division of the Company April 2014 Director and Executive Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters, Division Manager of Financial Strategy Division of the Company April 2015 Director and Executive Operating Officer, in charge of Management Planning, Chief of Management Planning Headquarters, Division Manager of Global Management Center of the Company April 2016 Director and Executive Operating Officer, in charge of Assistance to President, CSR, Intellectual Property, Legal, and General Affairs of the Company (to the present)

Reasons for appointment of candidate for Audit & Supervisory Board Member

Mr. Katsushige Nakano engaged in financial and accounting operations at domestic and overseas business corporations and served the Company as Director and Executive Operating Officer in charge of finance, accounting, management planning, legal affairs for intellectual property and CSR, etc. He has made significant efforts for such matters as the smooth running of group operations, risk reduction and the enhancement of the business management quality. For these reasons, Mr. Katsushige Nakano was selected as a candidate for Audit & Supervisory Board Member and is expected to be able to check the soundness of decision making by the Board of Directors and the status of the improvement of internal controls and improve preventive auditing to address corporate risks. Mr. Nakano possesses considerable knowledge in finance and accounting, which was nurtured in his related business experience.

Note: No special interests exist between the Company and Mr. Katsushige Nakano.

2. Hajime Yoshitake (Date of birth: July 1, 1956)

■Outside/Independent Officer	Career summary and significant concurrent positions	
	April 1979	Joined Kyowa Bank., Limited (currently, Resona Bank Limited)
■New appointment	April 1991	Manager of New York Branch, Kyowa Saitama Bank, Limited
■Number of Company shares held	April 2002	Joined Nihon Unisys, Ltd.
0 shares	October 2007	Adjunct Lecturer of Meiji University Professional Graduate School (to the present)
	June 2008	General Manager of The Institute of Internal Auditors – Japan (to the present)
	June 2009	Operating Officer, General Manager of Internal Audit Division of Resona Holdings, Inc.
	June 2011	Standing Corporate Auditor of Saitama Resona Bank, Limited
	April 2013	Part-time lecturer of NIHON UNIVERSITY COLLEGE OF LAW

Reasons for appointment of candidate for Audit & Supervisory Board Member

Mr. Hajime Yoshitake has many years' experience of auditing operation at financial institutions and internal control consulting operation at business corporations and possesses exceptional insight, abundant experience and a good track record regarding auditing operation. It is expected that he can help establish a highly transparent and fair management oversight system, supervise the appropriateness of deliberation and decision making on important matters in light of the "business judgment rules," and offer insight from his objective "auditor's perspective" based on his knowledge and experience. For these reasons, the Board of Directors selected him as a candidate for Outside Audit & Supervisory Board Member.

Mr. Hajime Yoshitake has a significant knowledge in finance and accounting nurtured through his experience with related operations at financial institutions.

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 19.) The candidate meets these standards, and is judged to be sufficiently independent.

- Notes: 1. No special interests exist between the Company and Mr. Hajime Yoshitake. There is no transactional relation between the Company and Saitama Resona Bank, Limited, which Mr. Yoshitake serves as a Standing Corporate Auditor.
2. Mr. Hajime Yoshitake 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.
3. Mr. Hajime Yoshitake 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 (3rd) degree of kinship of a business operator or an officer of the Company or such business concern, or any other equivalent person.
4. 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. If Mr. Yoshitake's appointment is approved, the Company plans to enter into said agreement. 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 Director performs his or her duties in good faith and without gross negligence.

Proposal No. 5: 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)

■Number of Company shares held		Career summary and significant concurrent positions	
	0 shares	April 1983	Registered as attorney-at-law (to the present)
		April 1984	Established Hiroshi Arai Law Office (to the present)
		July 2002	Auditor of Aircycle Home Gumma Co., Ltd.
		June 2004	Auditor of SOGO PUBLIC RELATIONS 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 19.) The candidate meets these standards, and is judged to be sufficiently independent.

Notes: 1. No special interests exist between the Company and Mr. Hiroshi Arai.

2. 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 duties 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, 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 a director, accounting advisor, executive officer, operating officer or employee of a company for which the Company is a major shareholder

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 director, accounting advisor, executive officer, operating 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 accountant 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, tax 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 relative 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

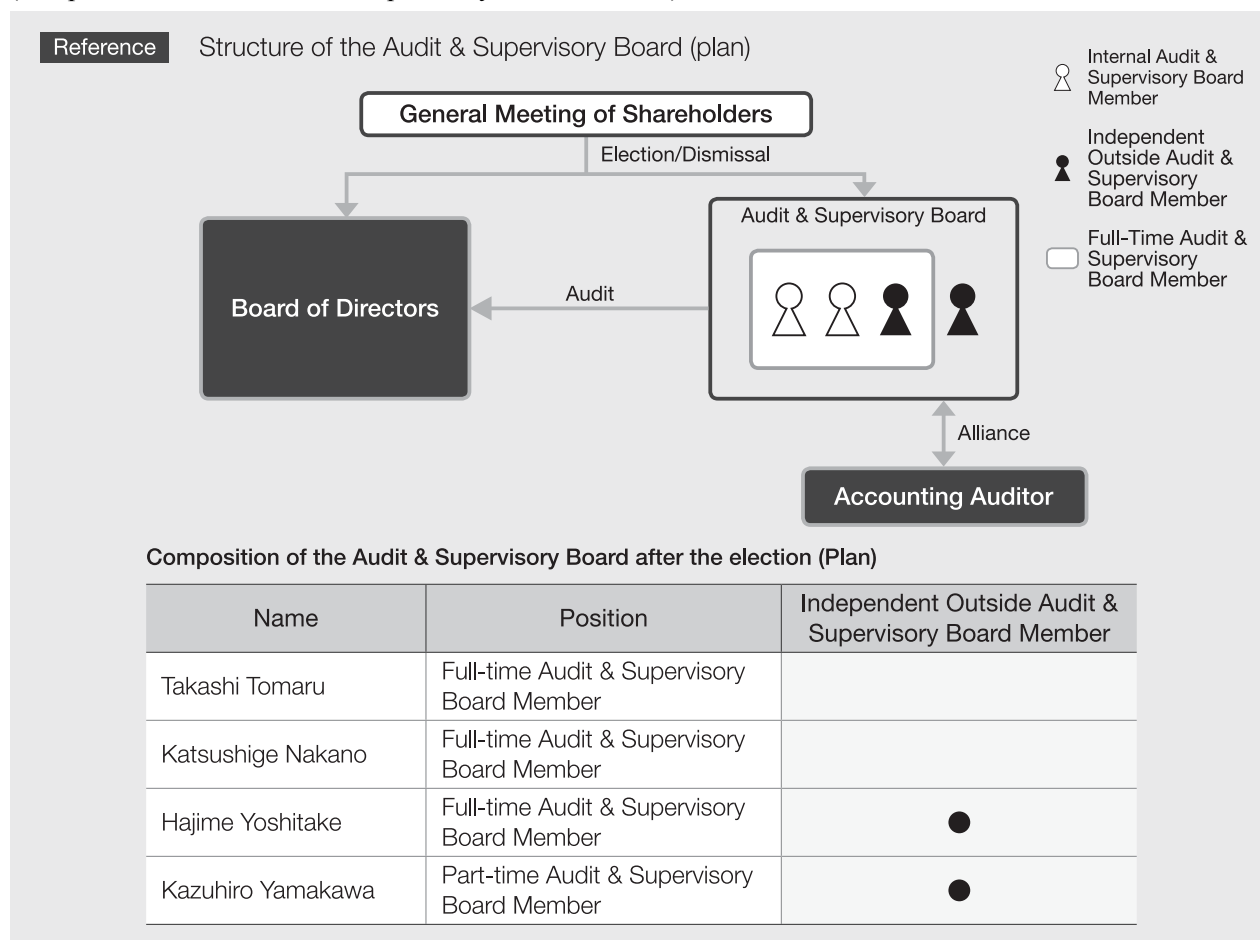
officer, or corporate officer of a company that employs a director or audit & supervisory board member from the Company or one of the Company's current subsidiaries.

