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(Securities Code: 6976)

June 7, 2017

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 76TH ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

You are cordially invited to attend the 76th Ordinary General Meeting of Shareholders of Taiyo Yuden Co., Ltd. (the "Company"), which will be held as described below.

- 1. Date and Time:** 2:00 p.m., June 29, 2017 (Thursday) (Reception desk opens at 1:00 p.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 76th Fiscal Term (from April 1, 2016, to March 31, 2017), 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 Amendments to the Articles of Incorporation
 - Proposal No. 3:** Election of Seven (7) Directors
 - Proposal No. 4:** Election of One (1) Substitute Audit & Supervisory Board Member

4. Matters to be resolved upon convocation of the 76th Ordinary General Meeting of Shareholders

Exercise of voting rights by proxy

- (1) 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, 2017 (Wednesday).
- (2) 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. The documents attached to this Convocation Notice and the documents listed below were audited in preparing the Auditors' Report by Audit & Supervisory Board Members and Independent Auditors' Report by Accounting Auditors.
 - Issues relating to Subscription Rights to Shares
 - Basic policy on the Control over the Company
 - 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.

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.
- It is prohibited to take photographs or record sound at the venue.
- 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, 2017 (Thursday) Meeting starts: 2:00 p.m. Reception desk opens: 1:00 p.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, 2017 (Wednesday) Must be received by 5:00 p.m.

Exercising voting rights via the Internet

Before voting via the Internet, please confirm the information provided on pages 5 to 19.

Voting deadline: June 28, 2017 (Wednesday) 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 encrypted communication for the Company’s voting website to prevent spoofing or tampering of data by third parties, 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

Please access the Company’s designated voting website (<http://www.it-soukai.com/>), enter your code and password for exercising voting rights provided on the Voting Rights Exercise Form, and follow the guidelines on the screen to cast your vote.

- (1) For security reasons, you will be required to change your password upon your first login.
- (2) 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)

[To institutional investors]

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

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, 2017, shall be ¥10 per share as follows 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: ¥1,178,305,910

(3) Effective date for dividends of surplus:

June 30, 2017

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

1. Reasons for the amendment

- (1) The current address of the head office provided in Article 3 of the current Articles of Incorporation shall be changed due to the relocation of the head office for the purpose of improving the office environment and operational efficiency.
- (2) To prepare for a contingency in which the Company does not have the number of Audit & Supervisory Board Members required by laws and regulations, the Company proposes to set a new provision concerning a Substitute Audit & Supervisory Board Member. This would stipulate the effective term of the resolution for election of a Substitute Audit & Supervisory Board Member and the term of office of a Substitute Audit & Supervisory Board Member who will be officially appointed.

2. Description of the amendment

The description of the amendments is as follows.

(Amended parts are underlined.)

Current	Proposed amendment
Articles 1–2 (Omitted)	Articles 1–2 (Same as current)
(Address of the Head Office) Article 3. The head office of the Company shall be located in <u>Taito-ku</u> , Tokyo.	(Address of the Head Office) Article 3. The head office of the Company shall be located in <u>Chuo-ku</u> , Tokyo.
Articles 4–27 (Omitted)	Articles 4–27 (Same as current)

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

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% (17/17 times)
2. Reappointment	Seiichi Tsutsumi	Director and Executive Operating Officer	New Business Planning Development Global SCM Development	100% (17/17 times)
3. Reappointment	Shinji Masuyama	Director and Executive Operating Officer	Management Planning	100% (17/17 times)
4. Reappointment	Osamu Takahashi	Director and Executive Operating Officer	Integrated Module & Device Business	100% (17/17 times)
5. Reappointment	Katsuya Sase	Director and Executive Operating Officer	Electronic Components Business	100% (13/13 times)
6. Reappointment Outside Independent	Hisaji Agata	Outside Director (Independent Director)	—	100% (17/17 times)
7. Reappointment Outside Independent	Masashi Hiraiwa	Outside Director (Independent Director)	—	100% (13/13 times)

Notes: 1. Positions and responsibilities above are as of the date when this Convocation Notice is dispatched.

2. The attendance of Mr. Katsuya Sase and Mr. Masashi Hiraiwa reflects those of the meetings of the Board of Directors held after they assumed their posts on June 29, 2016.

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

		Career summary, position and responsibilities
■Reappointment		
	March 1979	Joined the Company
■Number of Company shares held	June 2006	Director, Senior Operating Officer of the Company
12,400 shares	April 2007	Senior Executive Director, Senior Operating Officer of the Company
■Attendance at meetings of the Board of Directors	April 2012	Director and Senior Executive Operating Officer of the Company
100%	June 2012	Director and Executive Operating Officer of the Company
	April 2015	Director and Senior Executive Operating Officer of the Company
	October 2015	Representative and Senior Executive Operating Officer 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 Mr. Tosaka assumed the post of President and Chief Executive Officer of the Company, he has been striving to transform the business model into a highly profitable one, and with his powerful leadership, has strove to enhance 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 for the enhancement of corporate value over the medium- to long-term 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 reappointed 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)

		Career summary, position and responsibilities
■Reappointment		
		March 1977
■Number of Company shares held		April 2000
	9,800 shares	July 2007
		July 2010
■Attendance at meetings of the Board of Directors		June 2011
	100%	April 2015
		April 2016
		Joined the Company
		President of Taiyo Yuden (Singapore) Pte., Ltd.
		Operating Officer of the Company
		Director and Senior Operating Officer of the Company
		Chairman and Director, TAIYO YUDEN Mobile Technology Co., Ltd.
		Director and Executive Operating Officer of the Company
		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 global 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 reappointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as Director.

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	
■Number of Company shares held	4,300 shares	March 1980	Joined the Company
		January 2004	Operating Officer of the Company
		July 2011	Senior Operating Officer of the Company
		June 2013	Director and Senior Operating Officer of the Company
■Attendance at meetings of the Board of Directors	100%	April 2015	Director and Executive Operating Officer 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 as Director and Executive Operating Officer, thereby contributing to smooth business operation, risk reduction and the improvement of corporate governance. Mr. Masuyama was reappointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as Director.

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

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

<ul style="list-style-type: none"> ■ Reappointment ■ Number of Company shares held 5,100 shares ■ Attendance at meetings of the Board of Directors 100% 	<p>Career summary, position and responsibilities</p> <p>March 1980 Joined the Company</p> <p>April 2003 Operating Officer of the Company</p> <p>July 2010 Senior Operating Officer of the Company</p> <p>July 2011 Director and Senior Operating Officer of the Company</p> <p>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)</p> <p>Chairman and Director, TAIYO YUDEN Mobile Technology Co., Ltd. (to the present)</p>
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Significant concurrent positions and relationship with the Company

Organizations where concurrent positions are held	Position	Business relationship between the Company and the organizations where concurrent positions are held
TAIYO YUDEN Mobile Technology Co., Ltd.	Chairman and Director	The Company's subsidiary

Reasons for appointment of candidate for Director

Mr. Osamu Takahashi has built up abundant experience and a good track record through practical business, since joining the Company, in various areas, both domestic and overseas, such as engineering, marketing, management and administration, and corporate-planning divisions, and as the president of sales subsidiaries mainly in Taiwan. 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 reappointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as Director.

