CHALLENGE FOR SMART SOCIETY

Integrated Report

TAIYO YUDEN Report 2019

TAIYO YUDEN

Contents

Editorial Policy

The TAIYO YUDEN Group has issued an integrated report titled TAIYO YUDEN Report since 2018 as a communication tool for its many stakeholders including investors. In addition to conventional financial information and details of the Group's management strategies, the integrated report expands on our efforts to address environmental, social and governance (ESG) concerns. This report aims to convey in an easy-to-understand manner the ways in which the TAIYO YUDEN Group works diligently to help realize a sustainable society. This includes efforts to resolve both customers' and society's issues by delivering various module, software and other comprehensive solutions such as the provision of highly reliable electronic components. Moving forward, the TAIYO YUDEN Group will continue to sincerely respond to the requests of stakeholders while endeavoring to make its activities better understood.

For details on the TAIYO YUDEN Group's financial and non-financial information, please visit our website at:

Investor Relations **https://www.yuden.co.jp/or/ir/**

Sustainability **https://www.yuden.co.jp/or/company/sustainability/**

Section 3

FOUNDATION UNDERPINNING VALUE CREATION

DATA SECTION

Scope of Report

This report covers (as of March 31, 2019) 27 companies, comprising the Company, 10 domestic subsidiaries and 16 overseas subsidiaries.

Reference Guidelines

For editing purposes, reference was made to the International Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation provided by the Ministry of Economy, Trade and Industry. For ESG-related information, we referred to the Ministry of the Environment's Environmental Reporting Guidelines (2012 version). We also refer to GRI guidelines and publish environment-related indicators.

Notes

- Period covered by this report: From April 1, 2018 to March 31, 2019. The figures in this report omit amounts less than hundred million yen and 1 million yen and displays it.
- The following convention has been applied as regards the labeling of fiscal years in graphs: "The fiscal year ended March 2019," for example, has been shortened to "2019."
- The English-language version of this report is based on the Japanese-language version. With the exception of the financial statements, all figures presented have been rounded down to the nearest appropriate unit. As a result, there are cases when a presented figure differs slightly from the equivalent figure in the financial statements.
- The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. TAIYO YUDEN has been granted approval to use these trademarks.
- The contents of this report are correct as of June 29, 2019.

Disclaimer

This report is intended to provide information about the business performance and strategies of the TAIYO YUDEN Group. It is not intended as an inducement to purchase or sell stock in TAIYO YUDEN or any TAIYO YUDEN Group company. Statements in this report that are not historical fact are forward-looking statements based on the current beliefs, estimates and expectations of TAIYO YUDEN Group management. As these beliefs, estimates and expectations are subject to a number of risks, uncertainties and assumptions, actual results may differ materially. TAIYO YUDEN undertakes no obligation to update any forward-looking statements, and shall in no event be liable for any damages arising out of the use or interpretation of this material. Please refrain from copying or disseminating this material without the prior consent of TAIYO YUDEN.

Section 1

VALUE CREATION STORY

Management Philosophy

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

Since

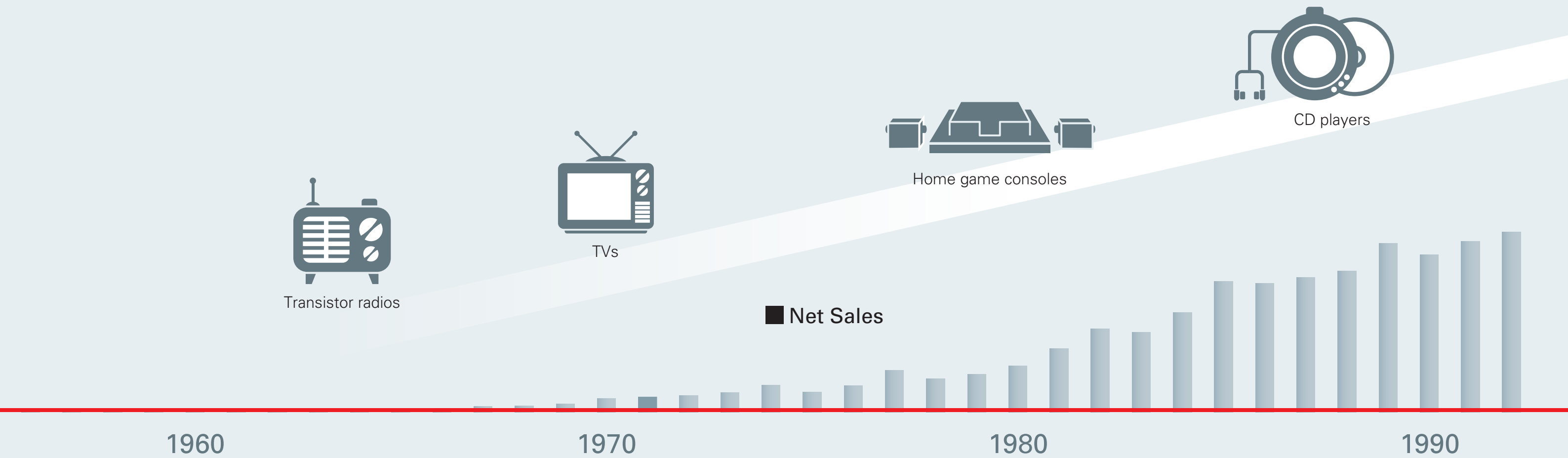
1950～

Rutilcon, barium titanate tubular ceramic capacitors

Since its founding in 1950, TAIYO YUDEN has built a foundation for growth by working to develop and mass produce ceramic capacitors and other products that meet the most current needs of our customers and the markets we serve based on our corporate philosophy of conducting every step "from the research and development of materials to product commercialization." Currently, we are deploying our research, development, production, and supply of capacitors, inductors, functional modules, and FBAR/SAW devices globally, thereby supporting the growth of the IT and electronics industries from the field of high-quality, sophisticated electronic components.

Evolving Together With the Greater Use of Electronics Around the World

In step with the development of radios, televisions, personal computers, mobile phones, LCD televisions, smartphones, automobiles, and other types of new electronic equipment, the electronic components produced by TAIYO YUDEN have also continuously evolved.



Sept. 1950

Sales of Rutilcon, barium titanate tubular ceramic capacitors, began

Sept. 1954

Production of Ferrit Cores, small ferrite cores, began

Sept. 1964

Established the technical research laboratory

May 1967

Established our first overseas subsidiary TAIWAN TAIYO YUDEN CO., LTD. in Taipei

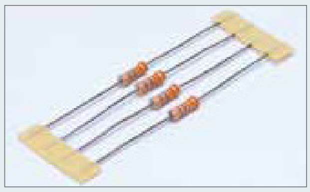
TAIWAN TAIYO YUDEN at the time of establishment

Mar. 1970

Listed on the Second Section of the Tokyo Stock Exchange. In 1973, moved to the First Section.

July 1976

The world's first sales of axial leaded ceramic capacitors began

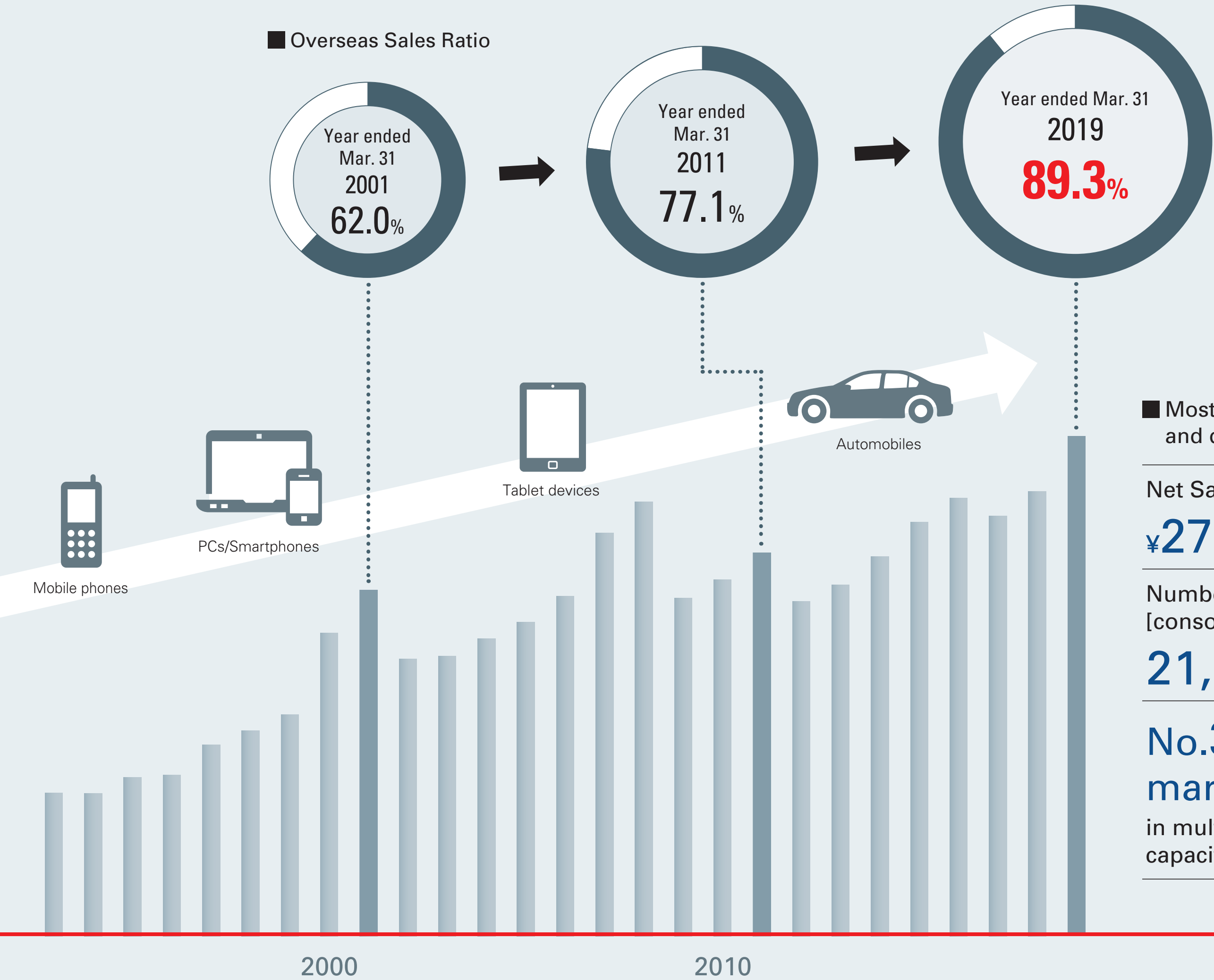


Axial leaded ceramic capacitors

Oct. 1977

Developed world's first tubular chip type ceramic capacitors

Tubular chip type ceramic capacitors



Most recent results and data

Net Sales

¥274.3 billion

Number of employees [consolidated]

21,300

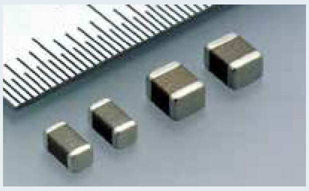
No.3 global market share

in multilayer ceramic capacitors (MLCC)

(Our Estimate)

July 1984

The world's first sales of nickel electrode high-capacitance multilayer ceramic capacitors began



Nickel-electrode high-capacitance multilayer ceramic capacitors [3216] type and [3225] type

Sept. 1988

Announced the release of the world's first recordable CD-R compact disks

DVD-R, BD-R, CD-R

1999-2000

Established four production bases abroad simultaneously

TAIYO YUDEN (SARAWAK)

Apr. 2001

Acquired the world's first Bluetooth® standard version 1.1 qualification for Bluetooth® full modules

Mar. 2010

Acquired TAIYO YUDEN Mobile Technology Co., Ltd.

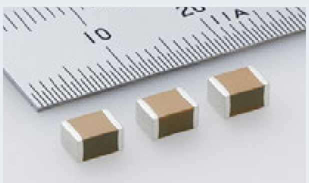
TAIYO YUDEN Mobile Technology Co., Ltd.

Apr. 2018

ELNA CO., LTD. becomes a subsidiary

May 2018

Commercialized the world's first multilayer ceramic capacitors with a capacitance of 1,000μF



4532 size (4.5mm×3.2mm) small high-capacitance multilayer ceramic capacitors with 1,000 μF capacitance

Supplying Passive Components in Support of Greater Electronics Use

Of the different types of electronic components, the TAIYO YUDEN Group is particularly focused on supplying capacitors, inductors, and other passive components to a wide range of fields, including communication equipment, thereby supporting the greater use of electronics around the world.

Communication equipment

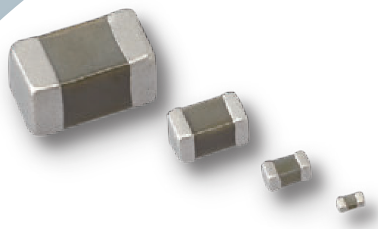
- Smartphones
- Mobile phones

Information equipment

- Tablet devices
- PCs

Consumer products

- Flat-screen TVs
- Digital cameras
- Game machines

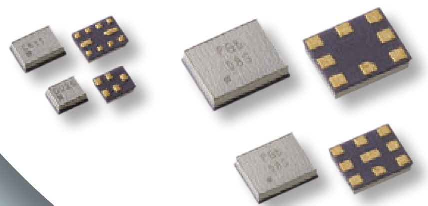


Capacitors

Capacitors are used in a wide variety of electronic equipment to temporarily store electricity and remove electronic noise. TAIYO YUDEN excels in producing leading-edge, highly-reliable multilayer ceramic capacitors which are best suited to cutting-edge electronic devices including smartphones and automobiles, and large numbers of multilayer ceramic capacitors are loaded into such devices.

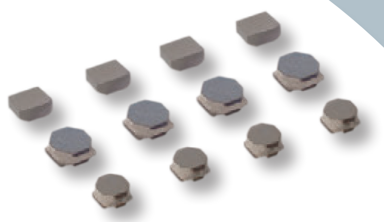
Integrated Modules & Devices

The Integrated Modules & Devices classification's main products are FBAR/SAW devices for mobile communications and power supply modules. The FBAR/SAW devices are used primarily in smartphones to enable high-speed data communications and high-quality voice communications.



■ TAIYO YUDEN Main Products

➡ **p.28 At a Glance**

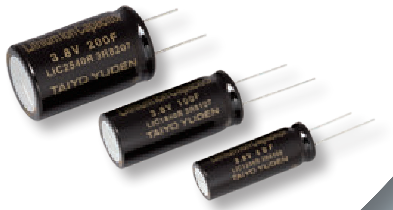


Ferrite and Applied Products

The main products of the Ferrite and Applied Products classification are inductors used in electronic equipment power and high-frequency circuits for blocking alternating current while allowing direct current to pass through.

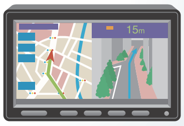
Other Electronic Components

The Other Electronic Components classification develops and brings to market a variety of energy devices used as backup power equipment for smart meters and other similar products, and peak current assistance for LED flashes.