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.

Proposal No. 6: Revision to the Amount of Remuneration for Audit & Supervisory Board Members

The amount of remuneration for Audit & Supervisory Board Members of the Company was resolved to be ¥6 million or less per month at the Company’s 52nd Ordinary General Meeting of Shareholders held on June 29, 1993, and this upper limit has not changed to date. However, taking into account changes in the economic situation thereafter and a need to secure high-caliber human resources to strengthen corporate governance, it is proposed to revise the amount to ¥8 million or less per month (¥96 million or less per year).

The current Audit & Supervisory Board of the Company consists of two full-time Audit & Supervisory Board Members and two part-time Audit & Supervisory Board Members (Independent Outside Audit & Supervisory Board Members). If Proposal No. 4 is approved by resolution of this Ordinary General Meeting of Shareholders, the Audit & Supervisory Board will consist of three full-time Audit & Supervisory Board Members, including one Independent Outside Audit & Supervisory Board Member, and one part-time Audit & Supervisory Board Member (Independent Outside Audit & Supervisory Board Member).



BUSINESS REPORT
(from April 1, 2015 to March 31, 2016)

1. Corporate Philosophy

(1) Management Philosophy and Management Vision

The management philosophy of the Company is to practice the three principles of “employee well-being,” “betterment of local communities” and “responsibility to provide returns to shareholders.” As for its basic management stance, the Company believes in corporate social responsibility and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Company from a global viewpoint.

The management vision of the Company is “to be an excellent company that enjoys the trust and highest regard from our customers.” The Company, therefore, aims to be an excellent company by meeting and even surpassing the expectations of customers based on the original technologies and proposal capabilities nurtured since its foundation.

Management Philosophy of the Taiyo Yuden Group

Employee Well-being
Betterment of Local Communities
Responsibility to Provide Returns to Shareholders

Management Vision

To be an excellent company that enjoys the trust and highest regard from our customers

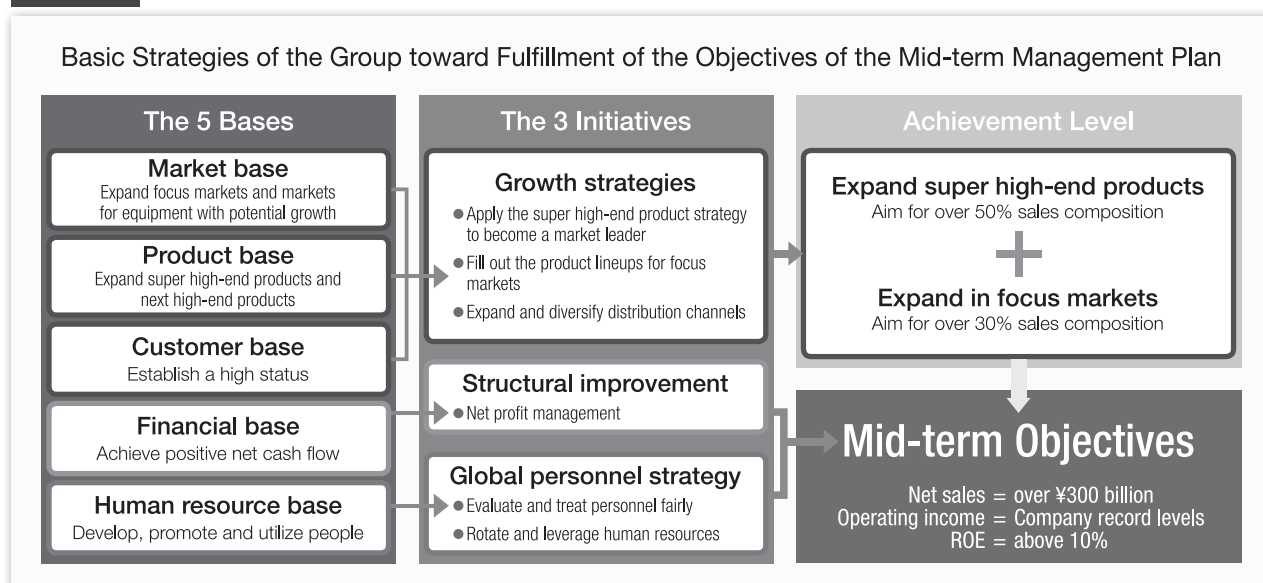
2. Current Status of the Taiyo Yuden Group

(1) Mid-to-long term management strategies and target management indicators

The Taiyo Yuden Group is committed to improvement in profits with growth strategies and structural improvement as key measures to promote. Under its growth strategies, the Group intends to timely propose super high-end products, which have the strong product appeal requested by customers, for high-growth devices such as smartphones. The Group also strives to expand sales for focus markets such as automotive electrical equipment, industrial equipment, healthcare, and environmental and energy to increase its corporate value.

In addition, the Group continuously addresses improving its financial strength and asset efficiency. The targeted management indicators are (i) to achieve positive net cash flow at an early stage by emphasizing cash flow management and (ii) to maintain the ROE above 10%.

Reference



Super high-end products:

Products uniquely defined by the Company to have a strong competitive edge.

(2) Review of operations and results

In the fiscal year under review (from April 1, 2015 to March 31, 2016), the business climate for the Group underwent a gradual recovery in the global economy on the whole, supported by the continued economic recovery in major developed countries despite the slowdown of growth rates in China and the emerging economies.

The Group aims to achieve the Mid-term Objectives through the reinforcement of the “5 Bases,” that is, Market base, Product base, Customer base, Financial base and Human resource base, by implementing initiatives such as “Growth strategies” and “Structural improvement.”

As for the growth strategies, we strive to expand sales of super high-end products with competitive edge for high-growth devices such as smartphones. In addition, positioning the automotive electrical equipment, industrial equipment, healthcare, and environmental and energy as focus markets, we are active in promoting sales of high reliability products, reinforcing system solution proposals and expanding distribution channels. Toward the realization of these growth strategies, we are proactively bolstering production capacity for capacitors, inductors, communication devices and other promising products.

Meanwhile, the Group withdrew from the optical media products business, of which the market size has continued to shrink, in December 2015. Thus, the Group intends to ensure structural improvement by consolidating its management resources on growth fields.

As a result, consolidated net sales of the Group for the fiscal year under review totaled ¥240,385 million (a 5.9% increase compared with the previous fiscal year), operating income was ¥23,370 million (a 77.7% increase compared with the previous fiscal year) and ordinary income was ¥22,263 million (a 42.2% increase compared with the previous fiscal year). As items under extraordinary losses, ¥1,795 million in business structure improvement expenses, mainly resulting from the withdrawal from the optical media products business and the consolidation of operating bases for the communication device business, and ¥1,462 million in loss on devaluation of investment securities were reported. Consequently, profit attributable to owners of parent was ¥14,751 million (a 35.1% increase compared with the previous fiscal year).

The average exchange rate during the fiscal year under review of ¥120.75 per US dollar represents a weakening of ¥12.33 compared with the average value of the yen in the previous fiscal year of ¥108.42 per US dollar.