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

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

		Career summary, position and responsibilities	
■Reappointment		April 1986	Joined the Company
■Number of Company shares held	4,300 shares	June 2013	Operating Officer of the Company
		April 2015	Senior Operating Officer of the Company
		April 2016	Executive Operating Officer of the Company
■Attendance at meetings of the Board of Directors	100%	June 2016	Director and Executive Operating Officer, in charge of Electronic Components Business, Chief of 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. Presently, as Director and Executive Operating Officer, Mr. Sase makes use of his knowledge and experience as a leading engineering expert by overseeing the electronic components business, thereby contributing to strengthening engineering capability and improving productivity. For these reasons, Mr. Sase was reappointed as a candidate for Director, expected to properly execute such duties as the making of important managerial decisions and supervision of business execution as Director.

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

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

		Career summary, position and responsibilities	
■Outside/Independent Officer		June 1997	Director of JAFCO Co., Ltd.
■Reappointment		October 2007	Commissioner of JAFCO (retired on December 2007)
		January 2008	Representative Director, President of HIBIKI Partners Co., Ltd.
■Number of Company shares held		June 2008	Outside Director of the Company (to the present)
	0 shares	September 2008	Special Adviser of HIBIKI Partners Co., Ltd. (to the present)
■Attendance at meetings of the Board of Directors		March 2010	Outside Audit & Supervisory Board Member of RaQualia Pharma Inc.
	100%		Outside Audit & Supervisory Board Member of TMRC Co., Ltd. (retired on September 2012)
■Term of office		March 2016	Audit & Supervisory Committee Member of RaQualia Pharma Inc. (to the present)
9 years (as of the end of this General Meeting)		July 2016	Outside Director of 77 Capital Co., Ltd. (to the present)

Significant concurrent positions and relationship with the Company

Organizations where concurrent positions are held	Position	Business relationship between the Company and the organizations where concurrent positions are held
HIBIKI Partners Co., Ltd.	Special Adviser	Not applicable
RaQualia Pharma Inc.	Audit & Supervisory Committee Member	Not applicable
77 Capital Co., Ltd.	Outside Director	Not applicable

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. Mr. Agata serves as Chairman of the Company's Board of Directors, Nomination Committee and Remuneration Committee, providing advice and proceeding with the meetings from a constructive, independent and fair standpoint. In this way, he fulfills his role to help improve the effectiveness of the Company's Board of Directors and strengthen the corporate governance functions. For these reasons, it was judged that Mr. Agata would be able to execute his duties as an Independent Outside Director who supervises business execution. Therefore, the Board of Directors has approved his renomination as candidate for Independent Outside Director.

Independence of the candidate

The candidate meets the requirements for Independent Officer defined by the Tokyo Stock Exchange and is registered with the Exchange to that effect. In addition, the candidate meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." (An outline is shown on pages 18 and 19.) Therefore, the candidate 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. In accordance with Article 427, Paragraph 1, of the Companies Act, an agreement to limit any liability for damages prescribed in the provision of Article 423, Paragraph 1 of the said Act is in force between the Company and Mr. Hisaji Agata. If his appointment is approved, the Company plans to continue said agreement. The limit on liability for damages under the said agreement is set at the minimum liability amount provided in Article 425, Paragraph 1, of the Companies Act.

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

■Outside/Independent Officer	Career summary, position and responsibilities	
	April 1981	Admitted to the Japan Federation of Bar Association (to the present)
■Reappointment	April 1981	Joined OHHARA LAW OFFICE (to the present)
■Number of Company shares held	August 2005	Supervisor, LCP, Inc. (retired on March 2013)
	October 2012	Supervisor, Japan Logistics Fund, Inc. (retired on May 2015)
	June 2016	Outside Director of the Company (to the present)
■Attendance at meetings of the Board of Directors		
	100%	
■Term of office		
	1 year (as of the end of this General Meeting)	

Significant concurrent positions and relationship with the Company

Organizations where concurrent positions are held	Position	Business relationship between the Company and the organizations where concurrent positions are held
OHHARA LAW OFFICE	Attorney	Not applicable

Reasons for appointment of candidate for Outside Director

Mr. Masashi Hiraiwa has served as an officer or in a similar position at investment corporations, and possesses abundant experience and high-level expertise as an attorney specializing in corporate legal affairs. He has demonstrated a high sense of ethics by offering constructive opinions and organizing points of discussion or debate from an objective perspective, and fulfilling the monitoring function over the Company's overall management such as governance and legal compliance including internal control, at meetings of the Company's Board of Directors. For these reasons, it was judged that he would be able to fulfill his duties as Independent Outside Director who supervises business execution. Therefore, he was reappointed as a candidate for Outside Director.

Although Mr. Hiraiwa 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 Director.

Independence of the candidate

The candidate meets the requirements for Independent Officer defined by the Tokyo Stock Exchange and is registered with the Exchange to that effect. In addition, the candidate meets the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members." (An outline is shown on pages 18 and 19.) Therefore, the candidate 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. In accordance with Article 427, Paragraph 1, of the Companies Act, an agreement to limit any liability for damages prescribed in the provision of Article 423, Paragraph 1 of the said Act is in force between the Company and Mr. Hiraiwa. If his appointment is approved, the Company plans to continue said agreement. The limit on liability for damages under the said agreement is set at the minimum liability amount provided in Article 425, Paragraph 1, of the Companies Act.

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

In order to prepare for a case when the number of Outside Audit & Supervisory Board Members stipulated by laws and regulations might be insufficient, the Company hereby asks that one (1) substitute Outside Audit & Supervisory Board Member be elected in advance. The effectiveness of the election may be cancelled based on a resolution of the Board of Directors, provided such cancellation is made prior to the assumption of office and with the consent of the Audit & Supervisory Board.

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)		
■Outside/Independent Officer	Career summary, position and responsibilities	
	April 1983	Registered as attorney (to the present)
	April 1984	Established Hiroshi Arai Law Office (to the present)
■Reappointment	June 2004	Auditor of SOGO PUBLIC RELATIONS CO., LTD. (to the present)
■Number of Company shares held	0 shares	

Significant concurrent positions and relationship with the Company

Organizations where concurrent positions are held	Position	Business relationship between the Company and the organizations where concurrent positions are held
Hiroshi Arai Law Office	Attorney	Not applicable
SOGO PUBLIC RELATIONS CO., LTD.	Auditor	Not applicable

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 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

The candidate meets the requirements for Independent Officer defined by the Tokyo Stock Exchange. In addition, the candidate meets the “Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members.” (An outline is shown on pages 18 and 19.) Therefore, the candidate is judged to be sufficiently independent.

- Notes: 1. No special interests exist between the Company and Mr. Hiroshi Arai.
2. The Company intends to execute an agreement with Mr. Hiroshi Arai, a candidate for substitute Outside Audit & Supervisory Board Member, in accordance with Article 427, Paragraph 1, of the Companies Act, which limits the liability of damages provided for in Article 423, Paragraph 1 of the said Act. The limit on liability for damages under the said agreement is set at the minimum liability amount provided in Article 425, Paragraph 1, of the Companies Act.

[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.

