

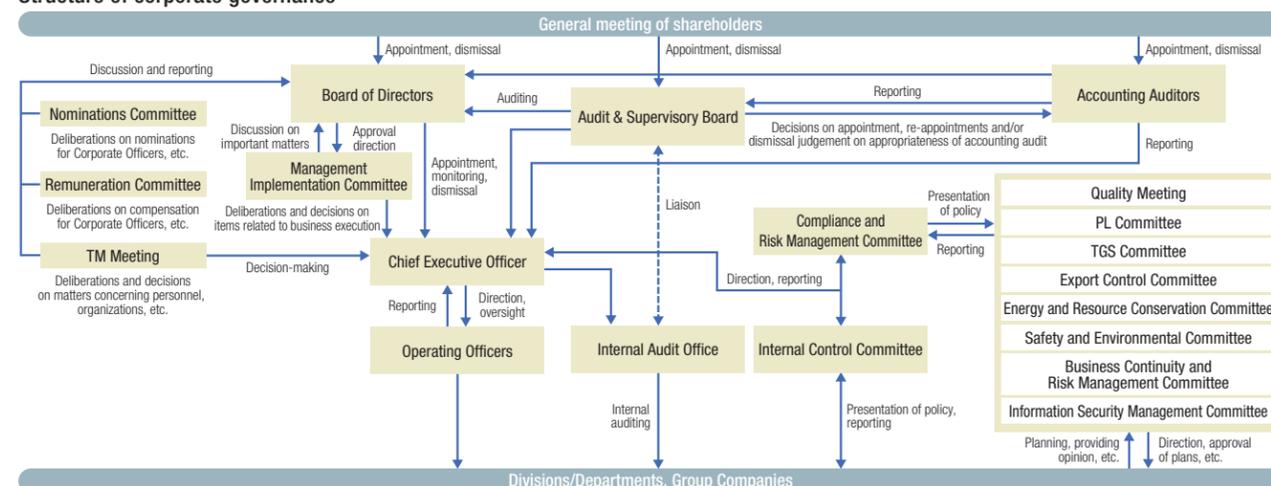
Corporate Governance

Basic Policy for Corporate Governance

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

Based on this policy, the Company emphasizes management transparency and fairness as well as information disclosure, and reviews its systems and mechanisms, as appropriate, to ensure rapid decision-making and operational execution aimed at enhancing competitiveness. In these ways, we strive to increase our corporate value continuously through excellent business activities.

Structure of corporate governance



Structure of Corporate Governance

Overview of Corporate Governance Structure, Reasons for Adoption

The Company has adopted the corporate auditor system, and has a board of directors, an audit & supervisory board and an accounting auditor. Furthermore, we select candidates who meet our standards for independence and who are deemed as unlikely to have any conflicts of interest with general shareholders for nomination to serve as outside directors and outside audit & supervisory board members. Through a governance system that promotes close collaboration with the Audit & Supervisory Board and internal auditing department, the Company works to enable audit & supervisory board members to perform their roles effectively and strengthen their supervisory function vis-à-vis management.

Board of Directors

1. From a long-term perspective, the Board of Directors shall secure sufficient time to discuss and make decisions on significant matters, such as overall management policy, management strategies, management plans, capital policy and matters concerning internal controls, covering the Group as a whole, with the aim of increasing the Company’s corporate value continuously.
2. The Board of Directors shall strengthen management systems for risk factors facing operations and always monitor operational execution.
3. To ensure meetings are conducted impartially and to strengthen management supervisory functions, the Board

of Directors meetings shall be chaired by the Chairperson of the Board (or an outside director in the event the Chairperson is absent or has an accident).

4. To ensure efficient decision-making by the Board of Directors, there shall be discussions in advance on policy matters pertaining to operational execution by Group management at meetings of the Management Implementation Committee, and on matters pertaining to the entire Group’s personnel, organizational, and remuneration systems, etc. at meetings of the Top Management (TM) Meeting. Matters delegated by the Board of Directors shall be discussed and determined by these two committees.
5. The Company appoints operating officers for the purpose of further clarifying the roles and responsibilities of those who supervise and execute operations. Based on management policies and strategies determined by the Board of Directors, and under the supervision of the Chief Executive Officer, operating officers shall run operations flexibly and speedily as persons responsible for execution at their respective departments.