Consolidated Sales by Product

Consolidated sales by product are as follows:

Product	75th Term (current fiscal year)		Year-on-year changes	
	Amount	Percentage of total	Amount	Percentage of change
	(Millions of yen)	(%)	(Millions of yen)	(%)
Capacitors	123,675	51.4	9,311	8.1
Ferrite and applied products	46,463	19.3	4,515	10.8
Integrated modules & devices	57,696	24.0	4,898	9.3
Other	12,551	5.2	(5,435)	(30.2)
Total	240,385	100.0	13,290	5.9

- Notes:
1. The total amounts listed above are rounded down to the nearest million yen.
 2. The product categories have been reclassified effective from the fiscal year under review. Major changes are as follows:
 - 1) Given the withdrawal from the “Optical media products” business, the product category of “Optical media products” is omitted and “Optical media products” is included in “Other.”
 - 2) “Energy devices,” which was previously included in “Other electronic components,” is included in “Other.”
 - 3) “Device mounting business conducted by subsidiary companies,” which was previously included in “Other,” is included in “Integrated modules & devices.”
 3. Restated figures are used for the previous fiscal year based on the reclassified product categories for comparison purposes.

(3) Principal business activities (as of March 31, 2016)

[Capacitors]

Main products: Multilayer ceramic capacitors

Outline of performance in the fiscal year under review:

Because sales for communications equipment and automotive and industrial equipment increased compared with the previous fiscal year despite year-on-year decreases in sales for consumer equipment and components, and information equipment, overall net sales increased 8.1% year on year to ¥123,675 million.

[Ferrite and applied products]

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

Outline of performance in the fiscal year under review:

Because sales for communications equipment and automotive and industrial equipment increased compared with the previous fiscal year despite year-on-year decreases in sales for consumer equipment and components, and information equipment, overall net sales increased 10.8% compared with the previous fiscal year to ¥46,463 million.

[Integrated Modules & Devices]

Main products: FBAR/SAW devices for mobile communications, power supply modules, high-frequency modules, embedded-parts multilayer wiring substrate "EOMIN™," device mounting business conducted by subsidiary companies

Outline of performance in the fiscal year under review:

Despite a year-on-year decrease in sales for power supply modules, overall net sales increased 9.3% year on year to ¥57,696 million as a result of year-on-year increases in sales for FBAR/SAW devices for mobile communications and high-frequency modules.

Other

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

Outline of performance in the fiscal year under review:

Overall net sales decreased 30.2% year on year to ¥12,551 million.

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

Business terms	Fiscal 2012 (72nd Term)	Fiscal 2013 (73rd Term)	Fiscal 2014 (74th Term)	Fiscal 2015 (75th Term) (current fiscal year)
Net sales (Millions of yen)	192,903	208,222	227,095	240,385
Operating income (Millions of yen)	4,850	11,358	13,153	23,370
Operating margin (%)	2.5	5.5	5.8	9.7
Ordinary income (Millions of yen)	7,118	12,192	15,653	22,263
Profit attributable to owners of parent (Millions of yen)	1,867	6,989	10,919	14,751
Comprehensive income (Millions of yen)	12,211	13,897	23,421	3,571
Total assets (Millions of yen)	225,991	247,596	265,454	268,380
Net assets (Millions of yen)	115,814	128,556	150,856	153,381
Basic earnings per share (Yen)	15.88	59.38	92.74	125.27
Net assets per share (Yen)	981.92	1,090.26	1,278.07	1,299.75
Equity ratio (%)	51.1	51.8	56.7	57.1
Rate of return on equity (%)	1.7	5.7	7.8	9.7

Price-earnings ratio (Times)	69.8	21.4	18.9	8.8
Dividend payout ratio (%)	58.8	16.8	10.8	12.0
Cash flows from operating activities (Millions of yen)	19,496	29,724	24,896	38,278
Cash flows from investing activities (Millions of yen)	(18,157)	(18,947)	(20,964)	(35,374)
Cash flows from financing activities (Millions of yen)	2,334	8,404	(21,249)	(2,050)
Cash and cash equivalents at end of period (Millions of yen)	33,280	54,611	41,476	39,944
Research-and-development expenses (Millions of yen)	6,840	7,353	8,237	9,024
Capital investment (Millions of yen)	20,702	19,126	18,773	41,261
Depreciation (Millions of yen)	19,832	20,750	21,813	23,767

(5) Capital investment, financing and major creditors

1) Capital investment

Capital investment during the fiscal year under review amounted to approximately ¥41,261 million at the acceptance and inspection (previous fiscal year: ¥18,773 million), considerably higher than the previous year's level. Major investments included capital investments for the information and telecommunication market centering on the sharply spreading popularization of smartphones and the stably expanding automotive electrical equipment and industrial equipment markets, investments for bolstering production capacity of super high-end products in anticipation of future expansion of the IoT* market, and the investment for the construction of new plant buildings at Niigata Taiyo Yuden Co., Ltd., which is a production subsidiary of the Company. In particular, investment was focused on ultra-small multilayer ceramic capacitors, metallic power inductors "MCOIL™" and FBAR/SAW devices for mobile communications.

*IoT: The Internet of Things (IoT) is the network of not only information and telecommunications equipment such as computers but also physical objects embedded with electronics, software and sensors, as well as the network connectivity that enables these objects to collect and exchange data.

2) Financing

During the fiscal year under review, the net balance of short-term loans payable decreased by ¥47 million. The Company borrowed ¥5,000 million and repaid ¥5,493 million in long-term loans payable.

For the purpose of financial stability, a commitment line of ¥10,000 million effective for three (3) years has been established. However, the Company had not used the line as of March 31, 2016.

3) Major creditors (as of March 31, 2016)

Creditor	Loan outstanding (Millions of yen)
Syndicated Loan	10,000
Sumitomo Mitsui Banking Corporation	8,701
The Iyo Bank, Ltd.	3,950
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,513
The Gunma Bank, Ltd.	2,000

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

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

The Company acquired 15,000,000 Class A preferred shares from ELNA Co., Ltd., in December 2015 by exercising its right to conversion of such shares, making ELNA an affiliate accounted for by the equity method thereof.

(7) Issues to be addressed

As communication devices such as smartphones have become more and more compact and thinner with high functionality and performance, the cutting-edge electronic components to achieve such attributes are increasingly required. Meanwhile, in the focus markets of automotive electrical equipment, industrial equipment, healthcare, and environmental and energy, in which the built-in use of electrical equipment is spreading, demand for electronic components has increased and higher quality and/or reliability are increasingly requested.

The Company develops super high-end products with a competitive edge that should contribute to producing compact and thin devices with high functionality and performance in the aforementioned markets. Positioning the markets of automotive electrical equipment, industrial equipment, healthcare, and environmental and energy as focus markets, we strive to promote sales of high-reliability products, reinforce system solution proposals and expand and diversify distribution channels. In addition, in response to vigorous demand, we intend to bolster our production capacity in Japan and overseas in anticipation of further sales increases. Furthermore, we will streamline our operating structure to be less susceptible to cost

reductions and foreign exchange fluctuations through high-efficiency production and by maximally leveraging our overseas production bases.

The Company intends to raise its community value by meeting the requests and expectations of interested parties to fulfill its social responsibility while also enhancing its economic value. Thus, the Company's activities comply with its responsible attitude in terms of the safety and quality of products, as well as initiatives in such fields as labor and human rights, safety and health, the environment and corporate ethics.

(8) Basic policy regarding dividends from surplus, etc.

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%.

	Fiscal 2012 (72nd Term)	Fiscal 2013 (73rd Term)	Fiscal 2014 (74th Term)	Fiscal 2015 (75th Term) (current fiscal year)
Dividend per share (Yen)	10.00	10.00	10.00	15.00
Total dividends (Millions of yen)	1,176	1,177	1,177	1,766
Dividend payout ratio (%)	58.8	16.8	10.8	12.0

(9) Basic policy of cross-shareholdings

1) Policy of holding cross-shareholdings

If the Company concludes that it would be conducive to maintain and/or strengthen transactional relationships with business partners, as well as to increase its medium- to long-term corporate value and the sustainable growth of both the Company and the share issuer, the Company, upon decision by the Board of Directors, may hold the stocks of several joint-stock corporations, which are transactional counterparts of the Company. The Board of Directors examines and verifies the significance of continuing the respective cross-holdings with said corporations on an annual basis.