BUSINESS REPORT
(from April 1, 2016 to March 31, 2017)

1. Corporate 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.

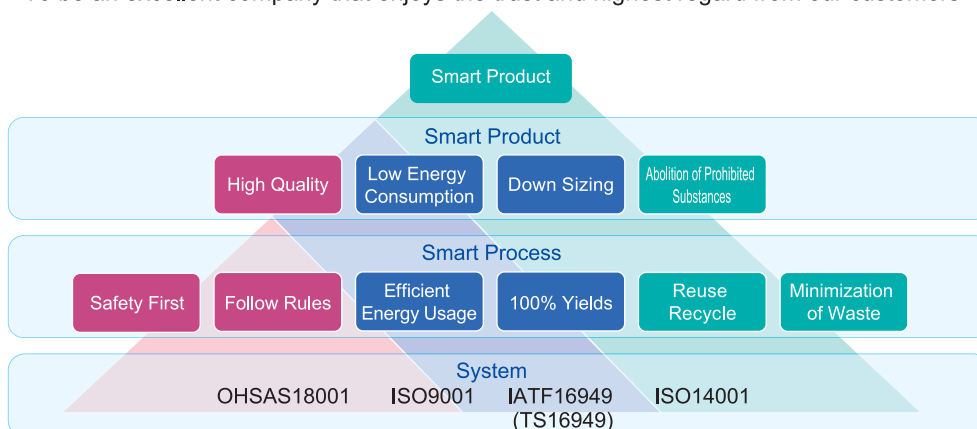
The management vision of the Company is “to be an excellent company that enjoys the trust and highest regard from our customers.” The Company, therefore, aims to be an excellent company by meeting and even surpassing the expectations of customers based on the original technologies and proposal capabilities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

Management Philosophy of the Taiyo Yuden Group

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

— TAIYO YUDEN 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) Review of operations and results

During the fiscal year under review (from April 1, 2016 to March 31, 2017), the business environment surrounding the Group maintained a tone of moderate recovery despite some weaknesses in parts of the global economy. Although the recovery trend is expected to continue, the outlook for the global economy remains unpredictable, including such factors as the economic outlook for China and emerging nations in Asia, the impacts of government policies in individual countries, and exchange rate fluctuations.

The Group aims to achieve its Mid-term Objectives and management vision by focusing on growth markets such as communications equipment and automotive and industrial equipment centered on the solution business that leverages the Group's core technologies, in addition to super high-end products^(*) and high reliability products that draw on the Group's strengths of research and development and production technology.

In the communications equipment market, demand for ultra-small and high reliability components is expected to rise significantly because of a sharp increase in equipment connected to the internet. This increase results from the development of the IoT as well as continued advances in smartphone functionality and performance. In the automotive and industrial equipment markets, demand for large, high-voltage-resistant, high reliability components is expected to rise along with the proliferation of hybrid and electric vehicles and the further advances of electronic components in industrial equipment. In these markets, the Group is working to expand sales of highly competitive, super-high-end products and high reliability products, such as capacitors, inductors, and integrated modules and devices. In the solution business, another focus of growth, the Group is promoting the development of new businesses that combine the Group's core technologies in the following areas: multilayer, optical, integration, surface processing, wireless, and power sources. The Group is also working to strengthen its manufacturing capabilities in order to build a system that will enhance profitability and meet future increases in demand for components. In addition to enhancing production capacity, the Group is accelerating improvements in production efficiency by promoting advances in underlying technologies and transforming production methods.

Partly because of the yen's appreciation against the US dollar in the average exchange rate during the fiscal year under review compared with the previous fiscal year, the Group's consolidated net sales for the fiscal year under review totaled ¥230,716 million (a 4.0% decrease compared with the previous fiscal year), operating profit was ¥12,385 million (a 47.0% decrease compared with the previous fiscal year), and ordinary profit was ¥11,200 million (a 49.7% decrease compared with the previous fiscal year). As an item under extraordinary losses, ¥2,193 million in business structure improvement expenses resulting from the structural reform of an overseas subsidiary was reported. Consequently, profit attributable to owners of parent was ¥5,428 million (a 63.2% decrease compared with the previous fiscal year).

The average exchange rate during the fiscal year under review of ¥108.43 per US dollar represents an appreciation of ¥12.32 compared with the average value of the yen in the previous fiscal year of ¥120.75 per US dollar.

* Super-high-end products: Products uniquely defined by the Company to have a strong competitive edge.

Consolidated Sales by Product

Consolidated sales by product are as follows:

Product	76th Term (current fiscal year)		Year-on-year changes	
	Amount	Percentage of total	Amount	Percentage of change
	(Millions of yen)	(%)	(Millions of yen)	(%)
Capacitors	117,666	51.0	(6,008)	(4.9)
Ferrite and applied products	41,273	17.9	(5,190)	(11.2)
Integrated modules & devices	65,580	28.4	7,884	13.7
Other	6,196	2.7	(6,354)	(50.6)
Total	230,716	100.0	(9,669)	(4.0)

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

(2) Principal business activities (as of March 31, 2017)

[Capacitors]

Main products: Multilayer ceramic capacitors

Outline of performance in the fiscal year under review:

Because sales for consumer equipment and components, and information equipment and communications equipment decreased compared with the previous fiscal year despite year-on-year increases in sales for automotive and industrial equipment, overall net sales decreased 4.9% year on year to ¥117,666 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 consumer equipment and components, and information equipment and communications equipment decreased compared with the previous fiscal year despite year-on-year increases in sales for automotive and industrial equipment, overall net sales decreased 11.2% year on year to ¥41,273 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:

Overall net sales increased 13.7% year on year to ¥65,580 million as a result of year-on-year increases in sales for FBAR/SAW devices for mobile communications, high-frequency modules, and embedded-parts multilayer wiring substrate “EOMIN™.”

Other

Main products: Energy devices

Outline of performance in the fiscal year under review:

Overall net sales significantly decreased 50.6% year on year to ¥6,196 million as a result of the Group’s withdrawal from the optical media products business.

(3) 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)	Fiscal 2016 (76th Term) (current fiscal year)
Net sales (Millions of yen)	192,903	208,222	227,095	240,385	230,716
Operating profit (Millions of yen)	4,850	11,358	13,153	23,370	12,385
Operating margin (%)	2.5	5.5	5.8	9.7	5.4
Ordinary profit (Millions of yen)	7,118	12,192	15,653	22,263	11,200
Profit attributable to owners of parent (Millions of yen)	1,867	6,989	10,919	14,751	5,428
Comprehensive income (Millions of yen)	12,211	13,897	23,421	3,571	3,092
Total assets (Millions of yen)	225,991	247,596	265,454	268,380	271,149
Net assets (Millions of yen)	115,814	128,556	150,856	153,381	154,150
Basic earnings per share (Yen)	15.88	59.38	92.74	125.27	46.08
Net assets per share (Yen)	981.92	1,090.26	1,278.07	1,299.75	1,305.96
Equity ratio (%)	51.1	51.8	56.7	57.1	56.8
Rate of return on equity (%)	1.7	5.7	7.8	9.7	3.5
Price-earnings ratio (Times)	69.8	21.4	18.9	8.8	30.5
Dividend payout ratio (%)	58.8	16.8	10.8	12.0	43.4
Cash flows from operating activities (Millions of yen)	19,496	29,724	24,896	38,278	29,692
Cash flows from investing activities (Millions of yen)	(18,157)	(18,947)	(20,964)	(35,374)	(28,806)
Cash flows from financing activities (Millions of yen)	2,334	8,404	(21,249)	(2,050)	(4,342)
Cash and cash equivalents at end of period (Millions of yen)	33,280	54,611	41,476	39,944	36,094
Research and development expenses (Millions of yen)	6,840	7,353	8,237	9,024	10,008
Capital investment (Millions of yen)	20,702	19,126	18,773	41,261	33,161
Depreciation (Millions of yen)	19,832	20,750	21,813	23,767	24,908

(4) Capital investment, financing and major creditors

1) Capital investment

Capital investment during the fiscal year under review amounted to approximately ¥33,161 million at the acceptance and inspection (previous fiscal year: ¥41,261 million). The amount of capital expenditure was planned to be ¥30,000 million at the beginning of the fiscal year under review. However, to meet the vigorous demand, part of the capital investment planned for the next fiscal year has been front-loaded. Major investments included capital investments for the information and telecommunication market centering on the smartphones which require higher performance and greater functionality, the stably expanding automotive electrical equipment and industrial equipment markets, and investment for bolstering production capacity of super-high-end products for IoT and AI* which is attracting attention for its future expansion potential. This includes ultra-small multilayer ceramic capacitors, metallic power inductors “MCOILTM” and FBAR/SAW devices for mobile communications.