Directors

1. The Company has eight directors, at present. Two of them are appointed as independent outside directors.
2. To clarify management responsibilities during a given fiscal year and increase shareholders’ confidence, directors’ term of office is one year.

3. The reason for the selection of directors is disclosed by taking into account knowledge, experience, history of achievement and other factors.
4. In electing outside directors, to ensure transparency in the authority of management oversight, the Company has established rigorous “Standards for the Independence of outside directors/outside audit & supervisory board members” as requirements for their appointment by reference to other standards for independence established by financial instrument exchanges and organizations advising the exercise of voting rights, including the “Securities Listing Regulations” set forth by the Tokyo Stock Exchange.
5. 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.

Audit & Supervisory Board, Audit & Supervisory Board Members

1. The Company has adopted an audit & supervisory board members system. The Audit & Supervisory Board meeting is held monthly, in principle.
2. The Company has four audit & supervisory board members including outside audit & supervisory board members. Two of them are appointed as independent outside audit & supervisory board members.
3. 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 auditor and the internal audit department by meeting regularly, witnessing accounting audits as observers and conducting joint audits with the internal audit department.

4. The Audit & Supervisory Board has its own dedicated staff to smoothly conduct auditing operations such as information communications and data management.

Voluntary Advisory Panels

1. For the purpose of conducting “highly transparent and fair management,” the Company has established the Nominations Committee and the Remuneration Committee.
2. Both committees consist of directors with a rank of executive operating officer or higher, outside directors and one audit & supervisory board member. They are chaired by independent outside directors to ensure objectivity of each deliberated matter.
3. The Nominations Committee deliberates matters such as the designation of candidates for corporate officers to be elected/dismissed, the draft on nominating or dismissing officer positions and disciplinary actions. The Remuneration Committee deliberates systems of remuneration to corporate officers, as well as details of remuneration to each corporate officer. The matters deliberated at the respective committees are discussed at the Board of Directors for determination.

Policy on Roles of Outside Directors/Outside Audit & Supervisory Board Members and Their Selection and Nomination

1. Two of our outside directors fulfill our standards for independence. These individuals work to strengthen their supervisory function vis-à-vis management from a standpoint of objectivity. Specifically, they fulfill a role that is important to the decision-making process, providing opinions from the perspective of either technical experts or shareholders independent of management, based on a broad view that leverages their knowledge of legal affairs related to companies or their experience as corporate managers.
2. Two of our outside audit & supervisory board members

meet our standards for independence. They cooperate with each other to monitor the state of internal controls over operations on a daily basis. Specifically, the audit & supervisory board members are responsible for investigating and verifying whether directors are discharging their responsibilities in compliance with pertinent laws. In addition to possessing technical and practical knowledge in the fields of law and accounting, they objectively monitor the actions of directors from an independent standpoint.

Reasons for Selection as Independent Outside Directors

Yuji Iwanaga, Independent Outside Director

Based on his experience serving as a senior manager at multiple companies and his knowledge and experience as an attorney specializing in corporate legal practices, Mr. Yuji Iwanaga stimulates deliberation at meetings of the Board of Directors by assertively contributing his frank opinions and ideas and thereby fulfilling his role as an independent outside director. He objectively supervises business operations as chairperson of the Board of Directors and chairperson of the Nominations Committee. On these grounds, he was selected as an independent outside director.

Hisaji Agata, Independent Outside Director

Mr. Hisaji Agata is an expert in early-stage investment and business incubation aimed at forming a highly transparent and sound business structure, and has a long record of achievement and proven insight as a business manager. Providing assertive and constructive opinions at meetings of the Board of Directors, he has fulfilled his role as an independent outside director. He objectively supervises business operations as chairperson of the Remuneration Committee. On these grounds, he was selected as an independent outside director.

Reasons for Selection as Outside Audit & Supervisory Board Members

Tomonori Akisaka, Independent Outside Audit & Supervisory Board Member

Mr. Tomonori Akisaka has extensive finance and accounting knowledge as a university professor with a research specialization in corporate law and as a certified public accountant. With the expectation he could provide guidance and recommendations to ensure the appropriateness of the Board of Directors' activities and present valuable insight in auditing management, Mr. Akisaka was selected as an independent outside audit & supervisory board member.