2) Exercise of voting rights

The exercise of voting rights for such cross-shareholdings is one of the important means through which the Company could use its influence on management of said corporations and, by extension, have some influence on the Company's improvement of corporate value. Accordingly, the Company exercises its voting rights of such cross-shareholdings by judging the pros and cons after taking into account several factors such as non-infringement of any laws and/or regulations, non-involvement in any antisocial actions and the fact that the relevant proposal can be judged to have sound content.

3) Total amount of the carrying value in the balance sheet and the percentage thereof accounted for in the balance sheet for the invested stocks held by the Company for purposes other than net investment (as of March 31, 2016)

Total amount of the carrying value in the balance sheet	Ratio thereof accounted for in the balance sheet accounting
¥3,562 million	1.3%

4) 10 stock names of which carrying value in the balance sheet is top-ranked among the invested stocks that the Company holds for purposes other than net investment (as of March 31, 2016)

Stock name	Number of shares	Amount of the carrying value in the balance sheet (Millions of yen)	Purpose for holding
ALPS ELECTRIC CO., LTD.	501,800	984	Maintain and strengthen transactional relationship
KYOCERA Corporation	105,000	520	Maintain and strengthen transactional relationship
FUJI MACHINE MFG. CO., LTD.	302,200	347	Maintain and strengthen transactional relationship
Sumitomo Metal Mining Co., Ltd.	271,000	302	Maintain and strengthen transactional relationship
NICHICON CORPORATION	320,500	251	Maintain and strengthen transactional relationship
Sumitomo Mitsui Financial Group	58,900	200	Maintain and strengthen financial trading relationship
Hosiden Corporation	258,700	174	Maintain and strengthen transactional relationship
Ryosan Company, Limited	45,600	128	Maintain and strengthen transactional relationship
The Iyo Bank, Ltd.	142,000	104	Maintain and strengthen financial trading relationship
NIHON DEMPA KOGYO CO., LTD.	98,800	75	Maintain and strengthen transactional relationship

(10) Status of principal subsidiaries (as of March 31, 2016)**1) Principal subsidiaries**

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
TAIYO YUDEN TECHNO SOLUTIONS CO., LTD.	Gunma	¥325 million	100.0	Production and Sale of Electronic Components
FUKUSHIMA TAIYO YUDEN CO., LTD.	Fukushima	¥300 million	100.0	Production of Electronic Components
TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD.	Gunma	¥160 million	100.0	Production and Sale of Electronic Components
WAKAYAMA TAIYO YUDEN 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 18 companies listed in “Status of principal subsidiaries” above, two (2) affiliates 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 “(2) Review of operations and results.”

3. The following companies changed their names as of July 1, 2015.

Former company name	New company name
Akagi Electronics Co., Ltd.	TAIYO YUDEN TECHNO SOLUTIONS CO., LTD.
That's Fukushima Co., Ltd.	FUKUSHIMA TAIYO YUDEN CO., LTD.
Taiyo Chemical Industry Co., Ltd.	TAIYO YUDEN CHEMICAL TECHNOLOGY CO., LTD.
Chuki Seiki Co., Ltd.	WAKAYAMA TAIYO YUDEN CO., LTD.

2) Specified wholly owned subsidiaries

Not applicable

(11) Principal offices and plants (as of March 31, 2016)

1) Principal business locations of the Company

Site type	Office/Plant name	Location
Main offices	Head Office	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
Production sites	Haruna Plant	Takasaki-shi, Gunma
	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 business locations of subsidiaries

Described in the above “(10) Status of principal subsidiaries.”

(12) Employees (as of March 31, 2016)

1) Employees of the Taiyo Yuden Group

Number of employees (persons)	Increase (decrease) from the previous fiscal year (persons)
18,810	Increase of 548

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

2) Employees of the Company

Number of employees (persons)	Increase (decrease) from the previous fiscal year (persons)	Average age (years old)	Average years of service (years)
2,618	Increase of 41	42.4	17.6

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

Not applicable

[Reference]

Dialogue with Shareholders

(1) Information disclosure policy

Based on the policy to widely communicate with society, the Company strives to disclose corporate information in a timely and appropriate manner. Based on the basic stance of disclosing information to the public with the full understanding that the Company's corporate information such as management information contributes to investors' interests, the Company enhances the information disclosure system and discloses the content on the Company's Web site, etc.

(2) Dialogue policy

- 1) Aside from explaining management policy and Mid-term Management Plan etc. through meetings to explain financial results, to address requests for dialogue (interviews) from domestic and overseas shareholders, the Company sets up interviews with individuals or small meetings within a reasonable range.

With regard to opinions collected from shareholders, etc., through the meetings to explain financial results and individual interviews, the Company's Director in charge of IR reports to the Board of Directors to share the information.

- 2) Positioning the General Meeting of Shareholders of the Company as its highest decision-making function and with the recognition of the meeting as a valuable venue for communicating with shareholders, the Company improves the environment whereby all shareholders of the Company including those who are unable to attend the Company's General Meeting of Shareholders can exercise their voting rights appropriately.

Specifically, to ensure that shareholders of the Company have enough time to inspect and think about each proposal on the agenda of a General Meeting of Shareholders to exercise their voting rights appropriately, the Company dispatches a Notice of Convocation of Ordinary General Meeting of Shareholders (or the "Convocation Notice" below) no later than three (3) weeks prior to the date when the General Meeting of Shareholders takes place. Also, from the perspective of swift information disclosure, the content of the Convocation Notice is disclosed on the Company's Web site, the Tokyo Stock Exchange and the electronic voting platform, etc., before the date when the Convocation Notice is dispatched.

- 3) To allow many shareholders to attend a General Meeting of Shareholders, the Company sets up an optimal meeting venue with consideration of convenience for shareholders and sufficient capacity. The date of the General Meeting of Shareholders is determined by prioritizing the securing of an optimal meeting venue.

3. Shares of the Company (as of March 31, 2016)

- (1) **Total number of shares authorized to be issued:** 300,000,000 shares
(2) **Total number of shares issued:** 120,481,395 shares
(including 2,664,538 shares of treasury stock)
(3) **Number of shareholders:** 15,520

(4) Major shareholders (Top 10)

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,359,200	17.2
Japan Trustee Services Bank, Ltd. (Trust Account)	8,776,300	7.4
Sumitomo Mitsui Banking Corporation	4,000,000	3.3

Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,635,600	3.0
The Iyo Bank, Ltd.	3,000,100	2.5
BNP Paribas Securities (Japan) Ltd.	2,400,000	2.0
Sato Traffic Orphan Welfare Fund	1,916,640	1.6
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,899,450	1.6
Goldman Sachs Japan Co., Ltd.	1,706,700	1.4
Nippon Life Insurance Company	1,666,450	1.4

Notes: 1. The Company holds 2,664,538 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

4. 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	1 Director (excluding Outside Directors)	3 units	3,000 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	1 Director (excluding Outside Directors)	6 units	6,000 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	1 Director (excluding Outside Directors)	6 units	6,000 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	1 Director (excluding Outside Directors)	6 units	6,000 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	2 Directors (excluding Outside Directors)	9 units	9,000 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	3 Directors (excluding Outside Directors)	13 units	13,000 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	3 Directors (excluding Outside Directors)	13 units	13,000 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	3 Directors (excluding Outside Directors)	3 units	3,000 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	5 Directors (excluding Outside Directors)	21 units	21,000 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	5 Directors (excluding Outside Directors)	22 units	22,000 shares of the common stock of the Company	July 14, 2014 through July 13, 2034
July 2015 issue of subscription rights to shares	June 26, 2015	5 Directors (excluding Outside Directors)	27 units	27,000 shares of the common stock of the Company	July 13, 2015 through July 12, 2035
November 2015 issue of subscription rights to shares	November 5, 2015	1 Director (excluding Outside Directors)	1 unit	1,000 shares of the common stock of the Company	November 20, 2015 through November 19, 2035