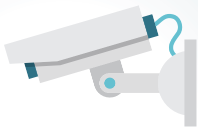
Automobiles

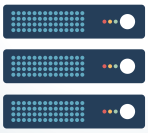
- Advanced driver assistance systems (ADAS)
- Meter clusters
- Electronic control units



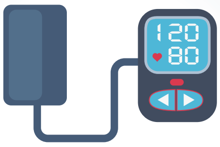
IT infrastructure / Industrial equipment

- Base station communication equipment
- Servers
- Security cameras



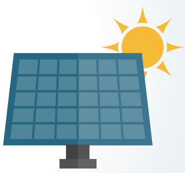


Healthcare



Environmental and Energy

- Solar power generators
- Electric bicycles

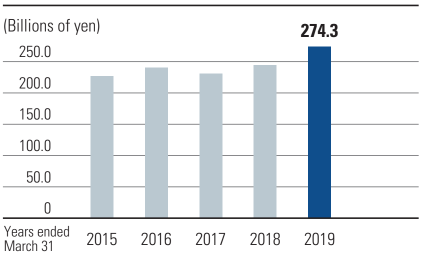


Financial and Non-financial Highlights

TAIYO YUDEN CO., LTD. and Subsidiaries
Years Ended March 31 and as of March 31

[Financial]

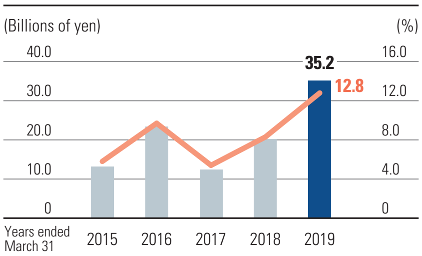
Net sales ¥274.3billion
12.4% up (YoY)



Sales of capacitors, one of our main products, increased in all markets. Among these, capacitors for automobiles served as a driver that has led to a new record-high.

Operating income ¥35.2billion
74.3% up

Operating margin 12.8%
4.5pt up

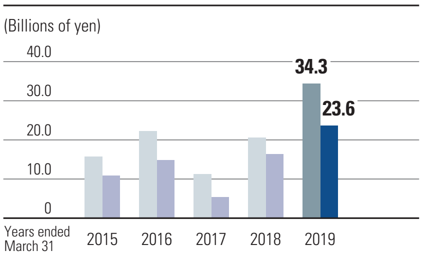


Operating income (left scale)
Operating margin (right scale)

Both operating income and margin have improved due to initiatives designed to expand sales and improve production efficiency in the focus markets of automobiles and IT infrastructure/industrial equipment.

Ordinary income ¥34.3billion
67.1% up

Net income attributable to owners of parent company ¥23.6billion
44.8% up

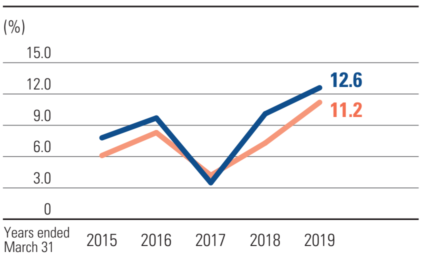


Ordinary income
Net income attributable to owners of parent company

Ordinary income has closely tracked fluctuations in operating income. Net income attributable to owners of parent company reached a new record-high.

ROE 12.6%
2.5pt up

ROA 11.2%
3.8pt up



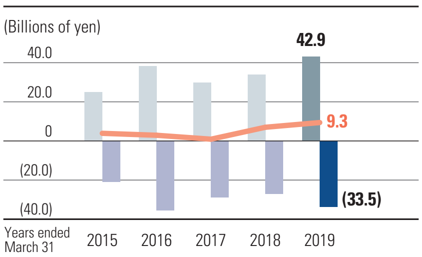
ROE
ROA

Having established a medium-term plan that targets an ROE of at least 10% by the fiscal year ending March 31, 2021, TAIYO YUDEN has been working to enhance profitability by expanding in the focus markets of automobiles and IT infrastructure/industrial equipment, and by undertaking productivity improvement activities.

Cash flows from operating activities ¥42.9billion

Cash flows from investing activities ¥(33.5)billion

Free cash flows ¥9.3billion



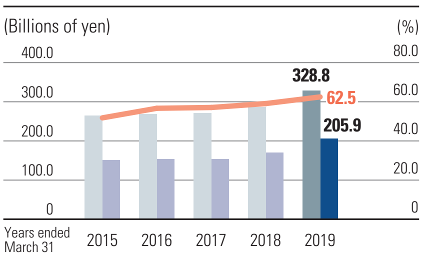
Cash flows from operating activities
Cash flows from investing activities
Free cash flows

Cash flows from operating activities trended upwards as a result of higher earnings. Although increases in expenditures attributable to property, plant, and equipment purchases stemming from capital investments have also led to continued investment cash flow outlays, free cash flows are trending upwards.

Total assets ¥328.8billion
14.5% up

Net assets ¥205.9billion
21.1% up

Equity ratio 62.5%
3.4pt up



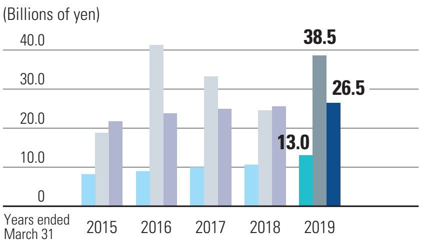
Total assets (left scale)
Net assets (left scale)
Equity ratio (right scale)

Given the strong demand, the scale continues to expand, leading to growth in total assets. Meanwhile, continuing to hold down increases in interest-bearing debt has resulted in an equity ratio that reached the 60% range.

R&D expenses ¥13.0billion
23.3% up

Capital investments ¥38.5billion
57.1% up

Depreciation and amortization ¥26.5billion
3.7% up

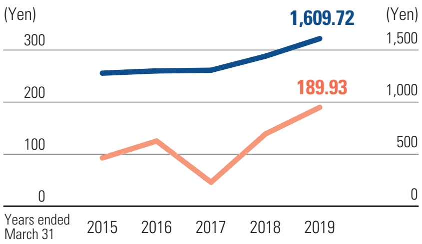


R&D expenses Capital investments
Depreciation and amortization

Faced with the imminent arrival of 5G networks, as well as greater automotive-related demand, TAIYO YUDEN continues to make aggressive capital investments. Moreover, we are increasing R&D expenses aimed at energizing new business and new product development.

BPS ¥1,609.72

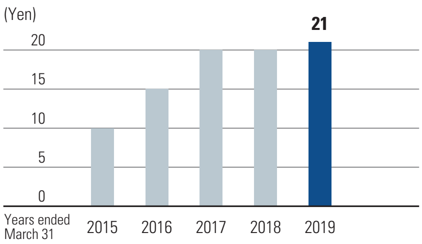
EPS ¥189.93



BPS (right scale)
EPS (left scale)

As a result of the upward trends in both net income attributable to the owners of parent company and net assets, both BPS and EPS are trending upwards.

Cash dividends ¥21

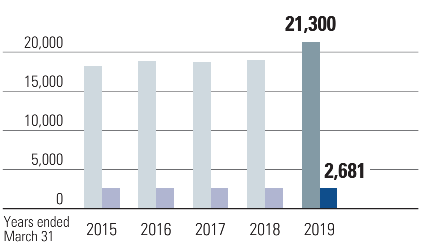


Having stated “Responsibility to Provide Returns to Shareholders” as one of our Management Philosophies, TAIYO YUDEN aims to achieve a total return ratio of 30% through dividends, treasury stock acquisitions, and other measures. For the fiscal year ended March 31, 2019, we increased the year-end dividend per share by ¥1, which, when combined with the interim dividend, resulted in a dividend of ¥21.

[Non-financial]

Number of employees [consolidated] 21,300
12.0% up

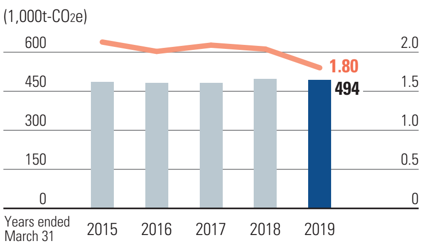
Number of employees [non-consolidated] 2,681
3.5% up



Number of employees [consolidated]
Number of employees [non-consolidated]

TAIYO YUDEN is increasing the number of employees due to increasing production capacity. During the fiscal year ended March 31, 2019, the number of employees grew significantly as a result of making ELNA CO., LTD. into a subsidiary.

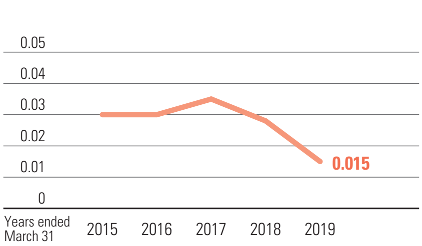
Greenhouse gas emissions 494 1,000t-CO_2e
0.6% down



Greenhouse gas emissions (1,000t-CO_2e)(left scale)
GHG emissions per unit of sales (right scale)

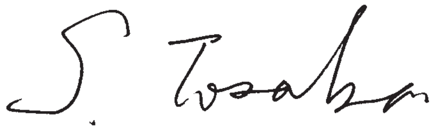
Greenhouse gas emissions were flat. However, further increasing production efficiency by revising production processes, primarily for our main products, has led to an improvement in emissions per unit of sale.

Incidence rate of injuries and illness 0.015
0.013pt down

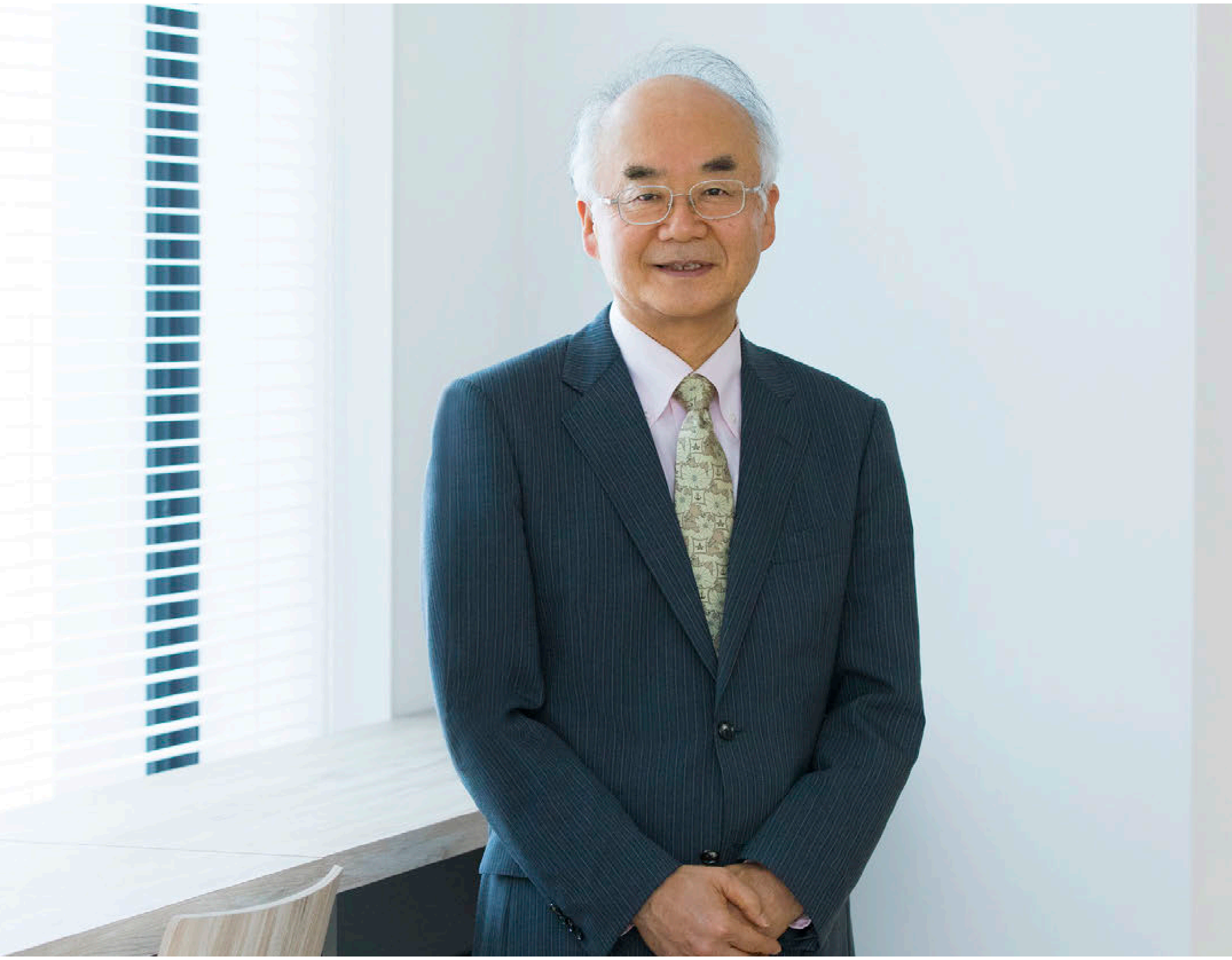


As a result of conducting risk assessments for all work sites and promoting measures to prevent the occurrence of work-related accidents and work-related illnesses, the medium-term plan target of less than 0.040 for the incidence rate of injuries and illness continues to be met.

We will balance the creation of social value with the TAIYO YUDEN Group's sustainable growth by meeting and exceeding customer expectations.



Shoichi Tosaka
President and Chief Executive Officer



The TAIYO YUDEN Group's Future Vision

Since its commercialization of the Rutilcon, barium titanate porcelain capacitors in 1950, TAIYO YUDEN has developed, produced and supplied electronic components used in various electronic devices from transistor radios used in earlier times to devices used in today's market, such as televisions, game machines, mobile phones, tablet devices and most recently, automobiles. The Company's electronic components, especially its capacitors, are essential to the manufacture of electronic equipment, including smartphones and PCs, which are viewed by many to be necessities of modern society. These components are also becoming increasingly important in the computerization and electrification of automobiles, which there continues to be growing demand. In addition, we produce critical components in support of the imminent emergence of an AI and IoT society.

TAIYO YUDEN's presence continuing to underpin the greater use of electronics around the world now and in the years to come, the Group will continue to supply high-quality electronic components (smart products) that meet and/or exceed customer expectations. As we more forward in this markets, TAIYO YUDEN will continue to face the challenges in fulfilling its management vision, "to be an excellent company that enjoys the trust and highest regard from its customers," by providing a stable supply of high-tech products in large quantities on a global basis. Our intention is to balance the creation of social value with the Group's sustainable growth by meeting market demands, while helping to build an affluent society throughout the world. To do this we will be poised to take on the technology and supply challenges this will bring.

Business Environment Surrounding the TAIYO YUDEN Group

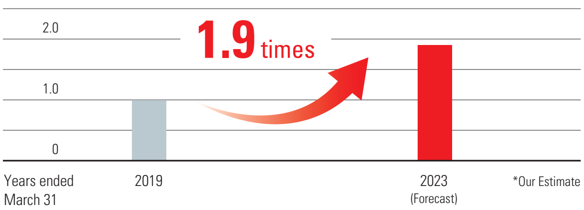
TAIYO YUDEN is paying close attention to developments and the future direction of the global political economy, such as the trade dispute between the United States and China. In addition, the spread of next-generation 5G communication standard and the changes in the market structure due to the incorporation of unprecedented technologies, such as CASE* in the automobile industry, have had a great impact on the electronic components industry where TAIYO YUDEN operates.