*AI: Artificial Intelligence.

2) Financing

During the fiscal year under review, there were no capital increases, issuance of bonds or fund procurement through long-term loans.

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, 2017.

3) Major creditors (as of March 31, 2017)

Creditor	Loan outstanding (Millions of yen)
Syndicated Loan	10,000
Sumitomo Mitsui Banking Corporation	7,946
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,509
The Iyo Bank, Ltd.	3,448
The Gunma Bank, Ltd.	1,700

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

(5) Status of research & development

The Group believes in commercializing products from the material development stage and is committed to research and development to create an electronic component that contributes to the technical evolution of electronic equipment based on the original underlying technology nurtured since its foundation. The Group also intends to develop and stably supply “smart products” that provide high quality and reduce environmental burdens. By realizing smart products at a higher level through its research and development activities, the Group aims to realize the management vision “to be an excellent company that enjoys the trust and highest regard from our customers.”

For the telecommunication market centering on smartphones, we promote the development of super-high-end products that contribute to a thin profile, higher functionality and performance, as well as dense packaging of modules. In addition, we strive to develop high-reliability products and solution-oriented next-generation products for focus markets such as automotive and industrial equipment, healthcare, and environmental and energy.

For capacitors, our focus is on developing compact, low-profile, high-value and high-reliability multilayer ceramic capacitors. We are continuously working to develop cutting-edge, multilayer ceramic capacitors by sophisticating dielectric materials technologies, thin-film and high-capacitance technologies, production technology for ultra-small capacitors.

For ferrite and applied products, the Group is working to develop small, thin inductors with high current ratings, and also large, high-reliability inductors targeting the automotive and industrial equipment markets. We are sharpening our competitive edge through advances in material development as well as wire-winding and multilayer process technologies.

For integrated modules and devices, we are focusing on developing products with cores drawing on multi-layer ceramic filter technologies and technologies for FBAR/SAW devices for mobile communications, as well as next-generation solution-based products in combination with our core technologies for focus markets.

In addition, the Group is focusing on developing energy devices for automotive electrical equipment and high-reliability product markets.

[Reference]

Research & Development Policy

“Shift to the “Incomparable”

Anticipation

Technical development precedes product development and goes beyond the common level.

Reproducibility

The reproducibility of developed technology is logically proved.

Versatility

Developed technology is versatile and can be applied not only to specific products.

Reasonable Environmental Compliance

Developed technology is reasonably acceptable for production and environment-friendly.

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

Not applicable

(7) Issues to be addressed

As communication devices such as smartphones have become thinner with high functionality and performance, evolving transmission methods and dense packaging of modules, there is an increasing requirement for cutting-edge compact electronic components that have such attributes. 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 quickly develops super-high-end products with a competitive edge that should contribute to technical evolution of devices in the aforementioned markets. Positioning the markets of automotive 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 and to ensure steady supply, 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 improved manufacturing capabilities 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 of 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 shares, of 30%.

	Fiscal 2012 (72nd Term)	Fiscal 2013 (73rd Term)	Fiscal 2014 (74th Term)	Fiscal 2015 (75th Term)	Fiscal 2016 (76th Term) (current fiscal year)
Dividend per share (Yen)	10.00	10.00	10.00	15.00	20.00
Total dividends (Millions of yen)	1,176	1,177	1,177	1,766	2,356
Dividend payout ratio (%)	58.8	16.8	10.8	12.0	43.4

(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, 2017)

Total amount of the carrying value in the balance sheet	Ratio thereof accounted for in the balance sheet accounting
¥4,733 million	1.7%

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, 2017)

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	1,583	Maintain and strengthen transactional relationship
KYOCERA Corporation	105,000	651	Maintain and strengthen transactional relationship
FUJI MACHINE MFG. CO., LTD.	302,200	440	Maintain and strengthen transactional relationship
Sumitomo Metal Mining Co., Ltd.	271,000	429	Maintain and strengthen transactional relationship
NICHICON CORPORATION	320,500	332	Maintain and strengthen transactional relationship
Hosiden Corporation	258,700	270	Maintain and strengthen transactional relationship
Sumitomo Mitsui Financial Group	58,900	238	Maintain and strengthen financial trading relationship
Ryosan Company, Limited	45,600	152	Maintain and strengthen transactional relationship
The Iyo Bank, Ltd.	142,000	106	Maintain and strengthen financial trading relationship
MinebeaMitsumi Inc.	69,300	102	Maintain and strengthen transactional relationship

(10) Status of principal subsidiaries (as of March 31, 2017)**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	61,884 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 associates 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 CHEMICAL TECHNOLOGY CO., LTD.	Gunma	¥160 million	100.0	Production and Sale of Electronic Components
FUKUSHIMA TAIYO YUDEN CO., LTD.	Fukushima	¥100 million	100.0	Production 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 26 consolidated subsidiaries including the 17 companies listed in “Status of principal subsidiaries” above, a decrease of two (2) companies year on year due to the conclusion of liquidation and a decrease of two (2) companies year on year due to an absorption-type merger.
3. The Company has one (1) equity-method company, a decrease of one (1) company year on year due to the conclusion of liquidation, and one (1) associate not accounted for by the equity method.
4. The consolidated business performance in this fiscal year under review is described in the above “(1) Review of operations and results.”

2) Specified wholly owned subsidiaries

Not applicable

(11) Principal offices and plants (as of March 31, 2017)

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, 2017)

1) Employees of the Taiyo Yuden Group

Number of employees (persons)	Increase (decrease) from the previous fiscal year (persons)
18,753	Decrease of 57

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)
2,586	Decrease of 32	42.8	18.1

(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, 2017)

- (1) **Total number of shares authorized to be issued:** 300,000,000 shares
(2) **Total number of shares issued:** 120,481,395 shares
(including 2,650,804 shares of treasury shares)
(3) **Number of shareholders:** 13,387

(4) Major shareholders (Top 10)

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,232,700	19.7
Japan Trustee Services Bank, Ltd. (Trust Account)	11,223,600	9.5
Sumitomo Mitsui Banking Corporation	4,000,000	3.3
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,530,900	2.9
The Iyo Bank, Ltd.	3,000,100	2.5
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,751,600	2.3
BNP Paribas Securities (Japan) Ltd.	2,055,400	1.7
HSBC ASIA EQUITY FINANCE-JAPAN EQUITIES (TRADING)	2,000,842	1.6
Goldman Sachs Japan Co., Ltd.	2,000,000	1.6
Sato Traffic Orphan Welfare Fund	1,916,640	1.6

Notes: 1. The Company holds 2,650,804 shares of treasury shares, but it is excluded from the above-mentioned major shareholders.
2. Shareholding ratio is calculated excluding the number of treasury shares.