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 forfeiture of all the positions as Director and Operating Officer 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’ remuneration.
 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 2015 issue of subscription rights to shares	June 26, 2015	12 Operating Officers	27 units	27,000 shares of the common stock of the Company	July 13, 2015 through July 12, 2035
November 2015 issue of subscription rights to shares	November 5, 2015	1 Operating Officer	1 unit	1,000 shares of the common stock of the Company	November 20, 2015 through November 19, 2035

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, 2016)

Designation	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

5. Corporate Officers (as of March 31, 2016)

(1) Directors and Audit & Supervisory Board Members

Name	Position	Responsibilities in the Company and significant concurrent positions
Shoichi Tosaka	President and Chief Executive Officer	In charge of R&D/Engineering
Katsushige Nakano	Director and Executive Operating Officer	In charge of Management Planning
Seiichi Tsutsumi	Director and Executive Operating Officer	In charge of Integrated Modules & Devices Business, Chairman and Director, Taiyo Yuden Mobile Technology Co., Ltd.
Shinji Masuyama	Director and Executive Operating Officer	In charge of Electronic Components Business and Global SCM Development
Osamu Takahashi	Director and Senior Operating Officer	In charge of New Business Planning Development
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)	—
Takashi Tomaru	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 Attorney of Azabu Kokusai Law Office

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 transfers of Directors and Audit & Supervisory Board Members during the fiscal year under review are as follows:

Audit & Supervisory Board Member Takashi Tomaru was newly elected by the 74th Ordinary General Meeting of Shareholders held on June 26, 2015 and immediately assumed the position.

Audit & Supervisory Board Member Mamoru Yamaki resigned the position at the conclusion of the 74th Ordinary General Meeting of Shareholders held on June 26, 2015.

Chairman and Director Eiji Watanuki retired from the position as he passed away on January 24, 2016.

7. The position and/or responsibilities of a Director were altered as of October 13, 2015 (altered parts are underlined):

Name	Position	Responsibilities in the Company and significant concurrent positions
Shoichi Tosaka	<u>Representative Director</u> and Senior Executive Operating Officer	In charge of Quality Assurance and R&D/Engineering

8. The position and/or responsibilities of Directors were altered as of November 1, 2015 (altered parts are underlined):

Name	Position	Responsibilities in the Company and significant concurrent positions
Eiji Watanuki	<u>Chairman and Director</u>	—
Shoichi Tosaka	<u>President and Chief Executive Officer</u>	In charge of R&D/Engineering

9. The position and/or responsibilities of Directors were altered as of April 1, 2016 (altered parts are underlined):

Name	Position	Responsibilities in the Company and significant concurrent positions
Katsushige Nakano	Director and Executive Operating Officer	<u>Assistant to President.</u> <u>In charge of CSR, Intellectual Property Rights, Legal Affairs and General Affairs</u>
Seiichi Tsutsumi	Director and Executive Operating Officer	<u>In charge of New Business Planning Development and Global SCM Development</u>
Shinji Masuyama	Director and Executive Operating Officer	<u>In charge of Management Planning</u>
Osamu Takahashi	Director and <u>Executive</u> Operating Officer	<u>In charge of Integrated Modules & Devices Business</u> <u>Chairman and Director of TAIYO YUDEN Mobile Technology Co., Ltd.</u>

(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	321	8	185	6	80	6	55
Audit & Supervisory Board Members	5	63	5	63	—	—	—	—
Total	13	385	13	248	6	80	6	55
(Outside Corporate Officers)	(4)	(36)	(4)	(36)	(—)	(—)	(—)	(—)

- 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 or officers 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 20 times)	Attendance at meetings of the Audit & Supervisory Board (held 24 times)	Main activities
Director Yuji Iwanaga	20 times (Attendance rate: 100%)	—	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	20 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 Director 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	19 times (Attendance rate: 95%)	24 times (Attendance rate: 100%)	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 and corporate governance structures 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	20 times (Attendance rate: 100%)	24 times (Attendance rate: 100%)	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

6. 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) Reasons for the accord of the Audit & Supervisory Board regarding the amount of remuneration paid or payable to Accounting Auditors

The Audit & Supervisory Board has given an accord, which is described in Article 399, Paragraph 1 of the Companies Act, as a result of studying whether the amount of remuneration for the audit paid or payable to Accounting Auditors is at a reasonable level in view of the corporate scale, complexity and risks of the Company.

(4) Non-auditing services

Not applicable

(5) 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.

(6) Matters concerning existing suspension of business

Not applicable

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

Not applicable

(8) Summary of contents of Liability Limitation Agreements

Not applicable

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

Not applicable

7. Summary of the Resolution for the Systems for Ensuring Appropriate Business Operations and Status of Their Operation

I Summary of the resolution for the systems for ensuring appropriate business operations

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

*Compliance management system: The organizational scheme targeting the entire Group to ensure the implementation and/or management of compliance-related activities

The “establishment and maintenance of the internal control system” is posted on the Company’s website below.
http://www.yuden.co.jp/ut/ir/management/governance/system_status.html

II Summary of the status of operation

In compliance with the purpose of the “Basic Policy on Internal Control System,” which was revised by resolution at the Board of Directors meeting held on April 28, 2015, the Company has endeavored to disseminate the revised internal control system throughout the entire Taiyo Yuden Group and has operated its internal control system in accordance with the compliance management system and the risk management system, as well as Group-wide relevant rules.

The status of operation of the internal control system is regularly evaluated by the Internal Control Committee, and continuous improvements are promoted based on such evaluation.

In addition, to improve the information management structure within the Group, reporting by each subsidiary to the Company is made in accordance with the “Taiyo Yuden Group Management Rules.” As for the whistleblower system, a unified reporting system from each subsidiary to the Audit & Supervisory Board Members of the Company has become operational and is available within the Group.

(Reference)
Corporate Governance

1. Basic Policy of Corporate Governance

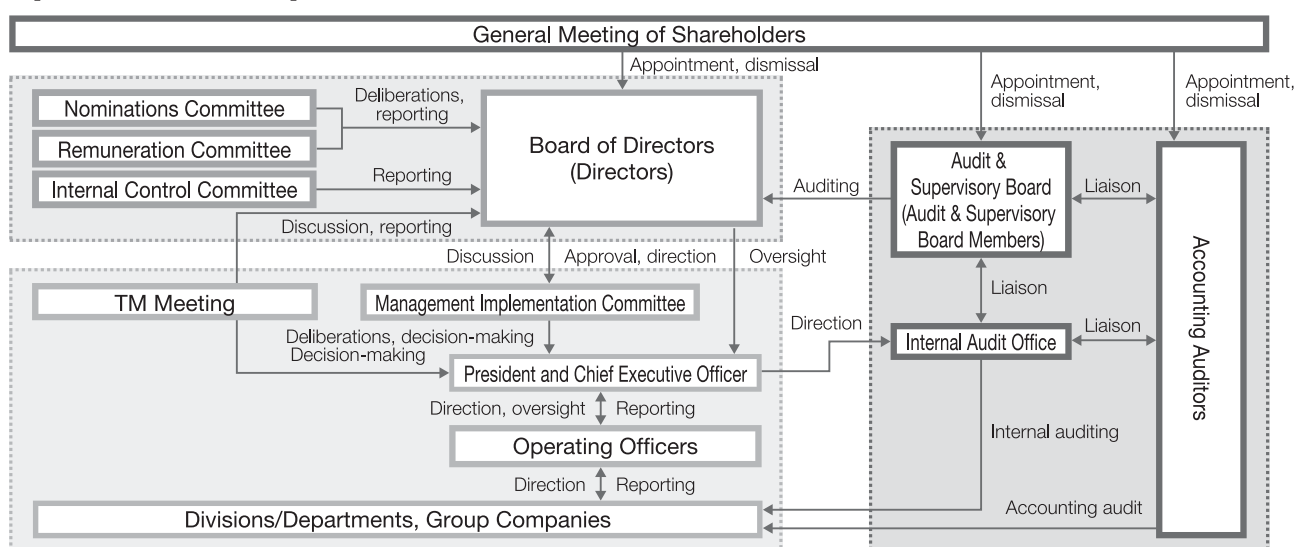
Since its foundation, the Taiyo Yuden Group has implemented a management philosophy that focuses on “employee well-being,” “betterment of local communities” and “responsibility to provide returns to shareholders.” Over the years, we have strived to build strong relationships with all stakeholders, including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

Based on this policy, we intend to engage in excellent business activities by establishing the structure and schemes that would ensure swift decision making and appropriate execution of business operations in order to enhance our competitiveness with an emphasis on management transparency/fairness and information disclosure.