We see key structural changes such as the IoT evolution on the horizon. IoT is expected to become more widespread in the years to come. At some point in the future we assume that all devices will be connected to a network. Today, we support various devices that are network-connected, starting with the automotive field, where autonomous driving is under development. Also, in the field of industrial equipment, such as security cameras and smart factories, and in the medical and healthcare fields, where remote diagnosis is expected. As a result, demand for electronic components is expected to show explosive growth. In addition, the amount of data handled by data center servers that accumulate data is expected to increase dramatically, and for that reason we are seeing increased capital investment in communications equipment for base stations, which act as data relay points.

TAIYO YUDEN's main product, multilayer ceramic capacitors (MLCCs), is experiencing tremendous growth. MLCC demand to support automobiles is expected to increase by roughly 1.9

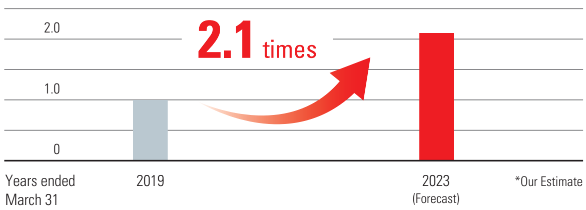
MLCC Market for Automobiles and Information Infrastructure and Our Strengths

■ MLCC Demand Forecast for Automobiles (Volume Based)



▪ Increased use of automotive electrical equipment accelerated by CASE

■ MLCC Demand Forecast for Base Station Communications Equipment (Volume Based)



▪ Addition of more base station communication devices, increased number of MLCCs installed per unit

Demonstrating Our Strengths toward Sales Expansion That Outstrips Market Growth

- High Reliability
- Downsizing
- Top Runner for Large Capacitance
- Decentralization of Production Bases

times over the next four years to the fiscal year ending March 2023. Base station communication equipment will increase by about 2.1 times over the same period. Under such circumstances, the Group is aiming for sales growth that exceeds the volume growth of the market by leveraging its strengths, such as "high reliability", "downsizing", "large capacity" and "decentralization of production bases."

* An automotive industry acronym formed from Connected, Autonomous, Shared & Services, Electric

Progress of Medium-term Management Plan and Financial Results for Fiscal Year Ended March 2019

Under the Medium-term Management Plan that is currently being promoted by the Group and that will end in the fiscal year ending in March 2021, we are aiming for stable improvement in earnings, to lower the dependence on communication devices, such as smartphones that tend to have large fluctuations in demand, and to promote a business portfolio strategy that will increase the relative importance of automobiles, information infrastructure and industrial equipment. Based on this strategy, we have been working to improve our business structure, aiming for net sales of ¥300 billion, an operating margin of 10% or more, and an ROE of 10% or more.

As a result, TAIYO YUDEN's most recent financial results show consolidated sales at a record level, climbing 12.4% compared with the previous fiscal year to ¥274.3 billion in the fiscal year ended March 31, 2019. From a profit perspective, operating income jumped 74.3%, to ¥35.2 billion, and net income attributable to owners of parent company rose 44.8%, to ¥23.6 billion year on year. An important contributing factor to these results was sales of capacitors, which increased by a substantial 19.4% compared with the previous fiscal year. This was driven by business expansion and particularly strong results from the automotive, information infrastructure and industrial equipment sectors.

TAIYO YUDEN expects demand for its electronics components to again expand in the fiscal year ending March 31, 2020, primarily in the automotive, information infrastructure and industrial equipment market sectors.

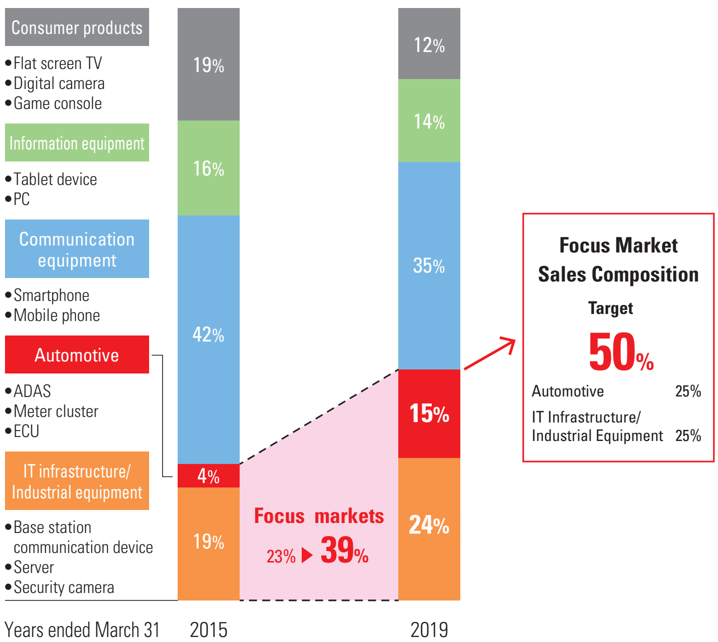
In addition, the operating margin target is being achieved, which had been set at 10% in the Medium-term Management Plan, and was revised upward to 15% or more. This was mainly fueled by greater than expected growth in sales to the automotive sector. We aim to further increase earnings and achieve our Plan in the years to come with a key focus on three main measures: (1) expansion of focus markets, (2) investment for future growth, and (3) advancements in manufacturing.

Expansion of Focus Markets

Under its Medium-term Management Plan, the Group has established "focus markets," with the aim of transitioning from an earnings structure that relies on equipment with severe fluctuations in demand, and strengthened efforts in all product development, production, and marketing for those markets. The most important of the focus markets is the automotive segment, where demand for electronic components has been expanding rapidly in recent years. According to our estimates, the number of MLCCs installed per vehicle is about 3,000 for mid-class, gasoline-powered vehicles and about 7,000 for electric vehicles, and the usage per vehicle will only continue to expand in the years to come. Although the Group was a late in starting manufacturing in support of the automobile market, we entered the market at a time when demand for electronic components was increasing against the background of the evolution of safety functions and the progress being made with electric vehicles. Our sales expansion in this market continues to outpace market growth. In addition to the automobile market, our focus markets include the information infrastructure and industrial equipment fields. Our concentration in these fields is focused on base station communication equipment in the lead-up to the start of 5G services.

The initial plan was to expand sales for automobiles and industrial equipment, which had made up 23% of net sales in the fiscal year ending March 2015, to 38% by the fiscal year ending March 2021. This target was revised given 39% had been achieved in the fiscal year currently under review. In the years to come, we

■ Sales composition by market sector



aim to achieve a sales composition ratio of 50% for the automotive, information infrastructure and industrial equipment markets, where growth is expected. Within this plan we are aiming to increase sales in automotive sector to 25%.

By increasing the sales composition ratio in the automobile market as well as in the information infrastructure and industrial equipment markets, we will secure a certain level of profit even in years when the external environment is adverse. This will allow the Group to transform into a corporate structure that can sustain growth. In the medium term, we plan to improve our earnings structure to become a company capable of generating operating margin of 15% on a consistent basis.

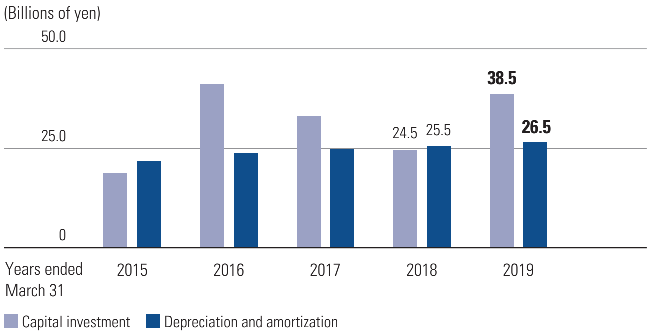
Investment for Future Growth

Investment for future growth is the second measure under the Medium-term Management Plan. For this measure we will continue to undertake aggressive capital investment to respond to the rapid increase in demand, as explained above. Following the start of Building No.3 operations at the production subsidiary NIIGATA TAIYO YUDEN CO., LTD. in March 2019, construction of Building No. 4 is scheduled for completion in April 2020. These actions will further expand our production capacity. Over the three years from the fiscal year ended March 2019 to the fiscal year ending March 2021, we will make a cumulative total of ¥150 billion in capital investments.

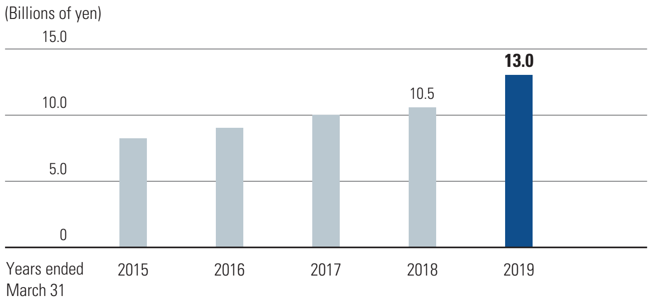
Meanwhile, we maintained an aggressive approach toward R&D and invested approximately ¥13 billion in R&D expenses in the fiscal year ending March 2019. Recognizing that R&D is the source that drives our future, we will continue to invest a certain amount on the future in the years to come, focusing on the development of products, including capacitors, inductors and communication devices, and the creation of new business through solution proposals.

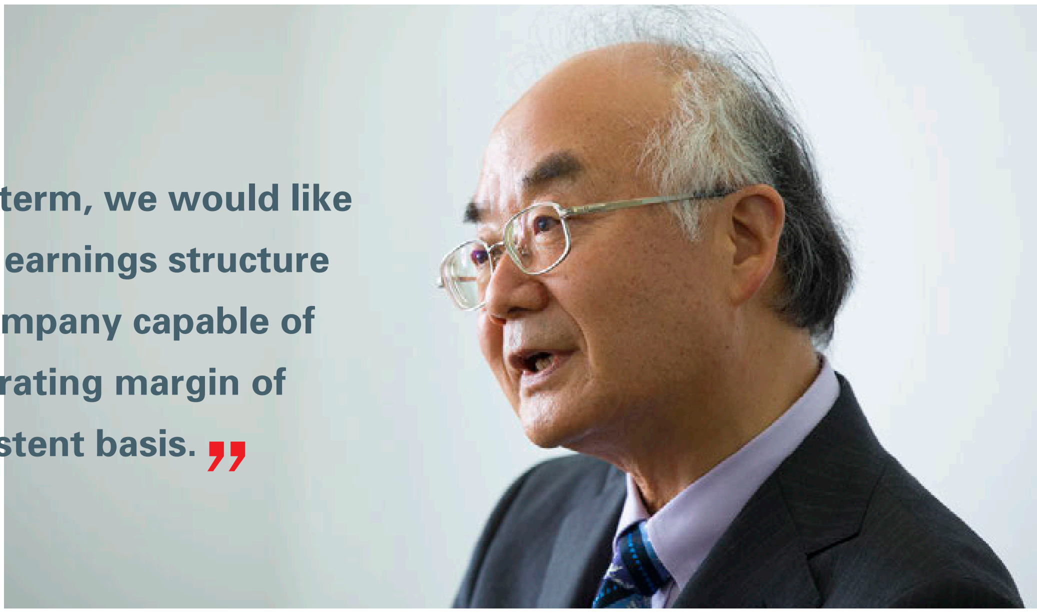
Through these capital and R&D investments for future growth, we will steadily advance preparations for the leap forward from fiscal 2020 onward, when the IoT era is set to begin in earnest.

■ Capital investment



■ R&D expenses





“In the medium term, we would like to improve our earnings structure to become a company capable of generating operating margin of 15% on a consistent basis.”

“We are aiming to build a location-free, borderless production system.”

Advancements in Manufacturing

TAIYO YUDEN is now in the fourth year of its smart.E Project that began in 2016. This project is designed to “promote advancements in manufacturing,” an initiative under the Company’s Medium-term Management Plan. Under this project, we are working to improve yields by eliminating inconsistencies in equipment and personnel. At the same time, we are uncovering the reasons for faults and malfunctions to as far as possible prevent them from occurring while aiming to create a production system capable of efficiently handling mass production to an unprecedented degree.

By the end of the fiscal year ended March 2019, the smart.E Project initiative was utilizing AI technology and had proven effective in the early detection and prevention of abnormalities, suppression of quality variations, improvement of yield, and improvement of human productivity. In locally measured cases, improvements in productivity of around 30%-40% had been realized, and we will continue to promote activities.

The smart.E project has been promoted mainly in Japan and will be expanded to overseas factories in the years to come. Ultimately, we are aiming to build a location-free, borderless production system that will maintain the same quality and productivity regardless of the plant’s location. Through the evolution of manufacturing, our policy is to minimize wastefulness and improve productivity by an order of magnitude, while at the same time improving production capacity.

ESG Strategies

First of all, we believe it important to solve social issues through our business activities. For that reason, we would like to realize our management vision through the development and provision of smart products* while contributing to the creation of a prosperous society and the resolution of social issues.

As evidenced by the adoption of the Sustainable Development Goals (SDGs) at the United Nations, in global society there are mounting expectations being placed on the corporate sector with regard to the solving of social issues. At the same time, there are growing demands from society, such as environmental, social, and governance (ESG)-based investment by investors—for companies. Companies are expected to engage in sustainable corporate activities that place emphasis on ESG concerns. As a result, TAIYO YUDEN is working to share throughout the Company future business opportunities and risks that touch on ESG concerns while addressing specified issues.

For example, we are endeavoring to contribute to the environment through our product strategy. Our group is keenly aware that climate change will have a massive impact on the future of our planet. We understand our responsibility to important environmental issues and we are making efforts to reduce CO_2 emissions and energy consumption across our manufacturing processes, by promoting smart processes such as “minimizing emissions” and “more efficient use of energy,” in a bid to help realize a zero carbon society.

With regard to the social aspects of our business operations, as a company that undertakes business activities on a global basis, we pay the utmost respect to the rights of all individuals in the conduct of our business activities worldwide. We see the continuance and further development of these efforts as an issue of the utmost importance.

As far as governance is concerned, having objectively analyzed any discrepancies between the current status of governance within the Company and the ideal scenario, we are taking the necessary steps to fill any gaps. As one such step, we are ensuring objectivity and transparency in the processes involved in the nomination of director candidates and evaluations of officers as well as in determining remuneration by having the separate nomination and remuneration committees chaired by an independent outside director and their members made up of the president, outside directors and auditors.