(5) Other important matters concerning shares of the Company

Not applicable

4. Status of Subscription Rights to Shares, etc.

(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	4 Directors (excluding Outside Directors)	17 units	17,000 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	4 Directors (excluding Outside Directors)	17 units	17,000 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	4 Directors (excluding Outside Directors)	22 units	22,000 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
July 2016 issue of subscription rights to shares	June 29, 2016	5 Directors (excluding Outside Directors)	30 unit	30,000 shares of the common stock of the Company	July 15, 2016 through July 14, 2036

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 2016 issue of subscription rights to shares	June 29, 2016	13 Operating Officers	34 units	34,000 shares of the common stock of the Company	July 15, 2016 through July 14, 2036

(3) Other important matters concerning the subscription rights to shares (as of March 31, 2017)

Designation	Euro-yen zero coupon convertible bonds with subscription rights to shares 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	¥2,066.1
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, 2017)

(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
Seiichi Tsutsumi	Director and Executive Operating Officer	In charge of New Business Planning Development and Global SCM Development
Shinji Masuyama	Director and Executive Operating Officer	In charge of Management Planning
Osamu Takahashi	Director and Executive Operating Officer	In charge of Integrated Modules & Devices Business, Chairman and Director, Taiyo Yuden Mobile Technology Co., Ltd.
Katsuya Sase	Director and Executive Operating Officer	In charge of Electronic Components Business
Hisaji Agata	Outside Director (Independent Officer)	Special Adviser of HIBIKI Partners Co., Ltd. Audit & Supervisory Board Member of RaQualia Pharma Inc. Outside Director of 77 Capital Co., Ltd.
Masashi Hiraiwa	Outside Director (Independent Officer)	Attorney of OHHARA LAW OFFICE
Takashi Tomaru	Audit & Supervisory Board Member (Full-time)	—
Katsushige Nakano	Audit & Supervisory Board Member (Full-time)	—
Hajime Yoshitake	Outside Audit & Supervisory Board Member (Full-time) (Independent Officer)	Adjunct Lecturer of Meiji University Professional Graduate School General Manager of The Institute of Internal Auditors – Japan
Kazuhiro Yamakawa	Outside Audit & Supervisory Board Member (Independent Officer)	Professor Emeritus of Nihon University Attorney of Azabu Kokusai Law Office

Notes: 1. Directors Hisaji Agata and Masashi Hiraiwa are Outside Directors stipulated in Article 2, Paragraph 15, of the Companies Act and registered as Independent Officers with the Tokyo Stock Exchange.

2. Audit & Supervisory Board Members Hajime Yoshitake and Kazuhiro Yamakawa are Outside Audit & Supervisory Board Members stipulated in Article 2, Paragraph 16, of the Companies Act and registered as Independent Officers with the Tokyo Stock Exchange.

3. Director Masashi Hiraiwa and Audit & Supervisory Board Member Kazuhiro Yamakawa are attorneys.

4. Audit & Supervisory Board Member Katsushige Nakano possesses considerable knowledge in finance and accounting, which was nurtured in his related business experience.

Audit & Supervisory Board Member Hajime Yoshitake possesses considerable knowledge in finance and accounting, which was nurtured in his business experience at financial institutions.

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:

Directors Katsuya Sase and Masashi Hiraiwa were newly elected by the 75th Ordinary General Meeting of Shareholders held on June 29, 2016 and immediately assumed the position.

Audit & Supervisory Board Members Katsushige Nakano and Hajime Yoshitake were newly elected by the 75th Ordinary General Meeting of Shareholders held on June 29, 2016 and immediately assumed the position.

Directors Katsushige Nakano and Yuji Iwanaga resigned from their position due to the expiry of their term at the conclusion of the 75th Ordinary General Meeting of Shareholders held on June 29, 2016.

Audit & Supervisory Board Member Tomonori Akisaka resigned from his position due to the expiry of his term at the conclusion of the 75th Ordinary General Meeting of Shareholders held on June 29, 2016.

Audit & Supervisory Board Member Norio Osakabe resigned the position at the conclusion of the 75th Ordinary General Meeting of Shareholders held on June 29, 2016.

(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.
- A remuneration system employed for Directors excluding Outside Directors and Audit & Supervisory Board Members emphasizes 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	9	213	9	160	6	28	5	25
Audit & Supervisory Board Members	6	76	6	76	—	—	—	—
Total	15	289	15	236	6	28	5	25
(Outside Corporate Officers)	(6)	(46)	(6)	(46)	(—)	(—)	(—)	(—)

- 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 ¥8 million or less per month at the 75th Ordinary General Meeting of Shareholders held on June 29, 2016.
3. Figures are rounded down to the nearest million yen.

(3) Liability Limitation Agreement

Pursuant to the provisions 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 Directors (excluding those who are Executive Directors) and Audit & Supervisory Board Members which limit the liability of such Directors and Audit & Supervisory Board Members for damages described in Article 423, Paragraph 1, of the said Act.

The parties concerned and an overview of the said agreement is provided below.

Parties concerned	Overview of agreement
Outside Director Hisaji Agata	The Outside Director/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 Director/Outside Audit & Supervisory Board Member performs his or her duty in good faith and without gross negligence.
Outside Director Masashi Hiraiwa	
Outside Audit & Supervisory Board Member Hajime Yoshitake	
Outside Audit & Supervisory Board Member Kazuhiro Yamakawa	

(4) Outside Directors and Outside Audit & Supervisory Board Members

- Relationship between the Company and other organizations where significant concurrent positions are held
As described above in “(1) Directors and Audit & Supervisory Board Members.”
- 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	Attendance at meetings of the Audit & Supervisory Board	Main activities
Director Hisaji Agata	17/17 times (Attendance rate: 100%)	—	Mr. Agata serves as Chairman of the Board of Directors and Chairman of the voluntary Nomination Committee and Remuneration Committee. As an Independent Outside Director as well as corporate advisor and outside director of other corporations, based on his professional perspective as a member of corporate management, he has attended Management Implementation Committee meetings and made appropriate comments with regard to important business execution including management planning and business alliance.
Director Masashi Hiraiwa	13/13 times (Attendance rate: 100%)	—	As an Independent Outside Director and based on his professional perspective as an attorney, Mr. Hiraiwa has made appropriate comments with regard to significant directions such as corporate strategies and appropriate risk taking on the execution of important duties from an external perspective.
Audit & Supervisory Board Member Hajime Yoshitake	13/13 times (Attendance rate: 100%)	13/13 times (Attendance rate: 100%)	Mr. Yoshitake has expert knowledge and experience of auditing operations and internal control consulting operations at financial institutions, and has made remarks with regard to the maintenance of legitimacy in the decision-making of meetings such as the Board of Directors, the establishment and maintenance, etc. of the compliance structure of the Company. In addition, as a full-time Audit & Supervisory Board Member, he has fully demonstrated his auditing capability in onsite audits of the Group.
Audit & Supervisory Board Member Kazuhiro Yamakawa	17/17 times (Attendance rate: 100%)	21/21 times (Attendance rate: 100%)	Mr. Yamakawa has made remarks on issues with regard to the maintenance of legitimacy in the decision-making of meetings such as the Board of Directors, the establishment and maintenance, etc. of the compliance structure of the Company based on his deep insight cultivated as a university professor and his professional perspective as an attorney.

Note: The attendance of Director Masashi Hiraiwa and Audit & Supervisory Board Member Hajime Yoshitake reflects those of the meetings held after they assumed their posts on June 29, 2016.

(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	66
2) Remuneration or other financial interests paid or payable to the Accounting Auditors for the Company and subsidiaries	70

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

[Reference]

The Audit & Supervisory Board of the Company formulates standard items for the selection and evaluation of the Accounting Auditors as follows, and evaluates them accordingly.

