

Kazuhiro  
Yamakawa

Outside, Independent  
Audit & Supervisory  
Board Member



Hajime  
Yoshitake

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Audit & Supervisory  
Board Member



## Conversation with Outside Audit & Supervisory Board Members

In order to realize sustainable growth and increase corporate value over the medium to long term, creating a corporate governance structure that enables transparent, fair, rapid, and decisive decision-making is vital. TAIYO YUDEN has received proposals from Outside Audit & Supervisory Board Members Hajime Yoshitake and Kazuhiro Yamakawa regarding corporate governance reforms and corporate value enhancement, initiatives being pursued by the Company.

### Enhancing the Structure of Corporate Governance

**Yoshitake:** TAIYO YUDEN is a company that has from early on taken steps to enhance corporate governance. It seems to me that the Company has quickly done what is necessary to develop its corporate governance structure by establishing a system that supports multiple outside directors as well as by voluntarily setting up nomination and remuneration committees at a relatively early stage. Beyond these mechanisms, I feel



that the content and direction of Board of Directors' discussions are highly effective.

**Yamakawa:** I feel the same way. A big reason for this high degree of effectiveness perhaps lies in the Company maintaining a diverse array of personnel among its directors and auditors.

Inside and outside directors have varied backgrounds that include quality assurance officers, department managers and group company president among the former, and a former corporate manager and a lawyer among the latter. Not strictly limited to managers, I believe that the addition of experts with specialized knowledge and understanding helps the Board make important decisions.

**Yoshitake:** At the most recent shareholders meeting held in June, the Board of Directors reduced the number of inside directors by one to four, which with two outside directors gives the Board a two-to-one ratio inside to outside directors. While some believe that the Board should have a majority of outside directors, I believe the first step is to have well balanced membership.

### The Role of Outside Officers & Efficacy Evaluations

**Yamakawa:** The most important thing for us as outside officers is to provide external points of view. On boards with only internal directors, a sense of common destiny tends to creep in. Comments by outside officers that intentionally run contrary to this sense and mood can often lead to breakthroughs.

**Yoshitake:** Valuing the standpoint of outside officers, the Company has created mechanisms that enable us to function effectively in my view. Attending Management Implementation, Internal Control, and other committee meetings as observers, outside officers are able to keep an eye on the types of discussions being held.

**Yamakawa:** Director effectiveness is evaluated by all directors and auditors, with the results being reported to the Board of Directors, including improvement measures. Apart from this, mechanisms that bring together directors in charge of management planning with outside directors and auditors with no business execution functions to jointly discuss specific improvement measures enables multi-layered initiatives that ensures a high level of effectiveness.

### Global Corporate Governance

**Yoshitake:** In recent years dishonest practices have surfaced at the subsidiaries of Japanese companies both here and abroad. In the case of TAIYO YUDEN, however, I think such an occurrence is unlikely because the Company regularly performs audits through internal control departments and internal audit offices at its 30 bases in Japan and overseas in tandem with auditors being dispatched on-site to undertake inspections, guidance, and audits. In addition, the Company has established internal reporting systems at the headquarters and domestic/overseas bases that provide auditors with all forms of negative information.

**Yamakawa:** It is vital for the Company's headquarters to have a thorough understanding of the differences between Japanese and local cultures, laws, and accounting standards when conducting audits of overseas bases. For this reason, auditors coordinate with local auditing firms, legal offices, and consultants in an effort to conduct even more effective and efficient audits.

**Yoshitake:** Beyond regular field audits, I would like to see the Company introduce mechanisms that enable real-time monitoring using IT and AI in the years ahead.

### Plans to Pass the Mantle to the Next Generation of Top Managers



**Yamakawa:** As for who will be the next to be chosen as directors and how to approach director compensation, these key corporate governance themes are decided by the Nomination and Remuneration Committees, both of which are composed of four members—the president, outside directors, and auditor—and is chaired by outside director. Such matters being decided by committees that primarily consist of non-executive directors is laudable in my view.

**Yoshitake:** I couldn't agree more with that. While decision-making mechanisms to choose next directors also have a role to play, the Company introducing mandatory retirement ages for the president and other executive officers shows its painstaking efforts to prevent inertia and collusion.

**Yamakawa:** Considering that a company's lifespan is longer than that of any individual manager, having a succession plan is critical regardless of the company. Through the formulation and implementation of representative director succession plans by the Nomination Committee, TAIYO YUDEN is working to build mechanisms to improve corporate value over the medium to long term.