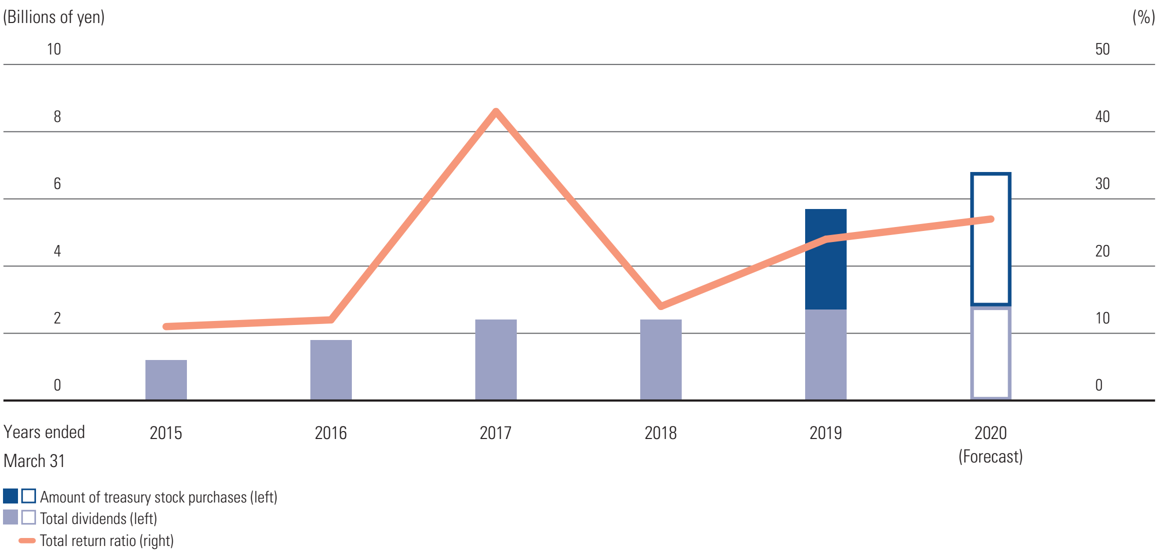
* Smart products: Highly reliable and safe products that are energy efficient and do not employ hazardous materials.

Returning Profits to Shareholders

The return of profits to shareholders is one of its most important management issues for the Company. We continue to focus our efforts toward stable increases in dividends while targeting a total return ratio of 30%, including the acquisition of treasury stock. In the fiscal year ended March 31, 2019, the year-end dividend per share was increased by ¥1, making a total of ¥21 when combined with the interim dividend. In addition, as a result of the acquisition of approximately ¥3.0 billion of treasury stock during the fiscal year for the purpose of improving capital efficiency, the total return ratio was 24%. In the fiscal year ending March 31, 2020, we will acquire approximately ¥4.0 billion of treasury stock and plan to increase the dividend by ¥1.

At present, we believe this to be an important time for investment for future growth, targeting the increase in demand for electronic components associated with advance of the IoT society. We aim to achieve stable shareholder returns in line with the target level. This is dependent on improvements in our cash position brought about, for example, by growth in our focus markets.

■ Return to shareholders



Feature

Aiming for Accelerated Growth in Automobile Market

In the automobile industry, a new field called “CASE” is causing a paradigm shift. Due to the progress being made with CASE, expectations are rising even in the electronic components industry that the automobile market will become a new growth field. In this special feature, each of the three men who are responsible for managing sales, production, and quality assurance will explain TAIYO YUDEN’s efforts in the automobile market.

Marketing

Shinya Miyazawa
Operating Officer,
in charge of Marketing

Production

Susumu Higuchi
Senior Operating Officer, in charge of
Electronic Components Division 2

Quality Assurance

Toshimitsu Honda
Senior Operating Officer,
in charge of Quality Assurance

Q1 Please tell us about the current status of development in the automobile market.

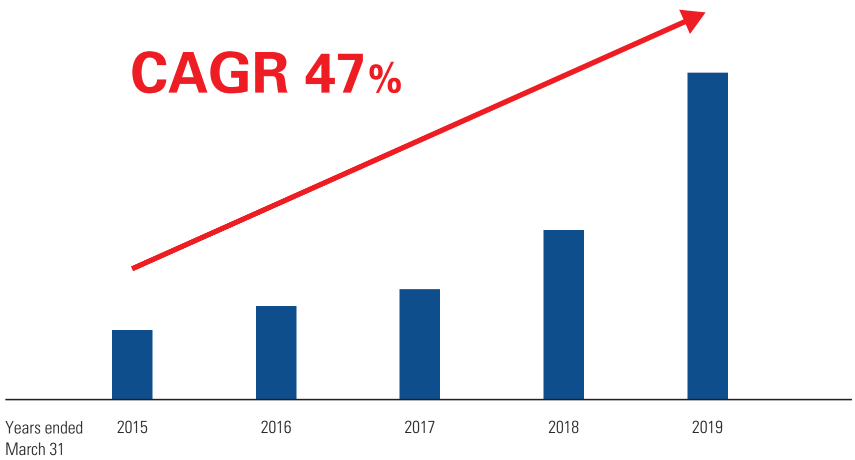
A1. It is expanding at a pace that greatly exceeds market growth.

Miyazawa: The major trend in the automobile market in recent years is called CASE, an acronym that stands for Connected, Autonomous, Shared, Electric. Electrification is progressing due to xEVs*, and the increase in the number of electronic components installed per completed vehicle is gathering pace. In accordance with use of electronic control equipment exemplified by advanced driver assistance systems (ADAS), the greater use of electronics in automobiles has been spurred, and the installation ratio of semiconductors and sensors has increased significantly. Demand for multilayer ceramic capacitors (MLCCs) and inductors, which are indispensable for these stable operations, is showing growth that is outstripping the number of automobiles produced.

*General term of BEV (battery electric vehicle [EV]), HEV (hybrid EV), PHEV (plug-in hybrid EV), FCEV (fuel cell EV)

Under these circumstances, the TAIYO YUDEN Group net sales of electronic components for automobiles expanded at an average annual growth rate of 47% from the fiscal year ended March 31, 2015, to the fiscal year ended March 31, 2019, a pace that far exceeded market growth. Following the subsidiary acquisition of and contribution from ELNA CO., LTD., whose mainstay products are aluminum electrolytic capacitors for automobiles, in the fiscal year ended March 31, 2019, the sales composition ratio of electronic components for the automobile market reached the initial target of 15%.

■ Trends in Sales to Automobile Market



Q2 What were the contributory factors in the expansion of transactions in the automobile industry with its high barriers to entry?

A2. They were our highly rated product design based on advanced material development technologies, and stable supply capabilities.

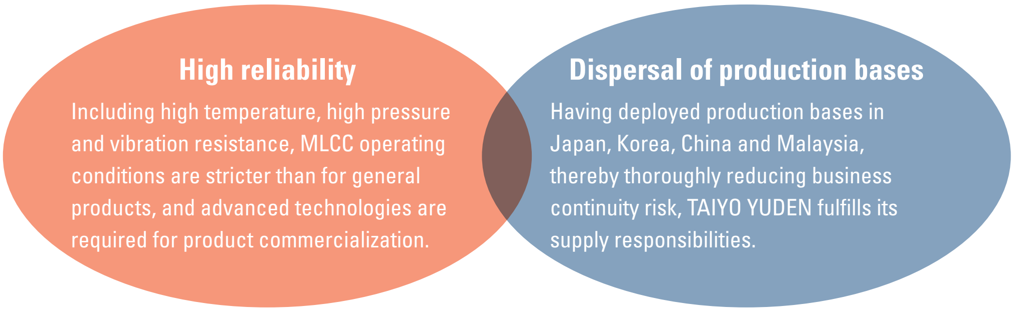
Miyazawa: It was 2011 when TAIYO YUDEN decided to enter the automobile market in earnest. Having established a dedicated organization, we started approaching Tier 1 manufacturers*. As a manufacturer coming late onto the scene, it was not easy for us to break into the automobile market, an industry in which results are everything as quality and stable supply are more important than anything else.

*Tier 1 manufacturers: Primary suppliers in a position to deliver directly to automakers.

Under such circumstances, the most important factors that enabled us to expand business transactions with Tier 1 manufacturers have been our excellent technologies and product appeal we have developed since our foundation, which have created the most advanced products. Indispensable in electronic circuits, MLCCs in particular have become a major strength because they were developed in-house from materials that control circuit performance. The Company has also been highly evaluated for having deployed production bases in four countries—Japan, China, Korea and Malaysia— and for having built a robust global stable supply system with a disaster risk-resilient BCP.

There being growing needs for higher functionality, improved safety, and energy saving in automobiles, the Company benefitted greatly from the necessity for electronic control in every component, and we were assessed that we are a supplier who can fulfill our responsibilities in supplying highly reliable products.

■ TAIYO YUDEN's MLCC Strengths in Automobile Market



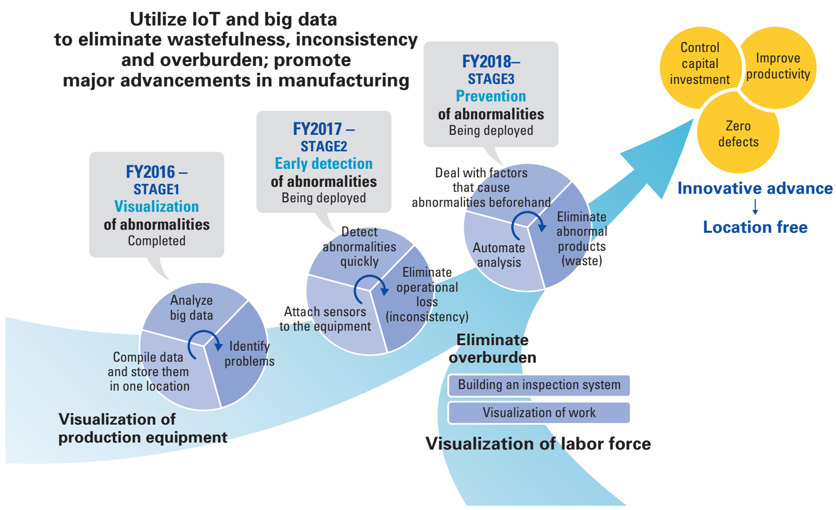
Q3 What are the challenges for sustainable growth in the automobile market?

A3. They are zero defects and strict production control.

Higuchi: In the years to come, there will be two major challenges to further increase in sales in the automobile market. They are production control and quality assurance. To ensure thorough production control, we manufacture automobile products on dedicated lines that meet certain standards.

Our clean rooms are operated at a high level equivalent to that of pharmaceutical companies and semiconductor manufacturers, and we are working on the thorough removal of dust and other foreign bodies using special lasers and lights. By utilizing IoT, AI and big data, we can visualize not only the equipment but also the work status of the people in each process to improve the accuracy of early detection and the prevention of equipment abnormalities. We are also promoting the smart.E Project, production innovation activities that reduce inconsistencies, including those caused by human actions, while eliminating wastefulness, operational losses, and excessive burden thoroughly.

■ "smart.E" Project: Advancements in manufacturing



A3. It is to develop human resources who possess the same eye for detail as those at Tier 1 manufacturers.

Honda: It is taken for granted that an automobile will not break down even if it runs for a long time under conditions of the kind found in scorching deserts, on snowy roads in the depths of winter, or on rough mountain roads. The electronic components installed in automobiles are also required to have high reliability to enable them to withstand long-term use under harsh temperature, humidity, and vibration conditions. Moreover, since "zero defect" is directly linked to automobile quality (brand power), strict control values are set in the production of electronic parts, and stable supplies of consistent quality are constantly being demanded.

To maintain a high level of quality control on the dedicated lines for automobile parts, only personnel who have been judged to have achieved a certain level of skill according to internal standards are engaged in manufacturing. In addition to paying close attention to various values in each process, working on the early detection and resolution of problems, and maintaining the stable production of products that meet the standards, we are striving for continuous improvement activities.

Moreover, we train and assign certified inspectors who are able to inspect and judge based on the same standards as Tier 1 manufacturers to maintain and improve the quality of daily production operations.

Q4 Please tell us about your medium- to long-term goals

A4. It is to aim for a sales composition ratio of 25% by increasing production capacity.

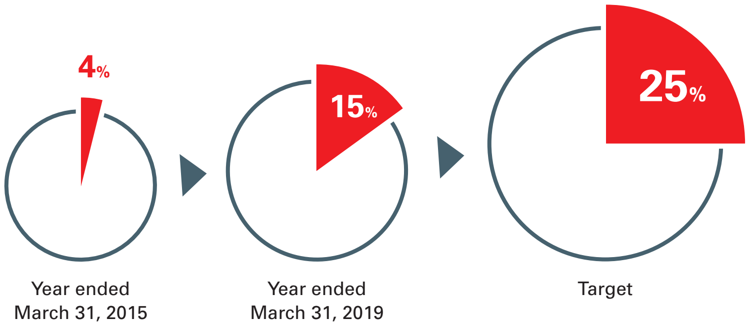
Miyazawa: Since the automobile market is currently in full-scale response to CASE, on a volume basis MLCC demand for automobiles from the fiscal year ended March 2019 to the fiscal year ending March 2023 is predicted to expand to 1.9 times the current level. Furthermore, the number of MLCCs installed is about 1,000 per state-of-the-art smartphone, whereas it is considered to be more than 10,000 for an electric vehicle, which is an incomparable volume of usage.

Higuchi: Under such circumstances, demand for MLCCs is expected to expand in the long term for automobiles as well as for smartphones and information infrastructure, such as base station communication devices and data centers that are compatible with the next-generation communication standard 5G era. We are investing approximately ¥15.0 billion in production subsidiary NIIGATA TAIYO YUDEN CO., LTD., where Building No. 4 (scheduled for completion in April 2020) will expand our production capacity.

Honda: While expanding our production capacity, we will face the challenges presented by zero defects for products other than MLCCs and dramatically improve productivity by means of the smart.E Project. At the same time, by expanding our lineup of products that are compatible with AEC-Q200* in a timely manner, we plan to increase the sales composition of automobile electronic components to 25%.

*AEC-Q200: Testing standard for reliability in passive onboard components (capacitors, inductors, etc.)