Standards for the selection of the Accounting Auditors

- (1) Outline of the accounting auditor candidate
- (2) Audit implementation system
- (3) Remunerations for audits

Standards for the evaluation of the Accounting Auditors

- (1) Quality management system of Accounting Auditors
- (2) Audit implementation system
- (3) Remunerations for audits
- (4) Communication with Audit & Supervisory Board Members, etc.

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

(1) 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 ^{(*)1}.
- 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” ^{(*)2} to ensure appropriateness of business operations while respecting the management intentions of the respective subsidiaries.

***1 Compliance management system**

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

***2 “Group Management Rules”**

Rules aiming to achieve efficient management on the basis of cooperation among Taiyo Yuden Group companies

(2) Summary of the status of operation

In compliance with the purpose of the “Basic Policy on Internal Control System,” the Company operates its internal control system in accordance with the compliance management system and risk management system etc. of the Company and the Group. Details are as follows:

1. Approaches to ensure the duties to be performed by Directors of the Company are executed efficiently

To ensure the efficient execution of duties by Directors of the Company, the Management Implementation Committee shall duly discuss policy matters regarding business operations for Group management, whereas the TM (Top Management) Meeting shall duly discuss matters concerning personnel and remunerations for the entire Group, prior to submission to the Board of Directors. Both organs shall deliberate the legality, rationality and economics of matters delegated by the Board of Directors and report the results to the Board of Directors.

In compliance with the purpose of Corporate Governance Codes, the Company works to provide materials of Meetings of the Board of Directors promptly, summarize the points and brush up the quality of analysis or evaluation to ensure the effectiveness of operations.

In addition, 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. Under the direction of the Chief Executive Officer, the Operating Officers shall conduct business flexibly and quickly as an executor responsible for the section he or she is in charge of, in accordance with management policies and strategies determined at meetings of the Board of Directors.

2. Approaches for ensuring compliance and risk management

In order to promote the Group’s compliance and risk management activities, the Internal Control Committee has been established. A responsible person for each of the items set forth in the “Taiyo Yuden Group CSR Code of Conduct” of the Company shall be designated to achieve an improvement through the PDCA cycle in accordance with the compliance management system and risk management system. The implementation condition shall be periodically reported to the Internal Control Committee, where compliance of business activities is confirmed and control is strengthened based on the identification, analysis and evaluation of risks.

3. Approaches for ensuring appropriate business operations of the Group

The execution of business operations at subsidiaries shall be reported in accordance with the “Group Management Rules” and prior discussion for approval shall be conducted with the relevant division/department of the Company in charge with regard to decision-making of important information to ensure appropriateness of business operations.

As for the operation of the Board of Directors Meetings of subsidiaries, the Company strives to strengthen control and management by revising or properly announcing the “Group Management Rules,” and Audit & Supervisory Board Members monitor the status to ensure the appropriateness of the operations.

The compliance and risk management matters of subsidiaries are managed in accordance with “Group CSR Code of Conduct” and compliance/risk management system through the PDCA cycle and periodically reported to the Internal Control Committee to evaluate the status promptly, and this provides us with insights to establish a rational management system.

The Internal Audit Office develops a system for ensuring the Group’s appropriate business operations and monitors the status of operations by conducting an internal audit on subsidiaries based on an annual plan. Development of internal control concerning financial results and evaluation results of the status of operations are audited by Accounting Auditors, and the details are reported to the President and the CEO of the Company and shared with Audit & Supervisory Board Members.

4. Approaches for ensuring effectiveness of audits conducted by the Company's Audit & Supervisory Board Members

Audit & Supervisory Board Members attend important meetings related to corporate management and check the process of Directors' corporate management and the status of the execution of their duties by collecting information. The Internal Control Committee grasps the circumstances of compliance or risk management-related challenges to ensure effectiveness of audits. Moreover, Audit & Supervisory Board Members collect information required for audits and raise the effectiveness thereof by communicating with Directors, Executive Officers and employees or reviewing related materials.

Audit & Supervisory Board Members in charge of a specific subsidiary are assigned during an audit planning phase, and they conduct audits on the status of governance and internal control of the subsidiary they are in charge of, and report the results to the Audit & Supervisory Board when needed. This also facilitates sharing information among Audit & Supervisory Board Members, resulting in an effective and efficient audit with regard to internal control of the corporate group.

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

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 ensuring management is practiced from the shareholders' perspective by consistently executing the Mid-term Management Plan and strengthening corporate governance will protect and enhance the Company's value and the common interests of shareholders. Thus, the Company is implementing the efforts listed in the Business Report attached to this Convocation Notice.

[Reference]

Corporate Governance

1. Basic Policy of Corporate Governance

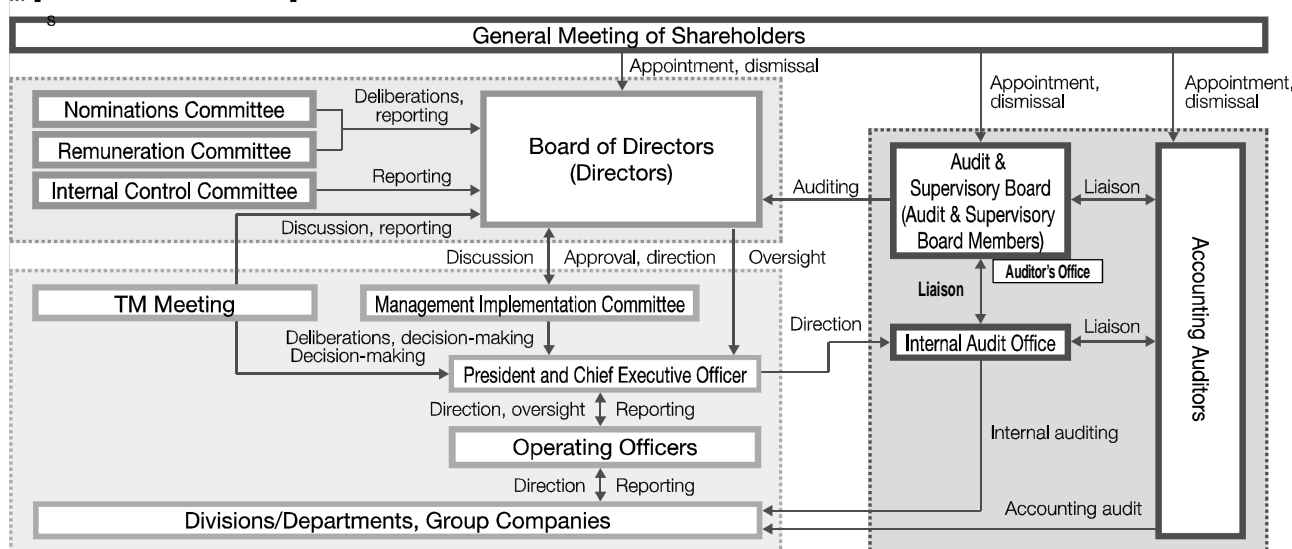
The management philosophy of the Company is to ensure the three principles of “employee well-being,” “betterment of local communities” and “responsibility to provide returns to shareholders.” Further, the Board of Directors and Executive Officers believe in corporate social responsibility and the mission 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.” To steadily implement the philosophy and vision, the Company is committed to increasing profits with growth strategies and structural improvement as a key measure, while developing a system and framework that allow for prompt decision-making and execution of duties for higher competitiveness, with an emphasis on transparency, fairness and disclosure of corporate management.