Kazuhiro Yamakawa, Independent Outside Audit & Supervisory Board Member

Mr. Kazuhiro Yamakawa is well versed in general legal affairs, including corporate legal practices, and has ample insight into auditing management based on his abundant experience as a public prosecutor, attorney, and university professor. After becoming an independent outside audit & supervisory board member, he has examined whether there are any blind spots unique to the Company in its internal controls and risk management system and has audited business judgments made by the Board of Directors and the discharge of responsibilities by directors. On these grounds, he was selected as an independent outside audit & supervisory board member.

Policies Determining Remuneration Paid to Corporate Officers and Details Thereof

The following are policies we have established to determine the remuneration paid to corporate officers.

1. Based on quantitative rules, remuneration with a basis in transparency and fairness shall be paid.
2. The level of remuneration shall be determined by assessing appropriateness after fully examining levels at sector peer companies and economic and social circumstances in general.
3. The remuneration system shall be designed to focus on incentives linked to business results with the aim of improving business performance.

Based on such policies, the Remuneration Committee has been set up as an advisory body to the Board of Directors to ensure transparency and fairness in the process of determining

remuneration paid to corporate officers. Chaired by an independent outside director, the Remuneration Committee deliberates on policies, systems, calculation methods for the remuneration of corporate officers, and the specifics of individual compensation, etc. and prepares and submits reports thereon.

Specific remuneration amounts are calculated based on company rules within the range approved at shareholders' meetings, and then presented in a report based on deliberations by the Remuneration Committee. Once the Board of Directors reviews the report, the Board decides the remuneration of directors, and the Audit & Supervisory Board decides the remuneration of its members.

Total remuneration paid to Directors and Audit & Supervisory Board Members for the fiscal year ended in March, 2015

	Total remuneration paid and number of persons		Total remuneration paid by type of compensation					
			Monthly remuneration		Director bonus		Stock options	
	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors	8	255	8	172	6	49	6	33
Audit & Supervisory Board Members	4	60	4	60	—	—	—	—
Total	12	316	12	233	6	49	6	33
Of which, Outside Directors and Outside Audit & Supervisory Board Members	(4)	(33)	(4)	(33)	(—)	(—)	(—)	(—)

Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year ended in March 2015, not the number of persons in office.
2. The limit of remunerations paid to Directors was resolved to be ¥450 million or less per year at the 66th Ordinary General Meeting of Shareholders held on June 28, 2007. The limit of remunerations paid to audit & supervisory board members was resolved to be ¥6 million or less per month at the 52nd Ordinary General Meeting of Shareholders held on June 29, 1993.

Independent Outside Director Message 1

Facilitating Active Deliberations to Enable the Board of Directors to Reach Proper Resolutions

Yuji Iwanaga, Independent Outside Director

I think an outside director is supposed to offer opinions at meetings of the Board of Directors from the perspective of how much can we increase corporate value while considering the interests of shareholders and various other stakeholders, and thereby facilitate active deliberation to enable the Board to reach proper resolutions.

I feel the Company currently has an environment that would allow outside directors to better fulfill such a role. Under internal rules, I serve as chairperson of the Board of Directors, and another outside director, Mr. Hisaji Agata, stands in for me when I am not available.

Furthermore, the two outside directors are members of the Nominations Committee and the Remuneration Committee. I chair the former and Mr. Agata chairs the latter. All the full-time directors listen to the opinions of outside directors with sincerity, and the Board has never forcibly pushed for a vote without paying attention to our opinions.

I often make comments on CSR, corporate governance, compliance, and risk management from the viewpoint of an attorney. My experience as an outside director at a U.S. company helps me in this regard. I also present my opinions on capital investment, personnel, financial problems, M&A, etc. based on my experience as a senior manager at multiple companies. However, in principle, I always try to respect the opinions of people on the frontlines with regards to technological matters.



Independent Outside Director Message 2

Participating in Management Decision-making to Properly Protect Stakeholders' Interests

Hisaji Agata, Independent Outside Director

On June 1, 2015, the Corporate Governance Code came into effect for listed companies. It seeks to bolster monitoring of corporate initiatives to improve corporate value and foster an expansive dialogue with shareholders via enhanced management transparency. Above all, however, I believe it is intended to improve ROE.

Compared with U.S. and European companies, the ROE of Japanese companies has remained at low levels for years due to weak profitability.

To foster innovation, a source of corporate growth, our operating departments must boldly take on challenges while trying to minimize risks, and summon up a strong determination to commit to delivering such results.

Drawing on my management experience at a corporate investment incubator, I continue to participate in management decision-making as an independent outside director for the purpose of properly protecting the interests of stakeholders.