Basic Policy for Corporate Governance

<http://www.yuden.co.jp/ut/ir/management/governance/index.html>

☐ [Governance Structure]



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

Composition of the Committees and Attributes of the Chairpersons thereof

	Total members (persons)	Internal Directors (persons)	Outside Directors (persons)	Audit & Supervisory Board Members (persons)	Chairperson (Head of committee)
Board of Directors	11	5	2	4	Independent Outside Director
Nominations Committee	4	1	2	1	Independent Outside Director
Remuneration Committee	4	1	2	1	Independent Outside Director

Note: The above figures present the composition of the committees after the Audit & Supervisory Board Members will have been elected.

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 Auditors. In addition, the Company has adopted a corporate governance structure under which all the Outside Directors and Outside Audit & Supervisory Board

Members are designated as Independent Officers for whom there is no possibility of conflicts of interest with general shareholders. Consequently, the Outside Directors and Outside Audit & Supervisory Board Members work closely with the Audit & Supervisory Board Members and the internal audit department, thereby enabling the effective utilization of the Audit & Supervisory Board Members' functions and enhancing the authority of management oversight.

(2) Board of Directors

- 1) Roles and responsibilities of the Board of Directors
 - a) The Board of Directors shall aim for corporate management to be an excellent company that enjoys the trust and highest regard from stakeholders, including shareholders, customers, employees and local communities, to accomplish the fiduciary responsibility entrusted by shareholders and increase the Company's interests and the common interests among shareholders.
 - b) 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.

- c) The Board of Directors shall strengthen the management system for risk factors surrounding corporate management of the Company and always monitor the execution of business operations.
- 2) Delegation of authority by the Board of Directors to top management
 - (a) 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.
 - (b) Operating Officers are in place in order to further clarify roles and responsibilities of Directors who monitor and supervise the management of business and persons who execute business operations. The Operating Officers shall conduct business flexibly and quickly as an executor responsible for the section he or she is in charge, under the direction of the Chief Executive Officer, in accordance with management policies and strategies determined at meetings of the Board of Directors.
 - 3) Effectiveness of the Board of Directors
 - (a) 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).
 - (b) At the Board of Directors meeting, the Directors and the Audit & Supervisory Board Members shall evaluate by themselves the effectiveness of the Board of Directors every year. The Board of Directors shall disclose issues to be addressed and others based on analysis results and address how to resolve such issues.

(3) Directors

- a) The Company has seven (7) 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) 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) Related party transactions

The Company can, by resolution of its Board of Directors, determine a Competition and Conflicting Interest Transaction by a Director of the Company in accordance with the Board of Directors Regulations. In case related party transactions occur, such transactions shall be disclosed, complying with the Companies Act, the Financial Instruments and Exchange Act and relevant laws and regulations, as well as rules stipulated by the stock exchange. The Board of Directors shall monitor such related party transactions to ensure that such transactions are being conducted appropriately.

(6) 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 are composed of the President and Chief Executive Officer, Outside Directors and one (1) Audit & Supervisory Board Member. They are chaired by independent Outside Directors to ensure objectivity of each deliberated matter.
- 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.

(7) General policy regarding the roles and election of Outside Corporate Officers

- a) In electing Outside Directors, to ensure transparency in the authority of management oversight, the Company has established rigorous “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members” as requirements for their appointment referencing, and making it more rigorous than, other standards for independence established by financial instrument exchanges and organizations advising the exercise of voting rights, including the “Securities Listing Regulations” set forth by the Tokyo Stock Exchange.
- b) The two (2) Outside Directors meet the Company’s independency requirements. They make efforts to strengthen the supervisory capability of the Company and strive to strengthen objective management. Specifically, they fulfill a role that is important to the decision-making process and provide opinions from the perspective of either technical experts or shareholders independent of executive management, based on a broad view that leverages knowledge of corporate legal affairs and the experience of corporate managers.
- c) The two (2) Outside Audit & Supervisory Board Members meet the Company’s independency requirements. They cooperate with each other to monitor the status of internal control of operations on a daily basis. Specifically, they are responsible for investigating and verifying whether the Directors’ duties are legally conducted in compliance with the relevant laws. In addition to possessing technical and practical knowledge of their own in the fields of law and accounting, they objectively monitor the execution of duties by Directors.

(8) Training for Directors and Outside Audit & Supervisory Board Members

The Company offers and arranges training opportunities by facilitating participation in external seminars and holding in-house training related to laws and regulations taught by external experts, etc., for the Directors and the Audit & Supervisory Board Members including the newly appointed Corporate Officers, so that they can acquire knowledge and information other than that of their professional fields such as the roles and responsibilities required from them. Expenses for such training shall be paid by the Company. The plans for providing and arranging such training are formulated at the beginning of each fiscal year for subsequent implementation.

3. Our explanation on the “Reasons why it does not comply (Explain),” which is disclosed in the Corporate Governance Report of the Company

Note1 : The numbers in brackets [] refer to the number in the Corporate Governance Code.

Note2 : The details are as of the dispatch of this notice of convocation.

Determination of the date of the general meeting of shareholders and any associated dates [Supplementary Principle 1-2.3]

To allow many shareholders to attend a General Meeting of Shareholders, the Company has set up the most appropriate meeting venue with consideration of convenience for shareholders and sufficient capacity.

At present, the Company is considering to change the time of the meeting effective from the next Ordinary General Meeting of Shareholders given that it is difficult to find a more optimal meeting venue than the current venue and it is unavoidable to hold the meeting on the day that many companies are holding their shareholders’ meeting.

Establishment of standards for the appropriate selection of a candidate for the Accounting Auditors and proper evaluation of the Accounting Auditors [Supplementary Principle 3-2.1 (i)]

The Audit & Supervisory Board of the Company formulated the standard items for the selection of the Accounting Auditors candidate to be 1) outline of the auditing firm, 2) audit implementation system and 3) remuneration for audits, whereas the evaluation standard of the Accounting Auditors candidate would include 1) quality

management system thereof, 2) audit implementation system, 3) remuneration for audits and 4) communication with the Audit & Supervisory Board Members, etc., in March 2016.

Determination of the head independent Outside Director [Supplementary Principle 4-8.2]

The Board of Directors established in December 2015 the system for appointing the head independent Outside Director, whose roles include convening information exchange meetings with the Audit & Supervisory Board Members and appointing the committee chairman when a third-party committee is established due to misconduct or any other reason.

Analysis and evaluation of the effectiveness as a whole of the Board of Directors and the disclosure of a summary of the results [Supplementary Principle 4-11.3]

The Company implemented self-evaluations by each director with regard to the effectiveness of the Board of Directors using questionnaires to all the Directors and Audit & Supervisory Board Members.

Major items in the questionnaires included 1) the composition of the Board of Directors, 2) the operation of the Board of Directors, 3) aggressive governance-related questions and 4) defensive governance-related questions.