■ Sales Composition Ratio of Electronic Components for Automobiles



Section 2

STRATEGIES FOR THE CREATION OF VALUE

High quality	Products satisfying customer requests with high reliability
Low power consumption	Products delivering superior performance without consuming vast amounts of electricity
Downsizing	Products delivering high performance with few materials and thus contributing to end products fitting high functionality into a compact package
Abolishing use of toxic substances	Products not containing toxic substances

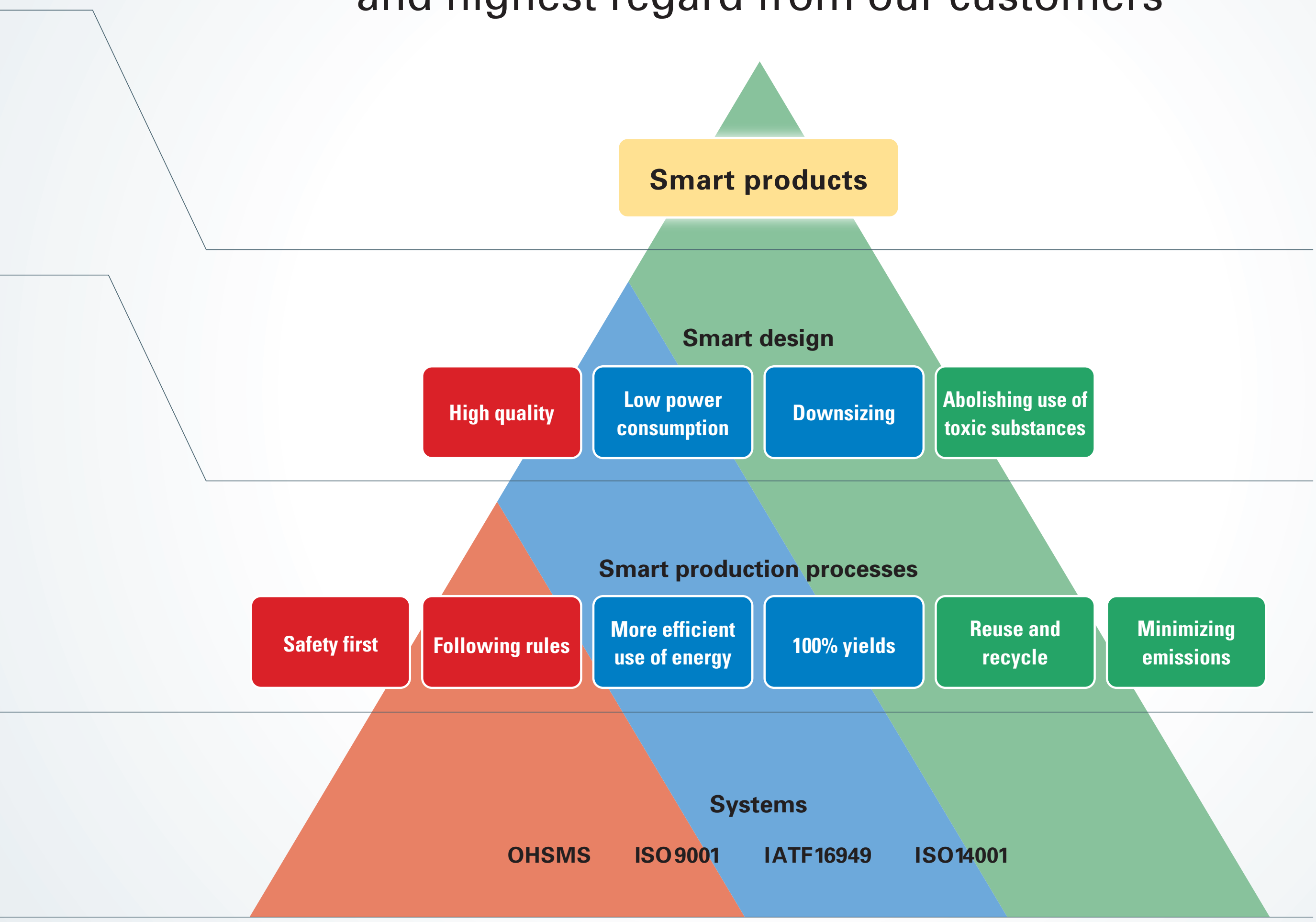
Safety first	Production processes designed with safety in mind allow operators to work free from *muri* (overburden).
Following rules	Operating in accordance with standardized procedures holds the key to minimizing irregularities between items.
More efficient use of energy	We minimize the energy used in manufacturing products.
100% yields	Stable production of high-quality products requires not allowing rejects and other forms of *muda* (wastefulness) to arise.
Reuse and recycle	Whenever possible, we use reused and recycled goods as materials for production.
Minimizing emissions	Wherever possible, our production processes strive for zero levels for emissions and other forms of *muda* (wastefulness).

The OHSMS, ISO9001, IATF16949, and ISO14001 standards specify, as tools for use in promoting Smart Product development, management systems for occupational health and safety, product quality, the environment, etc.

The TAIYO YUDEN Group establishes processes and designs products and services under the concept of "smart" in order to achieve our vision—to be an excellent company that enjoys the trust and highest regard from our customers. We define the products that emerge as a result of these processes and designs as "smart products," and through the delivery of these smart products aim to solve social issues, thereby providing our customers with excitement.

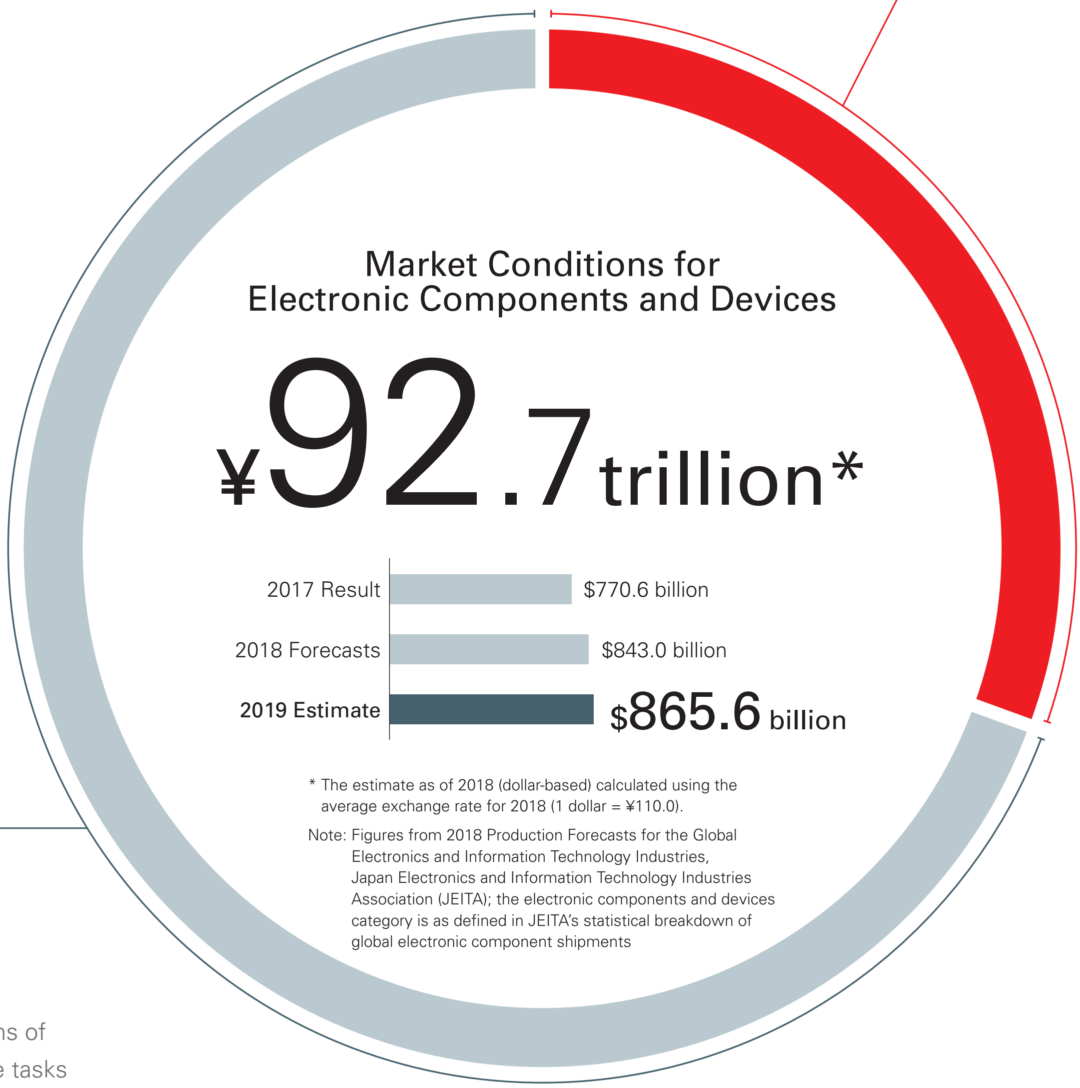
TAIYO YUDEN VISION

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



Continued Growth in Demand as a Result of Greater Electronics Use

In addition to the proliferation of smartphones, the greater use of electronics in automobiles and other products that had remained free of electronics until now continues to drive the demand for electronic components.



* The estimate as of 2018 (dollar-based) calculated using the average exchange rate for 2018 (1 dollar = ¥110.0).

Note: Figures from 2018 Production Forecasts for the Global Electronics and Information Technology Industries, Japan Electronics and Information Technology Industries Association (JEITA); the electronic components and devices category is as defined in JEITA's statistical breakdown of global electronic component shipments

Electronic devices

¥67.3 trillion*

Devices that apply functions of electrons to perform active tasks such as amplification

- Semiconductor devices
- Integrated circuits
- Electron tubes

General electronic components ¥25.4trillion*

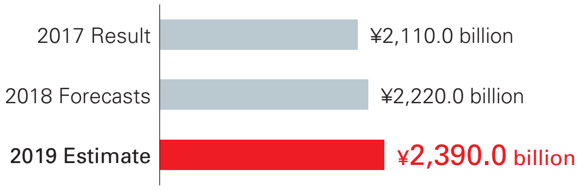
Components that work with and supplement electronic devices

Passive components

These devices store, control, separate, and perform other tasks on the flow of electrons supplied

- **Capacitors**
- **Inductors**
- Resistors
- Transformers
- Others

■ Capacitor market size



Source: Annual of Electronic Devices & Components 2019, Chunichisha Co., Ltd.

Connecting components

These devices connect, switch, and perform other tasks on electronic circuits and systems

- Switches
- Connectors
- Others

Transducers

These devices create sounds, torques, magnetic flux, and others

- Electro-acoustic transducers
- Compact motors
- Others

Other electronic components

- **High-frequency components**
- **Mobile communication devices (FBAR/SAW)**
- Power-supply components

□ TAIYO YUDEN's business domains

Business Model

The TAIYO YUDEN Group aims to contribute to resolving social issues and creating a safe, comfortable, and convenient society by leveraging our strengths in manufacturing and providing solutions.

External environment

- Computerization of automobiles CASE
- 5G

TAIYO YUDEN's Strengths

1. Technological expertise supporting the development of the global electronics industry

➡p.4 Challenge and Growth History ➡p.30 Research and Development Activities

2. Business development in a wide range of fields, from automobiles and information infrastructure to consumer products

➡p.6 Business Fields

3. A global production and sales system

➡p.96 TAIYO YUDEN Group

4. Manufacturing that eliminates wastefulness, inconsistency, and overburdening

➡p.27 smart.E Project

Feedback

The foundation that supports

Training human resources that can create value

➡p.32 Human Resources Strategy

Measures focusing on safety and the environment

➡p.38 ESG —Environment (E) and Social (S) activities—

IoT, Product Digitalization

Industry 4.0

Manufacturing

(Pursuing enhanced functionality in electronic components)

- Capacitors
- Inductors
- Communication devices

Providing solutions

(Proposing new solutions in a variety of fields)

- Automobiles
- Information infrastructure and Industrial equipment
- Healthcare
- Environmental and energy
- Communications
- Information
- Consumer products

Development

TAIYO YUDEN products and services

p.28 At a Glance

Using advanced technologies to contribute to the resolution of social issues and the creation of a safe, comfortable, and convenient society

p.37 SDGs

the business model

Strengthening corporate governance

p.40 Corporate Governance

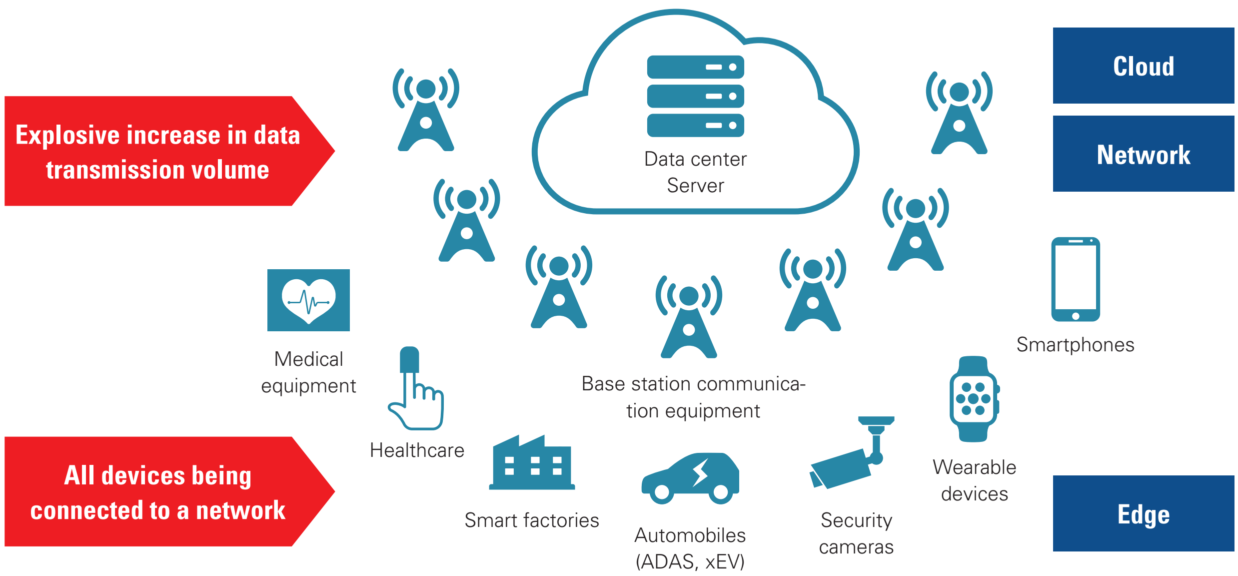
Ensuring a sound financial base

p.46 DATA SECTION

Promoting Growth Strategies Aimed at the Arrival of the IoT Era

The TAIYO YUDEN Group is focused on expanding production capacity and bolstering marketing in the electronic components market, where demand is expected to expand sharply on the increased use of electrical equipment in automobiles and the continued advancement of IT technologies brought about by the realization of IoT and 5G.

External environment



Enhanced demand for electronic components supporting technological advancement, including in IoT, 5G, and the increase use of electrical equipment in automobiles

Focus markets

Automobiles

- Advanced driver assistance systems (ADAS)
- Meter clusters
- Electronic control units

Information infrastructure and Industrial equipment

- Base station communication equipment
- Servers
- Security cameras

Healthcare

Environmental and Energy

- Solar power generators
- Electric bicycles

FOCUS

Computerization and electrification are the keys to the automotive electronics market ➡p.16 Feature

Increasing demand for large, high-voltage-resistant, and highly reliable components

Three growth strategies

1 Expansion in products for the automotive and information infrastructure markets

Boosting sales ratio to 50%

We expect demand in the automotive and information infrastructure markets to continue to expand without any sharp fluctuations. Moreover, we believe an improved sales ratio in these two fields contributes to stability in the capacity utilization rate and earnings overall at TAIYO YUDEN. We target sales ratios of 25% for automotive products and 25% for information infrastructure and industrial equipment, with the combined sales ratio of 50% in these two fields contributing to a business structure less susceptible to the effects from sharp swings in demand.

2 Investing for future growth

Accelerating R&D and capital investment, mainly in capacitors

Continuing to invest aggressively in MLCC, where we expect favorable growth over the medium to long term, TAIYO YUDEN targets capital investment of ¥150 billion in the three years between the fiscal year ended March 31, 2019 and the fiscal year ending March 31, 2021. We will strengthen our production capacity in Japan and overseas to meet expanding demand for MLCC. Moreover, we also will be focusing on advancing our technologies, and deepening our R&D to develop new products and businesses.