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
Nomination 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.

[Outline of evaluation of the effectiveness of the Board of Directors]

The evaluation of the effectiveness of the Board of Directors in the previous fiscal year confirmed that the Board of Directors Meeting is highly regarded as being held with reasonable frequency and offering an opportunity for the members to discuss and express opinions openly. As for the operation of the Board of Directors, the operational efficiency and functionality were improved through efforts to reduce the amount of time spent on operation, and brush up and even reduce the amount of documents and information submitted.

Meanwhile, it was pointed out that the Company should analyze factors regarding the result of management strategies and targets and have in-depth discussions on countermeasures thereof, while addressing matters related to the execution of duties by the Directors and strengthening capabilities to oversee risks.

The Board of Directors is aiming to further enhance capabilities by addressing these matters systematically.

(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 Nomination 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 Nomination Committee deliberates matters such as the designation of candidates for Corporate Officers to be elected/dismissed 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.

[Status of in-house training sessions for Officers]

The Company invited a lecturer with expertise and held a self-held in-house training session for all the Directors, Audit & Supervisory Board Members and Executive Officers in the previous fiscal year.

1st session: Role and responsibility of Officers

2nd session: Current position of the Company and industry trends

The training offered an opportunity for the participants to learn laws and regulations mainly through case studies and obtain knowledge and skills required for managerial decision-making. The Company plans to hold similar sessions twice a year in future.

(9) Diversity promotion activities

The Company stipulates in the "CSR Code of Conduct" that it respects the diversity, personality and individuality of employees, ensures an indiscriminate work environment, and promotes hiring, education, assignment and utilization of personnel based on their viewpoints. It also strives to establish a work environment which provides a childcare leave system, caregiver leave system, relaxation of working conditions, sick/injured childcare and family-care leave system, allowing employees to fully demonstrate their ability and encourage the hiring and effective utilization of women and local residents as a Group-wide effort.

CONSOLIDATED BALANCE SHEET

(Millions of yen)

Account item	76th Fiscal Term (as of March 31, 2017)	(Reference) 75th Fiscal Term (as of March 31, 2016)
	Amount	Amount
(ASSETS)		
Current assets	149,255	151,563
Cash and deposits	40,069	45,962
Notes and accounts receivable - trade	53,791	49,759
Merchandise and finished goods	17,281	17,501
Work in process	19,472	18,638
Raw materials and supplies	12,025	12,549
Deferred tax assets	1,084	776
Other	5,804	6,642
Allowance for doubtful accounts	(273)	(267)
Non-current assets	121,893	116,817
Property, plant and equipment	111,096	107,047
Buildings and structures	79,286	78,622
Machinery, equipment and vehicles	233,806	225,862
Tools, furniture and fixtures	20,936	20,135
Land	9,416	8,610
Construction in progress	3,816	5,337
Accumulated depreciation	(236,165)	(231,521)
Intangible assets	1,231	861
Other	1,231	861
Investments and other assets	9,565	8,908
Investment securities	6,760	6,287
Net defined benefit asset	58	—
Deferred tax assets	983	958
Other	2,098	2,000
Allowance for doubtful accounts	(336)	(337)
Total Assets	271,149	268,380

CONSOLIDATED BALANCE SHEET (continued)

(Millions of yen)

Account item	76th Fiscal Term (as of March 31, 2017)	(Reference) 75th Fiscal Term (as of March 31, 2016)
	Amount	Amount
(LIABILITIES)		
Current liabilities	80,285	68,530
Notes and accounts payable-trade	26,735	23,429
Short-term loans payable	16,463	11,979
Current portion of long-term loans payable	11,074	6,200
Other accounts payable	12,259	12,352
Income taxes payable	2,082	2,340
Deferred tax liabilities	719	676
Provision for bonuses	3,218	3,390
Provision for directors' bonuses	76	184
Other	7,657	7,974
Non-current liabilities	36,713	46,468
Convertible bond-type bonds with subscription rights to shares	20,053	20,067
Long-term loans payable	4,056	15,145
Deferred tax liabilities	4,891	5,906
Net defined benefit liability	3,208	3,115
Provision for directors' retirement benefits	126	130
Other	4,377	2,102
Total Liabilities	116,999	114,999
(NET ASSETS)		
Shareholders' equity	161,752	158,658
Capital stock	23,557	23,557
Capital surplus	41,518	41,515
Retained earnings	99,985	96,912
Treasury shares	(3,309)	(3,326)
Accumulated other comprehensive income	(7,870)	(5,526)
Valuation difference on available-for-sale securities	2,239	1,067
Deferred gains or losses on hedges	21	6
Foreign currency translation adjustment	(9,762)	(6,122)
Adjustment for retirement benefit obligations etc. of foreign subsidiaries	(368)	(477)
Subscription rights to shares	268	238
Non-controlling interests	—	10
Total Net Assets	154,150	153,381
Total Liabilities and Net Assets	271,149	268,380

CONSOLIDATED STATEMENT OF INCOME

(Millions of yen)

Account item	76th Fiscal Term (from April 1, 2016 to March 31, 2017)		(Reference) 75th Fiscal Term (from April 1, 2015 to March 31, 2016)	
	Amount		Amount	
Net sales		230,716		240,385
Cost of sales		179,362		176,978
Gross profit		51,353		63,407
Selling, general and administrative expenses		38,968		40,037
Operating profit		12,385		23,370
Non-operating income				
Interest income	210		259	
Dividend income	107		130	
Share of profit of entities accounted for using equity method	—		12	
Subsidy income	847		213	
Other	273	1,438	376	992
Other expenses				
Interest expenses	243		273	
Share of loss of entities accounted for using equity method	300		—	
Foreign exchange losses	1,256		1,151	
Depreciation of inactive non-current assets	473		372	
Other	348	2,622	301	2,098
Ordinary profit		11,200		22,263
Extraordinary income				
Gain on sales of non-current assets	56		206	
Gain on liquidation of subsidiaries and associates	39		—	
Other	0	96	—	206
Extraordinary losses				
Loss on sales of non-current assets	672		277	
Impairment loss	749		222	
Loss on valuation of investment securities	159		1,462	
Business structure improvement expenses	2,193		1,795	
Other	14	3,790	428	4,185
Profit before income taxes		7,507		18,284
Income taxes - current	3,687		3,624	
Income taxes - deferred	(1,610)	2,077	0	3,624
Profit		5,430		14,659
Profit (loss) attributable to non-controlling interests		1		(91)
Profit attributable to owners of parent		5,428		14,751

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	23,557	41,515	96,912	(3,326)	158,658
Changes of items during period					
Dividends of surplus			(2,356)		(2,356)
Profit attributable to owners of parent			5,428		5,428
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		1		17	18
Change in ownership interest of parent due to transactions with non-controlling interests		2			2
Net changes of items other than shareholders' equity					
Total changes of items during period		3	3,072	17	3,093
Balance at end of current period	23,557	41,518	99,985	(3,309)	161,752

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Adjustment for retirement benefit obligations etc. of foreign subsidiaries	Total accumulated other comprehensive income			
Balance at beginning of current period	1,067	6	(6,122)	(477)	(5,526)	238	10	153,381
Changes of items during period								
Dividends of surplus								(2,356)
Profit attributable to owners of parent								5,428
Purchase of treasury shares								(0)
Disposal of treasury shares								18
Change in ownership interest of parent due to transactions with non-controlling interests								2
Net changes of items other than shareholders' equity	1,171	15	(3,639)	109	(2,343)	29	(10)	(2,324)
Total changes of items during period	1,171	15	(3,639)	109	(2,343)	29	(10)	769
Balance at end of current period	2,239	21	(9,762)	(368)	(7,870)	268	—	154,150