The Outside Directors, Outside Audit & Supervisory Board Members and Audit & Supervisory Board Members analyzed and evaluated the self-evaluation results by themselves and reported their views to the Board of Directors. From the evaluation result, the Company confirmed that management is conducted respecting corporate governance, and the system in which Outside Directors are involved in the decision-making process through the operation of the Board of Directors, etc. Furthermore, it is confirmed that active and free discussions are taking place at the meetings of the Board of Directors.

As issues to be addressed, for the operation of the Board of Directors, the amount of documents and information submitted to the Board of Directors shall be reviewed, as well as reduction of reporting agenda by delegation of authority to the Management Implementation Committee be considered. Through these measures, the Company confirmed that it should address further improvement of effectiveness of the Board of Directors to deepen discussion on the management strategies and direction of the management plan, as well as on the evaluation of their results.

Based on these evaluation results, the Company strives for further enhancement of effectiveness of the Board of Directors by spending sufficient time for discussion with mid-term perspective.

Training for Directors and Audit & Supervisory Board Members [Principle 4-14]

To help the Directors and the Audit & Supervisory Board Members acquire necessary knowledge, skills and information in making appropriate and swift managerial decisions, the Company held an in-house training session in April 2016 based on its training program.

Successor planning for the CEO and other top executives [Supplementary Principle 4-1.3]

Nurturing the successors of the representative director is an important management issue. The Nominations Committee will discuss the system to nurture successors, ensuring transparency and fairness, and decide on an appropriate system for the nomination of successors during fiscal 2017.

8. 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 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 "2. (1) Mid-to-long term management strategies and target management indicators" (on page 22), "2. (7) Issues to be addressed" (on page 29), and "(Reference) Corporate Governance" (on pages 43 to 47).

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

Account item	75th Fiscal Term (as of March 31, 2016)	(Reference) 74th Fiscal Term (as of March 31, 2015)
	Amount	Amount
(ASSETS)		
Current assets	151,563	154,971
Cash and deposits	45,962	46,709
Trade notes and accounts receivable	49,759	55,773
Merchandise and finished goods	17,501	15,564
Work in process	18,638	16,014
Raw materials and supplies	12,549	12,555
Deferred tax assets	776	1,179
Other	6,642	7,455
Allowance for doubtful receivables	(267)	(281)
Non-current assets	116,817	110,482
Property, plant and equipment	107,047	97,708
Buildings and structures	78,622	73,929
Machinery and transportation equipment	225,862	240,195
Tools, furniture and fixtures	20,135	21,569
Land	8,610	8,635
Construction in progress	5,337	8,123
Accumulated depreciation	(231,521)	(254,745)
Intangible assets	861	715
Other	861	715
Investments and other assets	8,908	12,058
Investment securities	6,287	9,071
Net defined benefit asset	—	22
Deferred tax assets	958	927
Other	2,000	2,398
Allowance for doubtful receivables	(337)	(360)
Total Assets	268,380	265,454

CONSOLIDATED BALANCE SHEETS (continued)

(Millions of yen)

Account item	75th Fiscal Term (as of March 31, 2016)	(Reference) 74th Fiscal Term (as of March 31, 2015)
	Amount	Amount
(LIABILITIES)		
Current liabilities	68,530	66,719
Trade notes and accounts payable	23,429	23,899
Short-term loans payable	11,979	12,366
Long-term loans payable due within one year	6,200	5,269
Other accounts payable	12,352	11,435
Income tax payable	2,340	1,708
Deferred tax liabilities	676	788
Reserve for bonuses	3,390	3,249
Reserve for bonuses for Directors and Audit & Supervisory Board Members	184	109
Other	7,974	7,892
Long-term liabilities	46,468	47,878
Convertible bond type-bonds with subscription rights to shares	20,067	20,082
Long-term loans payable	15,145	16,569
Deferred tax liabilities	5,906	6,290
Liabilities for retirement benefits	3,115	2,872
Reserve for retirement benefits for officers	130	129
Other	2,102	1,934
Total Liabilities	114,999	114,597
(NET ASSETS)		
Shareholders' equity	158,658	144,978
Common stock	23,557	23,557
Capital surplus	41,515	41,495
Retained earnings	96,912	83,339
Treasury stock	(3,326)	(3,413)
Accumulated other comprehensive income	(5,526)	5,511
Unrealized holding gains on securities	1,067	2,125
Deferred gain or loss on derivatives under hedge accounting	6	7
Foreign currency translation adjustments	(6,122)	3,774
Adjustment for retirement benefit obligations etc. of foreign subsidiaries	(477)	(396)
Subscription rights to shares	238	227
Non-controlling interests	10	139
Total Net Assets	153,381	150,856
Total Liabilities and Net Assets	268,380	265,454

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Account item	75th Fiscal Term (from April 1, 2015 to March 31, 2016)		(Reference) 74th Fiscal Term (from April 1, 2014 to March 31, 2015)	
	Amount		Amount	
Net sales		240,385		227,095
Cost of sales		176,978		174,347
Gross profit		63,407		52,748
Selling expenses and general and administrative expenses		40,037		39,595
Operating income		23,370		13,153
Other income				
Interest income	259		334	
Dividend income	130		84	
Equity in earnings of affiliates	12		7	
Foreign exchange profit	—		2,134	
Subsidies	213		787	
Other	376	992	456	3,805
Other expenses				
Interest expenses	273		324	
Foreign exchange loss	1,151		—	
Interest on bonds	—		61	
Compensation expenses	107		201	
Depreciation of inactive non-current assets	372		343	
Other	193	2,098	373	1,304
Ordinary income		22,263		15,653
Extraordinary income				
Gains on sale of property, plant and equipment	206		34	
Gain on transfer of business	—		102	
Other	—	206	2	139
Extraordinary losses				
Loss on retirement and sale of property, plant and equipment	277		460	
Impairment loss	222		94	
Loss on devaluation of investment securities	1,462		1	
Business structure improvement expenses	1,795		320	
Other	428	4,185	0	878
Net income before income taxes		18,284		14,915
Income taxes	3,624		3,520	
Deferred income taxes	0	3,624	359	3,880
Net income before minority interests		14,659		11,035
Net income (loss) attributable to non-controlling interests		(91)		115
Net income attributable to owners of the parent		14,751		10,919

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From April 1, 2015 to March 31, 2016)

(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	83,339	(3,413)	144,978
Change during the current fiscal year					
Dividends from surplus			(1,177)		(1,177)
Net income attributable to owners of the parent			14,751		14,751
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		1		87	88
Change in equity of parent related to transactions with non-controlling shareholders		18			18
Net change in items other than shareholders' equity during the current fiscal year					
Total of changes during the current fiscal year	—	20	13,573	86	13,680
Balance at end of current fiscal year	23,557	41,515	96,912	(3,326)	158,658

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling 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	2,125	7	3,774	(396)	5,511	227	139	150,856
Change during the current fiscal year								
Dividends from surplus								(1,177)
Net income attributable to owners of the parent								14,751
Acquisition of treasury stock								(0)
Disposal of treasury stock								88
Change in equity of parent related to transactions with non-controlling shareholders								18
Net change in items other than shareholders' equity during the current fiscal year	(1,057)	(1)	(9,897)	(81)	(11,037)	10	(128)	(11,155)
Total of changes during the current fiscal year	(1,057)	(1)	(9,897)	(81)	(11,037)	10	(128)	2,525
Balance at end of current fiscal year	1,067	6	(6,122)	(477)	(5,526)	238	10	153,381

NON-CONSOLIDATED BALANCE SHEETS

(Millions of yen)