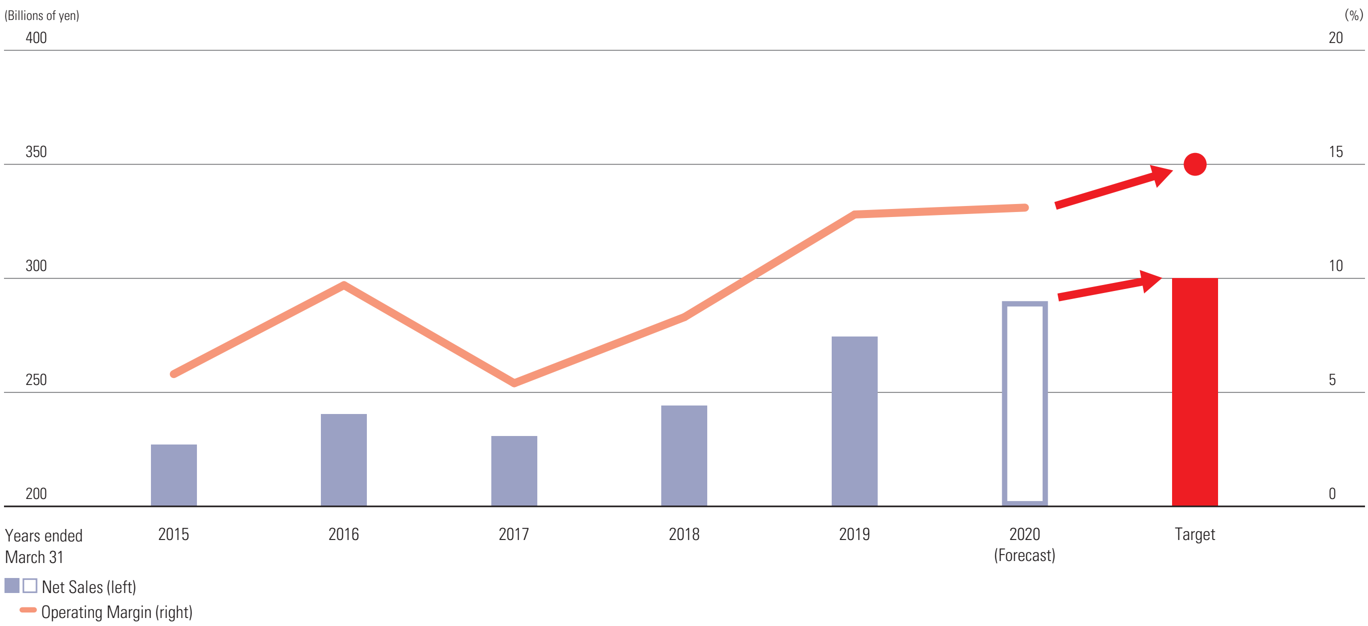
3 Promoting advancements in manufacturing

smart.E Project

Production site information is visualized as data and then analyzed. Using the results, we aim to advance efficiency in production by eliminating human and facility wastefulness, inconsistency, and overburdening, with improved productivity resulting in maximized revenue and reduced capital investment. We will continue to pursue our zero defect goal by further evolving and expanding implementation of the smart.E Project.

Numerical targets

Net Sales	Operating Margin	ROE	
¥300 billion	15%	above 10%	Targets for achievement by FY ending March 2021

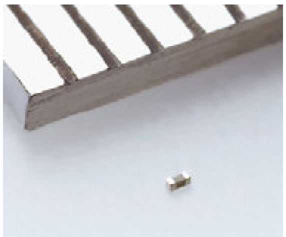


At a glance

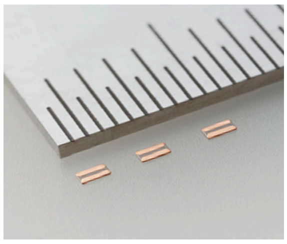
Main Products

Capacitors

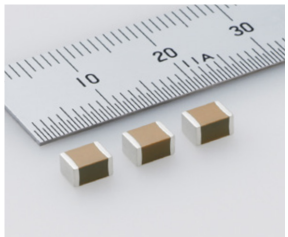
- Multilayer ceramic capacitors



0201 size (0.25mm×0.125mm)
ultra-small multilayer ceramic capacitors



Low-profile multilayer ceramic capacitors
(0.6mm×1.0mm) with 0.064mm thickness

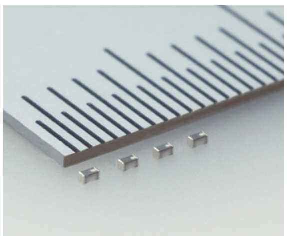


4532 size (4.5mm×3.2 mm)
small high-capacitance multilayer ceramic capacitors with 1,000 μF capacitance

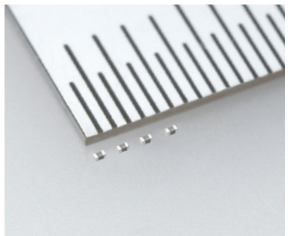
Ferrite and Applied Products

- Wire-wound inductors
- Multilayer chip inductors,
  and many other types of inductors

Metal power inductors MCOIL™



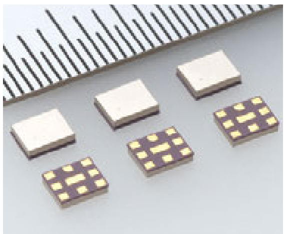
High-Q multilayer chip inductors
for high frequency applications



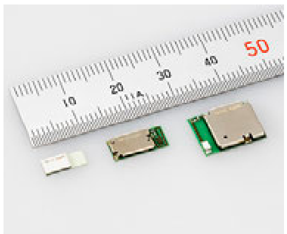
Ultra-small multilayer chip inductors

Integrated Modules & Devices

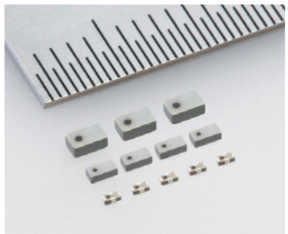
- FBAR/SAW devices
  for mobile communications
- Power supply modules
- High frequency modules
- Embedded-parts multilayer wiring substrate EOMIN™



FBAR/SAW devices
for mobile communications



Wireless device



Multilayer ceramic filters

Others

- Aluminum electrolytic capacitors
- Energy devices

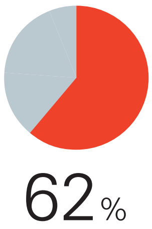
Aluminum electrolytic capacitors

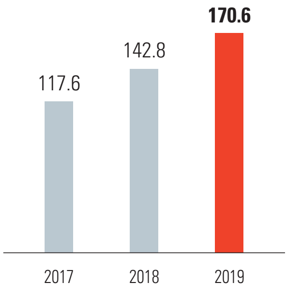
Lithium ion capacitors

Net Sales Breakdown by Product Classifications
(Year ended March 31, 2019)

Net Sales
(Billions of yen)

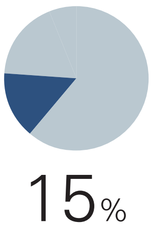
Review of Operations

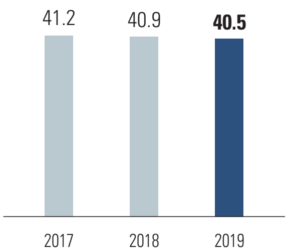




We are focusing on the development of multilayer ceramic capacitors that are small and thin with high capacitance and high reliability. We are also continuing the development of cutting-edge multilayer ceramic capacitors by advancing our dielectric materials technologies, thin-film and high-capacitance technologies, and ultra-small capacitor production technologies.

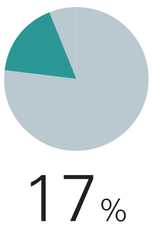
In the fiscal year ended March 31, 2019, sales for all equipment increased compared with the previous fiscal year. As a result, net sales increased 19.4% year on year to ¥170,633 million.

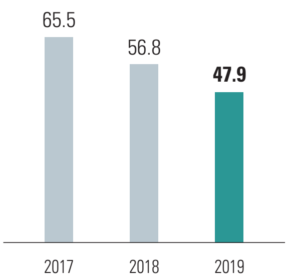




In addition to small, thin inductors with higher current, we are working on the development of large, high-reliability inductors and targeting automotive and industrial equipment applications. We are also developing competitive products by bringing about even greater sophistication in our materials development as well as our wire-winding and multilayer process technologies.

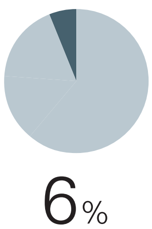
In the fiscal year ended March 31, 2019, despite increased year-on-year sales for consumer products and automotive equipment, sales for information and communication equipment decreased. As a result, net sales decreased 0.9% year on year to ¥40,595 million.

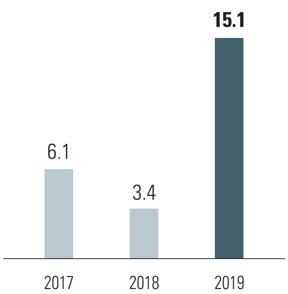




We are focusing on the development of new products featuring improved film bulk acoustic resonator/surface acoustic wave (FBAR/SAW) filter device technologies for mobile communications, the development of fifth-generation (5G) mobile communications system, and on the development of solutions-based products intended for the focus markets that combine the Company's core technologies.

In the fiscal year ended March 31, 2019, sales of FBAR/SAW devices for mobile communications, power supply modules, etc., decreased compared with the previous fiscal year. As a result, net sales decreased 15.7% year on year to ¥47,930 million.





We are concentrating our efforts on the development of energy devices with an eye to entering focus markets.

In the fiscal year ended March 31, 2019, net sales increased 341.2% year on year, to ¥15,189 million, following the inclusion of aluminum electrolytic capacitors from ELNA CO., LTD., which were consolidated starting from the second quarter.

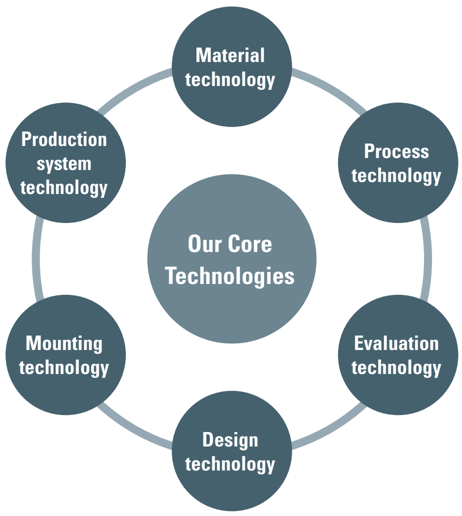
Research and Development Activities

The Foundation of Our Research and Development Activities

Hikohachi Sato, the founder of TAIYO YUDEN, was a researcher in ceramic materials. Since its establishment, TAIYO YUDEN has believed that product commercialization should start from the development of materials. This has been one of the strengths of TAIYO YUDEN, and has resulted in us creating many products that have been "world firsts."

The TAIYO YUDEN Group's research and development activities are aimed at further honing the many elemental technologies it has so far developed to create products that are highly rated by its customers. In particular, the Group is focusing on the development of leading-edge products and high reliability products, as well as on creating new businesses by proposing solutions.

Over the past few years, we have been working to develop small all-solid-state batteries ideal for embedding in wearable and healthcare devices.



— Research and Development Principles —

"Innovative advance"

Technology precedence

Promote leading edge technological development as the precursory to innovative product development and become a global leader in technology

Reproducibility

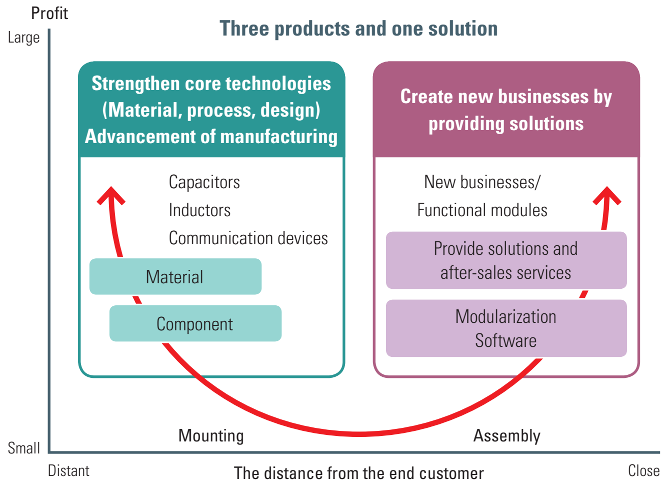
Logically verify the reproducibility of the technology we develop

Technological applicability

Develop technologies that are feasible and applicable economically to our manufacturing process and that meet critical environmental standards

Environmental consideration

Devise technologies which can be applied not only to specific products but also to other areas useful to the markets we serve



Achievement of Our Vision through Development of Smart Products

The TAIYO YUDEN Group aims to manufacture "smart products" and is actively working to develop and supply steadily such products.

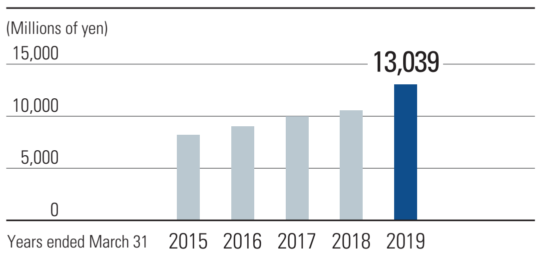
We develop smart products to eliminate the three M's—muda (wastefulness), mura (inconsistency) and muri (overburden)—over their entire life cycle from design through production, sales, and incorporation into the final product right up to final disposal, to add value for customers and local communities we serve as well as our employees.

Combining our "smart processes," which utilized as development and promotional tools management systems for occupational health and safety, quality and the environment and other aspects, with our initiatives towards "smart products" that take usage and final disposal into consideration to reduce environmental impact, we strive to develop smart products.

We believe that our research and development activities aimed at creating a higher standard of smart products will enable us to realize our vision of "becoming an excellent company that enjoys the trust and highest regard from our customers."

R&D expenses

We recognize that continuing innovations and advancement in our technologies through R&D is the foundation for the Group to create the future. With this belief, we will continue to invest in R&D activities and future development of our products.



R&D Center, TAIYO YUDEN's Research Facility (Takasaki City, Gunma Prefecture)

As we were committed to continuing to create the world's best products and uphold our claim to be "the TAIYO YUDEN of technology and the TAIYO YUDEN of development," we opened the R&D Center in 1998. In 2003, we established an Anechoic Chamber Test Facility in the same complex, and accelerated our proactive R&D activities in the field of radio communication. Currently, the R&D Center of the TAIYO YUDEN Group drives development and technological progress and takes a role of a foundation of creativity focusing on the future.

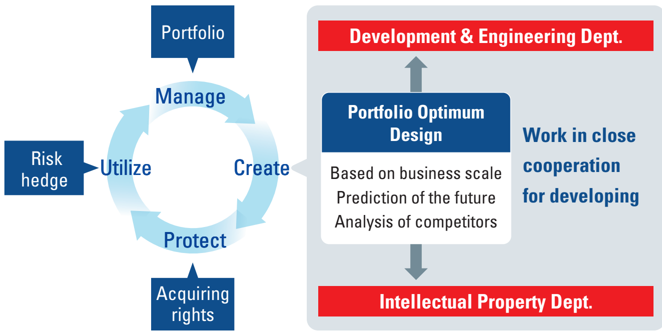
Activities on Intellectual Property Rights

Basic Policy

We, the TAIYO YUDEN Group, endeavor to obtain, maintain and protect intellectual property rights for proper use, and also to respect the intellectual property rights of third parties, in accordance with our CSR Code of Conduct.