NON-CONSOLIDATED BALANCE SHEET

(Millions of yen)

Account item	76th Fiscal Term (as of March 31, 2017)	(Reference) 75th Fiscal Term (as of March 31, 2016)
	Amount	Amount
(ASSETS)		
Current assets	83,208	85,908
Cash and deposits	7,874	13,978
Notes receivable - trade	1,354	815
Accounts receivable - trade	47,713	42,710
Merchandise and finished goods	3,305	3,532
Work in process	4,540	4,488
Raw materials and supplies	3,140	4,302
Prepaid expenses	191	190
Short-term loans receivable from subsidiaries and associates	1,682	3,252
Accounts receivable - other	11,042	10,689
Consumption taxes receivable	2,345	1,927
Other	17	20
Non-current assets	108,749	103,418
Property, plant and equipment	27,823	26,831
Buildings	7,584	7,774
Structures	415	427
Machinery and equipment	13,325	12,631
Vehicles	29	40
Tools, furniture and fixtures	1,595	1,142
Land	4,193	4,205
Construction in progress	679	609
Intangible assets	895	597
Patent right	29	58
Software	799	433
Other	66	105
Investments and other assets	80,030	75,989
Investment securities	4,919	3,783
Shares of subsidiaries and associates	48,690	49,263
Long-term loans receivable from employees	155	189
Long-term loans receivable from subsidiaries and associates	25,428	21,366
Claims provable in bankruptcy, claims provable in rehabilitation and other	866	1,488
Long-term prepaid expenses	93	20
Other	842	765
Allowance for doubtful accounts	(967)	(888)
Total Assets	191,957	189,327

NON-CONSOLIDATED BALANCE SHEET (continued)

Account item	(Millions of yen)	
	76th Fiscal Term (as of March 31, 2017)	(Reference) 75th Fiscal Term (as of March 31, 2016)
	Amount	Amount
(LIABILITIES)		
Current liabilities	79,414	63,577
Notes payable - trade	0	20
Accounts payable - trade	32,832	30,074
Short-term loans payable	16,463	11,979
Current portion of long-term loans payable	10,449	5,450
Lease obligations	16	169
Other accounts payable	5,318	7,682
Accrued expenses	3,200	3,448
Income taxes payable	216	746
Deposits received	6,279	1,800
Provision for bonuses	1,653	1,798
Provision for directors' bonuses	76	184
Deferred tax liabilities	8	1
Other	2,899	222
Non-current liabilities	26,414	36,447
Convertible bond-type bonds with subscription rights to shares	20,053	20,067
Long-term loans payable	4,056	14,520
Lease obligations	152	73
Deferred tax liabilities	1,741	1,433
Other	409	351
Total Liabilities	105,828	100,025
(NET ASSETS)		
Shareholders' equity	83,694	87,961
Capital stock	23,557	23,557
Capital surplus	41,497	41,496
Legal capital surplus	41,450	41,450
Other capital surplus	47	45
Retained earnings	21,948	26,234
Legal retained earnings	2,947	2,947
Other retained earnings	19,000	23,286
Reserve for advanced depreciation of non-current assets	1,333	1,335
Retained earnings brought forward	17,667	21,950
Treasury shares	(3,309)	(3,326)
Valuation and translation adjustments	2,166	1,101
Valuation difference on available-for-sale securities	2,144	1,095
Deferred gains or losses on hedges	21	6
Subscription rights to shares	268	238
Total Net Assets	86,128	89,301
Total Liabilities and Net Assets	191,957	189,327

NON-CONSOLIDATED STATEMENT OF INCOME

(Millions of yen)

Account item	76th Fiscal Term (from April 1, 2016 to March 31, 2017)		(Reference) 75th Fiscal Term (from April 1, 2015 to March 31, 2016)	
		Amount		Amount
Net sales		214,012		228,794
Cost of sales		198,803		198,273
Gross profit		15,208		30,521
Selling, general and administrative expenses		22,929		23,068
Operating profit (loss)		(7,721)		7,452
Non-operating income				
Interest income	248		251	
Dividend income	5,063		3,292	
Subsidy income	306		84	
Other	264	5,882	152	3,780
Other expenses				
Interest expenses	244		260	
Foreign exchange losses	804		1,438	
Compensation expenses	36		66	
Depreciation of inactive non-current assets	222		259	
Provision of allowance for doubtful accounts	—		377	
Other	135	1,443	41	2,444
Ordinary profit (loss)		(3,283)		8,788
Extraordinary income				
Gain on sales of non-current assets	35		121	
Gain on liquidation of subsidiaries and associates	371		—	
Other	0	407	—	121
Extraordinary losses				
Loss on sales of non-current assets	154		77	
Impairment loss	717		205	
Loss on valuation of investment securities	159		1,430	
Loss on valuation of shares of subsidiaries and associates	—		286	
Settlement package	—		353	
Loss on relinquishing receivables from subsidiaries and associates	—		909	
Business structure improvement expenses	209		208	
Other	14	1,256	51	3,523
Profit (loss) before income taxes		(4,132)		5,386
Income taxes - current	(2,206)		(19)	
Income taxes - deferred	2	(2,203)	(83)	(103)
Profit (loss)		(1,928)		5,490

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Reserve for advanced depreciation of non-current assets	Retained earnings brought forward			
Balance at beginning of current period	23,557	41,450	45	41,496	2,947	1,335	21,950	26,234	(3,326)	87,961
Changes of items during period										
Dividends of surplus							(2,356)	(2,356)		(2,356)
Reversal of reserve for advanced depreciation of non-current assets						(2)	2	—		—
Loss							(1,928)	(1,928)		(1,928)
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			1	1					17	18
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	1	1	—	(2)	(4,283)	(4,285)	17	(4,266)
Balance at end of current period	23,557	41,450	47	41,497	2,947	1,333	17,667	21,948	(3,309)	83,694

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	1,095	6	1,101	238	89,301
Changes of items during period					
Dividends of surplus					(2,356)
Reversal of reserve for advanced depreciation of non-current assets					—
Loss					(1,928)
Purchase of treasury shares					(0)
Disposal of treasury shares					18
Net changes of items other than shareholders' equity	1,049	15	1,064	29	1,094
Total changes of items during period	1,049	15	1,064	29	(3,172)
Balance at end of current period	2,144	21	2,166	268	86,128

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

INDEPENDENT AUDITORS' REPORT

May 15, 2017

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 equity and notes to the consolidated financial statements of Taiyo Yuden Co., Ltd. for the 76th fiscal term from April 1, 2016 to March 31, 2017.

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 15, 2017

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 equity and notes to the non-consolidated financial statements, and the supplementary schedules of Taiyo Yuden Co., Ltd. for the 76th fiscal term from April 1, 2016 to March 31, 2017.

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 76th fiscal term from April 1, 2016, to March 31, 2017, 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 equity 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 equity and notes to the consolidated financial statements) for the year ended on March 31, 2017.

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 22, 2017

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

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

Katsushige Nakano (Seal)
Audit & Supervisory Board Member (Full-time)

Hajime Yoshitake (Seal)
Outside Audit & Supervisory Board Member
(Full-time)

Kazuhiro Yamakawa (Seal)
Outside Audit & Supervisory Board Member