Account item	75th Fiscal Term (as of March 31, 2016)	(Reference) 74th Fiscal Term (as of March 31, 2015)
	Amount	Amount
(ASSETS)		
Current assets	85,908	90,490
Cash and deposits	13,978	10,636
Notes receivable	815	778
Trade accounts receivable	42,710	50,446
Merchandise and finished goods	3,532	2,921
Work in process	4,488	3,549
Raw materials and supplies	4,302	3,359
Prepaid expenses	190	427
Short-term loans to subsidiaries and affiliates	3,252	7,563
Other accounts receivable	10,689	9,107
Consumption taxes receivable	1,927	1,688
Other	20	11
Non-current assets	103,418	95,952
Property, plant and equipment	26,831	27,396
Buildings	7,774	7,989
Structures	427	441
Machinery and equipment	12,631	12,130
Vehicles and transportation equipment	40	49
Tools, furniture and fixtures	1,142	857
Land	4,205	4,207
Construction in progress	609	1,720
Intangible assets	597	523
Patent right	58	86
Software	433	385
Other	105	50
Investments and other assets	75,989	68,032
Investment securities	3,783	7,644
Investments in subsidiaries and affiliates	49,263	48,230
Long-term loans receivable from employees	189	217
Long-term loans receivable from subsidiaries and affiliates	21,366	14,628
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,488	360
Long-term prepaid expenses	20	46
Other	765	886
Allowance for doubtful receivables	(888)	(3,981)
Total Assets	189,327	186,442

NON-CONSOLIDATED BALANCE SHEETS (continued)

Account item	(Millions of yen)	
	75th Fiscal Term (as of March 31, 2016)	(Reference) 74th Fiscal Term (as of March 31, 2015)
	Amount	Amount
(LIABILITIES)		
Current liabilities	63,577	62,940
Notes payable	20	30
Trade accounts payable	30,074	31,157
Short-term loans payable	11,979	12,366
Current portion of long-term loans payable	5,450	4,519
Lease obligations	169	211
Other accounts payable	7,682	6,320
Accrued expenses	3,448	3,051
Accrued income taxes	746	253
Deposits received	1,800	1,823
Reserve for bonuses	1,798	1,840
Reserve for bonuses to Directors and Audit & Supervisory Board Members	184	109
Deferred tax liabilities	1	25
Other	222	1,231
Long-term liabilities	36,447	37,733
Convertible bond type-bonds with subscription rights to shares	20,067	20,082
Long-term loans payable	14,520	15,194
Lease obligations	73	242
Deferred tax liabilities	1,433	1,838
Other	351	374
Total Liabilities	100,025	100,673
(NET ASSETS)		
Shareholders' equity	87,961	83,560
Common stock	23,557	23,557
Capital surplus	41,496	41,495
Capital reserve	41,450	41,450
Other capital surplus	45	44
Retained earnings	26,234	21,921
Legal profit reserve	2,947	2,947
Other retained earnings	23,286	18,973
Reserve for advanced depreciation of non-current assets	1,335	1,308
Retained earnings (losses) brought forward from the previous term	21,950	17,664
Treasury stock	(3,326)	(3,413)
Variance of evaluation and translation	1,101	1,981
Unrealized holding gains on securities	1,095	1,974
Deferred gain or loss on derivatives under hedge accounting	6	7
Subscription rights to shares	238	227
Total Net Assets	89,301	85,769
Total Liabilities and Net Assets	189,327	186,442

NON-CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Account item	75th Fiscal Term (from April 1, 2015 to March 31, 2016)		(Reference) 74th Fiscal Term (from April 1, 2014 to March 31, 2015)	
	Amount		Amount	
Net sales		228,794		206,149
Cost of sales		198,273		181,850
Gross profit		30,521		24,298
Selling expenses and general and administrative expenses		23,068		22,724
Operating income (loss)		7,452		1,573
Other income				
Interest income	251		282	
Dividend income	3,292		6,885	
Foreign exchange profit	—		520	
Other	237	3,780	699	8,388
Other expenses				
Interest expenses	260		300	
Foreign exchange loss	1,438		—	
Compensation expenses	66		110	
Interest on bonds	—		61	
Depreciation of inactive non-current assets	259		117	
Provision of allowance for doubtful accounts	377		—	
Other	41	2,444	82	672
Ordinary income (loss)		8,788		9,289
Extraordinary income				
Gains on sale of property, plant and equipment	121	121	80	80
Extraordinary losses				
Loss on retirement and sale of property, plant and equipment	77		73	
Impairment loss	205		71	
Loss on devaluation of investment securities	1,430		—	
Loss on devaluation of stocks of subsidiaries and affiliates	286		719	
Settlement package	353		—	
Loss on relinquishing receivables from subsidiaries and affiliates	909		—	
Other	259	3,523	47	911
Net income (loss) before income taxes		5,386		8,458
Income taxes	(19)		467	
Deferred income taxes	(83)	(103)	(81)	386
Net income (loss)		5,490		8,072

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Common stock									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Legal profit reserve	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	1,308	17,664	21,921	(3,413)	83,560
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						29	(29)	—		—
Reversal of reserve for advanced depreciation of non-current assets						(2)	2	—		—
Net income							5,490	5,490		5,490
Acquisition of treasury stock									(0)	(0)
Disposal of treasury stock			1	1					87	88
Net change in items other than shareholders' equity during the current fiscal year										
Total change during the current fiscal year	—	—	1	1	—	26	4,286	4,312	86	4,400
Balance at end of current fiscal year	23,557	41,450	45	41,496	2,947	1,335	21,950	26,234	(3,326)	87,961

	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	1,974	7	1,981	227	85,769
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					5,490
Acquisition of treasury stock					(0)
Disposal of treasury stock					88
Net change in items other than shareholders' equity during the current fiscal year	(878)	(1)	(879)	10	(868)
Total change during the current fiscal year	(878)	(1)	(879)	10	3,531
Balance at end of current fiscal year	1,095	6	1,101	238	89,301

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

INDEPENDENT AUDITORS' REPORT

May 16, 2016

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 75th fiscal term from April 1, 2015 to March 31, 2016.

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 16, 2016

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 75th fiscal term from April 1, 2015 to March 31, 2016.

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.

AUDIT REPORT

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 75th fiscal term from April 1, 2015, to March 31, 2016, has prepared this Audit Report as the unanimous opinion of all Audit & Supervisory Board Members and hereby submits it as follows:

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

- (1) The Audit & Supervisory Board established the audit plan for the current period (auditing policies, focused items, division of duties, etc.), 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.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, and pursuant to the audit plan, making efforts to communicate with Directors, Operating Officers, the internal audit department and other employees, each Audit & Supervisory Board Member strove to collect information and improve the audit environment and performed audits by the following methods.
 - 1) 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 by attending Board of Directors meetings, Management Implementation Committee meetings and other important meetings; receiving reports from Directors and Operating Officers, etc., regarding the status of execution of their duties and requesting further explanations as necessary; and inspecting important decision documents, etc. 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.
 - 2) 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' execution of duties described in the business report are performed in conformity of laws, regulations and the Company's Articles of Incorporation, and the establishment of other systems necessary to ensure proper business operations of the corporate group consisting of the Company and its subsidiaries set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Companies Act, regularly received reports from Directors and employees 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, requested explanations as necessary and expressed opinions.
 - 3) Audit & Supervisory Board Members also inspected 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.
 - 4) Audit & Supervisory Board Members monitored and verified that Accounting Auditors maintained independence and conducted the audits appropriately. Each Audit & Supervisory Board Member 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 inspected the business report, its supplementary schedules, 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, 2016.

2. Results of Audit

(1) Results of audit of business report

- i. The business report and supplementary schedules present fairly the current 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, no instances of misconduct or material matters in violation of laws, regulations, nor the Company's Articles of Incorporation were found;
- 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 20, 2016

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

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

Takashi Tomaru (Seal)
Audit & Supervisory Board Member (Full-time)

Tomonori Akisaka (Seal)
Outside Audit & Supervisory Board Member

Kazuhiro Yamakawa (Seal)
Outside Audit & Supervisory Board Member