Protection of Intellectual Property Rights

At TAIYO YUDEN, the Intellectual Property Department and the Development and Engineering Department work in close cooperation with each other from the early stages of developing new technologies and obtaining intellectual property rights. We have our own management system to create, protect and utilize the intellectual property rights that are suitable for each of our businesses.



Interview with the Head of the Intellectual Property Department

"Building an intellectual property portfolio based on design thinking"

Shigetoshi Akino
General Manager
Intellectual Property Department

The TAIYO YUDEN Group's intellectual property strategy is focused not on patent revenue, but on ensuring the freedom to operate. In other words, when creating its business strategy, the Company determines what intellectual properties are required, and then moves to secure the patents necessary to further enhance those properties.

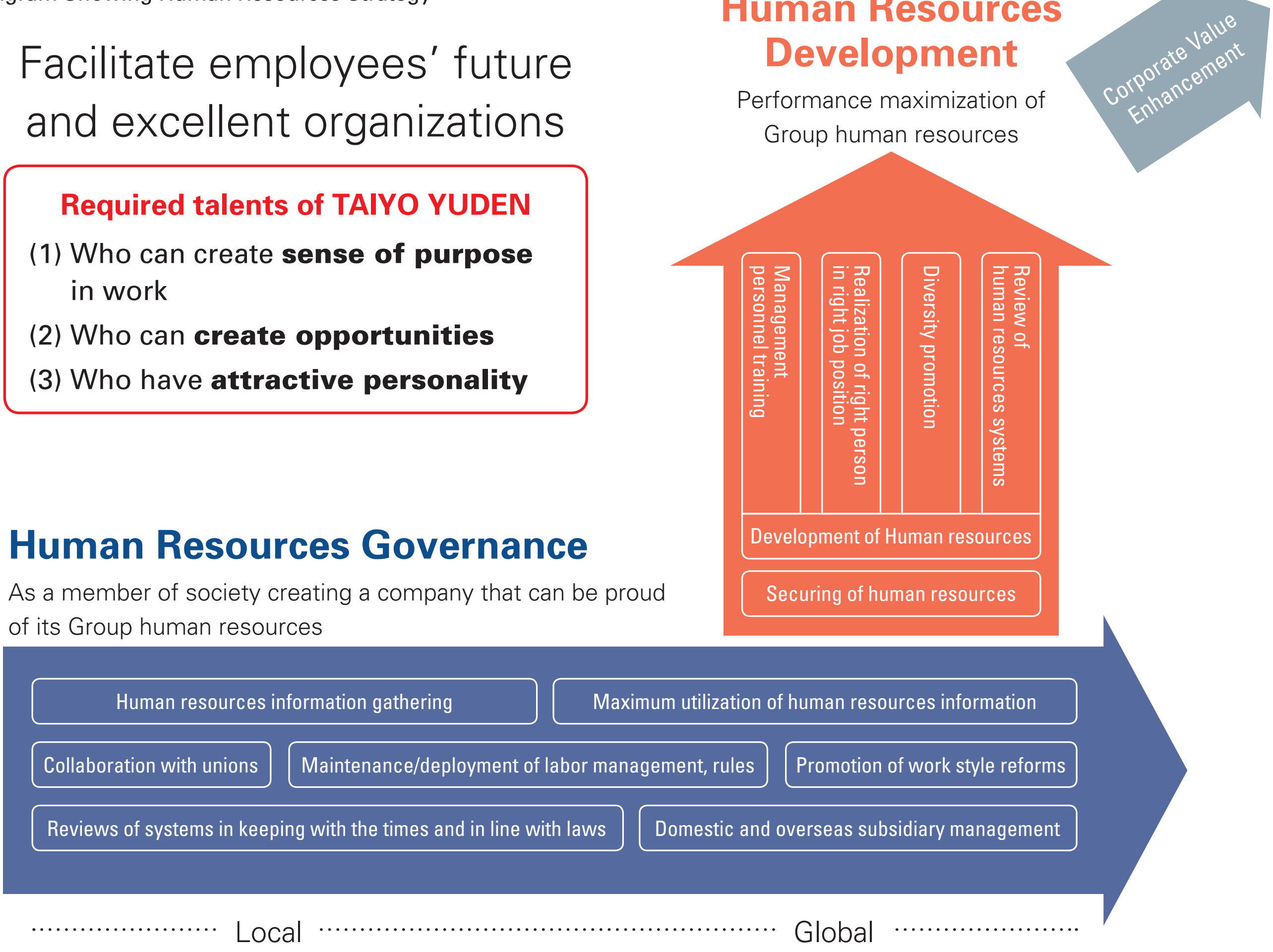
Design thinking supports this as part of a new patent creation method. TAIYO YUDEN Group businesses are now expanding solution proposals in not only electronic components, but also in areas such as IoT. Using design thinking, we are focused on securing patents covering not just part structures and manufacturing methods, but also patents extending beyond the range of parts. Our goal in these efforts is to build an intellectual property portfolio closely in tune with our business strategies moving forward.

As a Companywide issue, I believe there is relatively little awareness of patents when intellectual property is created through the efforts of research and development. I would like to see a strengthening in this area and provide further support for employees involved in product development and operations to build their own intellectual property portfolios.

Human Resources Strategy

In line with its founding philosophy, the TAIYO YUDEN Group's avowed human resources mission is to "facilitate employees' future and excellent organizations." This means that all of the Group's human resources are healthy, both mentally and physically, and able to maximize their performance, and that all organizations form ideas of their visions of and aspirations for the future as they create flexible organizations capable of responding even as the world around them is changing. The TAIYO YUDEN Group will improve the abovementioned working environment while aiming to realize innovation by accelerating human resources development.

■ Diagram Showing Human Resources Strategy



TOPICS

Certified as 2019 Outstanding Entity Engaging in Health and Productivity Management

TAIYO YUDEN was recognized as a White 500 Organization, receiving certification from the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi, which manages the Health and Productivity Management Organization Recognition Program, in the large enterprise category as a 2019 outstanding entity engaging in efforts for health and productivity management.

Recognizing that "the mental and physical health of employees" is an important management issue, we have appointed a Chief Healthcare Officer (CHO, President Shoichi Tosaka) to promote health and productivity management. Having formulated a medium-term health support plan, we are encouraging employee health promotion under themes that include "reducing the risk of lifestyle-related diseases" and "lessening the risk of mental disorders."

2019
健康経営優良法人
Health and productivity
ホワイト500

Human Resources-Related Data (TAIYO YUDEN CO., LTD. full-time employees)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	
Ratio of managers and supervisors among female employees (number of managers and supervisors) (as of April 1)	**7%** (39)	**7%** (42)	**8%** (50)	To create an environment where many motivated women can play active roles, we have formulated and are implementing an action plan to promote women's empowerment from April 2019 to March 2021. Diversity Promotion Activities https://www.yuden.co.jp/or/company/sustainability/society/diversity/
Number of new graduates hired (as of April 1)	**55** (of whom 33% [18] women)	**72** (of whom 29% [21] women)	**96** (of whom 36% [35] women)	To secure and develop the diverse human resources who will be responsible for the next generation, we are continuing to hire a certain number of new graduate employees.
Ratio of those taking paid leave (as of March 31)	**75.4%**	**77.1%**	—	So that each and every person can demonstrate his or her performance to the maximum extent, the Company is working to create comfortable work environments. To encourage the taking of leave, in fiscal 2019 we have introduced a system that allows employees to take paid leave by the hour.
Average number of years of continuous employment (as of March 31)	Overall: **18.3 years** (Men: 18.1 years, women: 19.5 years)	Overall: **18.3 years** (Men: 18.1 years, women: 18.9 years)	—	
Job turnover (number of employees who left) (as of March 31)	**1.8%** (51)	**1.3%** (36)	—	

Executive/Next-Generation Manager Training

Our officers (including Outside Directors, Outside Audit & Supervisory Board Members, and Operating Officers) are provided with training opportunities to fulfill their roles and responsibilities from broader perspectives and with deeper insight. We have held executive training for all executives and conducted executive coaching for future manager candidates. In the years to come, officers of the Company will strive to devote themselves to their studies in good faith through training opportunities, while keeping in mind the Corporate Governance Code.

Global Human Resources Development

As a manufacturing company, TAIYO YUDEN is working to create personnel recruitment/management systems that will enable it to prevail against global competition. For overseas base human resources in particular, we are cooperating with human resources development organizations to encourage the dispatching and sending of employees to our headquarters in Japan, the implementation of a technical internship program and training that is geared toward overseas human resources, while developing specialized on-the-job training (OJT), also at our headquarters in Japan. We will continue to develop global human resources and accelerate the turning out in great numbers of global human resources who are able to play active roles in Japan and overseas.

Development of Manufacturing Talents

Through data analysis and statistical analysis training, we are making progress with further improvements in business operation and efficiency. In addition to training to learn the statistical analysis software that has been ongoing since last year, in the current fiscal year we have conducted practical statistical training for young employees by which they are able to learn, from an "awareness" of on-site improvements to quality management, production management, project management and the building in of quality at the design stage. We will continue educations for the advancement of quality- and safety-based manufacturing.

Directors

Representative Director
(1) Shoichi Tosaka
Joined TAIYO YUDEN in 1979, and was mainly engaged in materials development and technological development. Subsequently, in charge of the Electronic Components business, R&D/engineering, and quality assurance. Appointed Director in 2006, and President and Representative Director in November 2015.

Director
(2) Shinji Masuyama
Joined TAIYO YUDEN in 1980 and was engaged in production technology and system development of electronic components for many years. Appointed Managing Officer in 2004, and in charge of the Electronic Components business centered on the Capacitor Product business and Ferrite Application Product business. Appointed Director in 2013. In charge of Management Planning in 2016.

Director
(3) Katsuya Sase
Joined TAIYO YUDEN in 1986. Engaged in the development of multilayer inductor production technologies, was subsequently assigned to Capacitor Product Division in 1996. Appointed Operating Officer in 2013, and in charge of Capacitor Product Division. Appointed Director in June 2016, and in charge of Electronic Components Business. In charge of 1st Business in 2019.

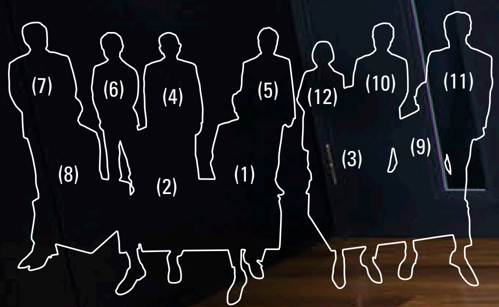
Director
(4) Osamu Takahashi
Joined TAIYO YUDEN in 1980. Assigned to quality assurance and materials technology divisions, was engaged in sales promotion and marketing. Subsequently, has been involved in product planning, corporate planning and financial divisions. Appointed Operating Officer in 2003, and Director in 2011. In charge of Integrated Module & Device Business in 2016. In charge of 3rd Business in 2019.

Director
(5) Kazuya Umezawa
Joined the Company in 1983. Mr. Umezawa was placed in charge of the technological development of multilayer ceramic capacitors. In 2001, he appointed Senior Operating Officer, with responsibilities including sales and marketing as well as new business promotion. He was appointed Director in charge of Sales and New Business Planning Development in June 2019.

Outside, Independent Director
(6) Masashi Hiraiwa
Admitted to Japan Federation of Bar Association and joined OHHARA LAW OFFICE in 1981. After serving as a Supervisory Officer at LCP Investment Corporation (currently Invincible Investment Corporation) and serving and as a Supervisory Officer at Japan Logistics Fund, Inc., he was appointed as an Outside, Independent Director of the Company in June 2016.

Outside, Independent Director
(7) Seiichi Koike
After working for Toyo Kogyo Co., Ltd. (currently Mazda Motor Corporation), from 1980 to 1982, Mr. Koike joined Honda R&D Co., Ltd. After gaining experience in the positions as General Manager of Advanced Material Research Laboratory, and General Manager of Automobile R&D Center Brazil, he was appointed Executive Officer of Honda Foundry Co., Ltd. In 2008. After serving in several positions including Director and Audit & Supervisory Board Member of Honda Foundry Co., Ltd., he was appointed as an Outside, Independent Director for the Company in June 2018.

Outside, Independent Director
(8) Emiko Hamada
Joined the Company in 1984. After leaving the Company in 2007 and taking up posts that included professorships at the Center for Social Contribution and Collaboration of Nagoya Institute of Technology (NITech), in 2015 Ms. Hamada was the Third Sector Program Officer of Adaptable and Seamless Technology transfer Program through targetdriven R&D (A-STEP) of Japan Science and Technology Agency. In 2016, Ms. Hamada became a part-time Lecturer at NITech and a Visiting Professor of Nagoya University. In 2017, she was appointed an Outside Director of NGK INSULATORS, LTD. Ms. Hamada was newly appointed an Outside, Independent Director of the Company in June 2019.



Section 3

FOUNDATION UNDERPINNING VALUE CREATION

Audit & Supervisory Board Members

Audit & Supervisory Board Member

(9) Katsushige Nakano

Joined Fujitsu Ltd. in 1974, was appointed President and Representative Director of Fujitsu Media Devices Ltd. In 2009. Became President and Representative Director of TAIYO YUDEN Mobile Technology Co., Ltd. Following the transfer of Fujitsu Media Devices' Communications Device business to TAIYO YUDEN in 2010. Joined TAIYO YUDEN and was appointed Director in 2013 and in charge of management planning. Audit & Supervisory Board Member of the Company in June 2016.

Audit & Supervisory Board Member

(10) Toshio Mishuku

Joined the Company in 1980, Mr. Mishuku engaged in development and basic research at general technical research institutes as well as in the technologies and manufacture of circuit products. Via positions that included Human Resources and General Affairs, Mr. Mishuku was appointed Operating Officer in 2007 and placed in charge of Human Resources, General Affairs, Intellectual Property, Legal, and CSR. In 2016, Mr. Mishuku was appointed Senior Operating Officer and, in June 2019, as an Audit and Supervisory Board member.

Outside, Independent Audit & Supervisory Board Member

(11) Hajime Yoshitake

Joined The Kyowa Bank Ltd. (currently Resona Bank, Limited) in 1979. Concurrently appointed Lecturer at Professional Graduate School of Meiji University in 2007. Appointed as a member of the Board of Directors of the Institute of Internal Auditors-Japan in 2008. Subsequently, appointed as an Outside, Independent Audit & Supervisory Board Member of the Company in June 2016 after serving at Resona Holdings, Inc. as an Executive Officer and General Manager of the Internal Audit Division.

Outside, Independent Audit & Supervisory Board Member

(12) Tomomi Fujita

Ms. Fujita was admitted to the Japan Federation of Bar Associations in 2003. Via a position as Partner at Kitahama Partners, she became a Partner at Innoventier in 2016 and director of the Licensing Executives Society Japan in 2017. Ms. Fujita was appointed Assistant Lecturer at KYOTO UNIVERSITY LAW SCHOOL in 2018 and as an Outside, Independent Member of the Company's Audit and Supervisory Board in June 2019.

Operating Officers

President and Chief Executive Officer

Shoichi Tosaka

Senior Executive Operating Officer

Shinji Masuyama
Katsuya Sase

Executive Operating Officer

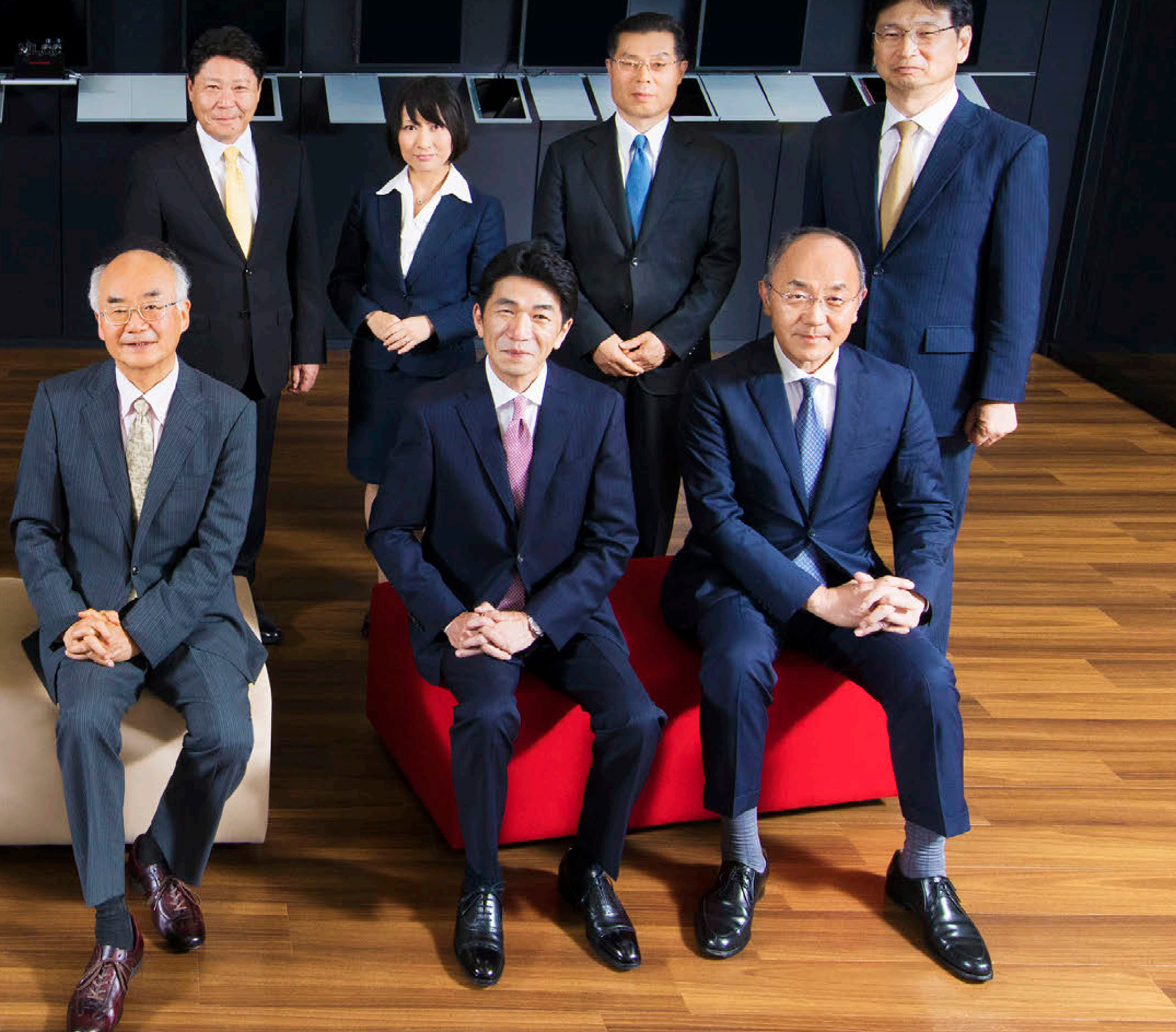
Osamu Takahashi
Kazuya Umezawa

Senior Operating Officer

Kazuyuki Oshima
Tomomitsu Fukuda
Toshimitsu Honda
Susumu Higuchi
Mitsuo Takagi

Operating Officer

Hirokazu Chazono
Osamu Ikata
Shinya Miyazawa
Toshiyuki Watanabe
Shunji Murai
Iwao Fujikawa



Committed to Solving Social Issues

The International community came together at the United Nations Summit in 2015 to adopt and call on companies to work toward achieving 17 Sustainable Development Goals (SDGs). In support of this international effort and following our corporate philosophy and the upcoming needs of an AI and IoT-based society, the TAIYO YUDEN Group remains committed to resolving social issues by working to clarify priority issues.

Basic Stance Regarding CSR Activities

TAIYO YUDEN's management philosophy is to put into action its three principles: supporting "employee well-being", "betterment of local communities," and taking "responsibility to provide returns to shareholders." The Company believes that the mission of management and social responsibility of the Company is to support continued development of its business while serving society and public interests and ensuring public nature of our business with a global perspective.

Our vision is to "become an excellent company that enjoys the trust and highest regard from our customers." To this end, we will create smart products that meet market needs so that our products are used in every market of a broad range of fields and aim to expand our business while also raising economic value of the Company. Furthermore, we will fulfill our social responsibility by meeting and even surpassing growing and more sophisticated requirements as well as expectations of stakeholders, and strive to increase social value of the Company.

To accomplish these aims, we will develop, manufacture and sell smart products that are safe and high quality and take responsibility for initiatives we conduct in areas of labor, human rights, safety and health, the environment as well as ethics as we continue our CSR activities.

CSR Activities Promotion Framework

In the Group's CSR activities, overall management is provided by the Internal Control Committee. The promotion organization is comprised of officers in charge and HQ divisions appointed for each provision of the Code of Conduct and each applicable risk, and management is carried out according to a system (the Compliance and Risk Management System) implemented by each group company in accordance with the activity policy and rules in common established by the promotion organization.

Compliance and Risk Management

At TAIYO YUDEN compliance and risk management is a key activity of our CSR management system.

The laws and regulations that require compliance are listed by organization along with the risks that might adversely affect business, and regulatory compliance procedures and risk mitigation measures are drafted and implemented as part of the system.

New laws/regulations and risks are regularly added to the list and the compliance procedures and mitigation measures pertaining to existing laws/regulations and risks are reassessed for aptness each fiscal term. We are making thorough efforts to achieve regulatory compliance and prevent and minimize risks.

https://www.yuden.co.jp/or/company/sustainability/management/

Specific risks and their countermeasures

Measures aimed at business continuity

The TAIYO YUDEN Group could suffer shutdowns or see significant damage at its manufacturing facilities due to natural disasters such as earthquakes, typhoons, floods, or accidents. In response to this risk, the group implements the following three measures, and by making sure that these measures are also implemented at the suppliers, is constructing a business continuity plan (BCP) covering the entire supply chain as part of its effort to create a stable supply system.

- Securing sufficient inventory until production lines can be restores
- Dispersing production facilities throughout the world
- Having a dispersed lineup of material and parts suppliers

Adapting to changing environmental regulations

The TAIYO YUDEN Group is subject to a variety of environmental laws and regulations in each of the countries in which we operate, including regulations related to hazardous substances, the disposal of industrial waste, and the prevention of pollution in the air, water, and soil. Regulations in this area are becoming stricter with each passing year, raising the possibility of additional restrictions on our business activities. In order to adapt to the changing regulatory environment, the TAIYO YUDEN Group has been working to continue its business without disruption, including by ending the use of hazardous substances and launching new processing facilities.

CSR Management and SDGs

The TAIYO YUDEN Group has constructed a CSR management system to achieve the goals set forth in our CSR Charter and to ensure compliance with the CSR Code of Conduct as well as all related laws and regulations. We have also created a framework and rules for promoting proper conduct as outlined in the Code of Conduct, and all of our Group companies employ a management system based on the plan-do-check-act (PDCA) cycle.

We intend to contribute toward the resolution of the various social issues raised in the Sustainable Development Goals (SDGs) adopted at the UN Summit in 2015 though the TAIYO YUDEN Group's business activities and ESG efforts while simultaneously achieving sustainable growth in our business by making continuous improvements in our CSR management system.

In the following section we would like to explain how the TAIYO YUDEN Group's business activities and ESG efforts contribute to the achievement of these Sustainable Development Goals.

■ SDGs and Efforts

SDGs	Efforts	Links for Details
Ensure healthy lives and promote well-being for all at all ages	▪ Periodical blood donation by employees at each of TAIYO YUDEN Group sites	Blood Donation
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	▪ Electronic handicraft workshop for students to develop an interest in science ▪ Donation for the welfare fund for orphans from traffic accidents founded by the founder of TAIYO YUDEN and some scholarships	Electronic Handicraft Workshop Support for Children
Achieve gender equality and empower all women and girls	▪ Formulation and implement of action plan about promotion of women's participation and advancement	Diversity Promoting Activities
Ensure availability and sustainable management of water and sanitation for all	▪ Treatment of used water in factory to displace clean water ▪ Cleanup activities to protect ecosystem on the waterfront where various species live ▪ Reduction of water use by recycling water	Safety & Environmental Report, Data by Site Cleanup on Hills, Riversides, and Seacoasts Reducing Water Use Waste, Water
Ensure access to affordable, reliable, sustainable and modern energy for all	▪ Providing solutions to improve photovoltaics efficiency using PV Micro Converter and monitoring system ▪ Generation of electricity with photovoltaic power plant to promote utilization of sustainable energy	Solution Proposals/Solar Power Generation News Release "Operation Start of Hongo Photovoltaic Power Plant"
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	▪ Enhancement of safety working environment to level up Health and Safety	Health & Safety Activities (Efforts and Status)
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	▪ For enhancement of energy efficiency, development and supply the Lithium Ion Capacitor; long life and high capacity	Solution Proposals (Lithium Ion Capacitor) TAIYO YUDEN products found in everyday life
Reduce inequality within and among countries	▪ Establishment and implement of equal opportunity policy to prohibit any discriminations	Human Rights and Labor
Make cities and human settlements inclusive, safe, resilient and sustainable	▪ Providing solutions to realize safety in city with wireless sensor network for security system	Medical care, nursing care and crime prevention
Ensure sustainable consumption and production patterns	▪ Effective Use of Natural Resources ▪ 3R activities (Reduce, Reuse, Recycle) of waste and water resources considering biodiversity and coexistence between humans and nature ▪ Reduction of energy use to curb global warming ▪ Annual reporting on sustainability activity	Environmental Taget and Progress Waste, Water GHG, Energy Safety & Environmental Report
Take urgent action to combat climate change and its impacts	▪ Reduction of energy use to curb global warming ▪ Annual reporting on sustainability activity	GHG, Energy Safety & Environmental Report
Conserve and sustainably use the oceans, seas and marine resources for sustainable development	▪ Mangrove tree plantation (10,000 per year) to achieve healthy and productive oceans in Philippines ▪ Cleanup activities on riversides and seacoasts to prevent marine pollution	Biodiversity action case (Afforestation) Environmental Beautification (Cleanup on Hills, Riversides, and Seacoasts)
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	▪ Plantation in Philippines and Malaysia to restore forests ▪ Weeding and thinning in forests to conserve mountain ecosystems ▪ Extermination of invasive alien species to protect land and water ecosystems	Environmental Beautification (Afforestation) Biodiversity action case (Volunteering for Forest Maintenance) Biodiversity action case (Extermination of alien species)
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	▪ Identification and assessment of conflict minerals, and sourcing responsible minerals	Responsible Minerals Procurement

ESG

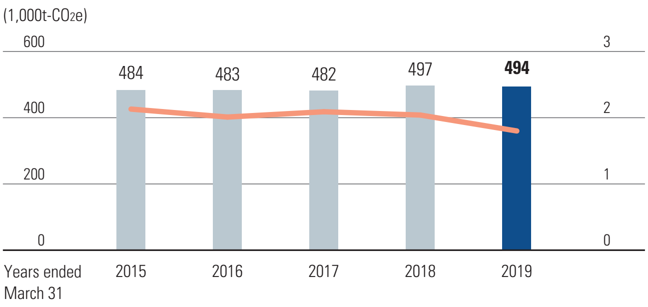
—Environment (E) and Social (S) activities—

Environmental activities

In order to contribute to the passing on of our irreplaceable natural world to future generations, the TAIYO YUDEN Group is promoting environmental activities based on our philosophy of reducing the environmental impact of our business activities, including everything from product research, development and design to the procurement of materials, manufacturing, sales and after-sales service.

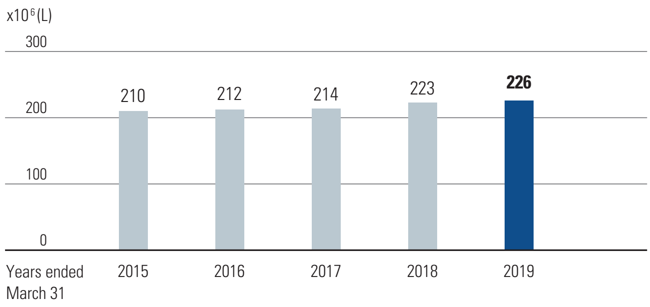
As part of this, we are working toward achieving priority goals such as reducing greenhouse gas emissions (output unit-based reductions) and improving efficiency in energy use (output unit-based conservation of energy).

■ Greenhouse gas emissions (calculated from total energy consumption)



Emissions (left scale)
Emissions per sales unit (right scale)

■ Energy Consumption (crude oil equivalent)



Human Resource Activities Related to Labor and Human Rights

The TAIYO YUDEN Group has defined a Code of Conduct regarding labor and human rights within the CSR Code of Conduct which stipulates that child labor or forced labor are not to be conducted. A survey on child labor and forced labor was conducted in all countries where Group companies are located, and the results confirmed that these stipulations were being complied with 100%. In addition, the Code of Conduct stipulates that we will respect the diversity, personality, and individuality of employees, ensure a work environment without any discrimination, and not conduct acts of harassment by authority in the organization, and we are also promoting compliance with these provisions.

In line with our founding philosophy, the TAIYO YUDEN Group aims to bolster the quality of life of each of our employees by respecting the personality and individuality of each person based on recognition of people's diverse backgrounds and characteristics. Through our continuous efforts to develop human resources, we aim to create a global workforce built on different cultures that can effectively implement the company's management strategy and enhance creativity and specialization of employees so that they can create new value that contributes to society. Based on our personnel mission of "Facilitate employees' future and excellent organizations," we are focused on ensuring an environment where all employees and organizations can work to the best of their abilities, and through the acceleration of human resources training contribute not only the development of the TAIYO YUDEN Group, but also each employee pursuing growth on their own.

➡ **p.32-33 Human Resources Strategy**

Health and Safety Activities

The TAIYO YUDEN Group works to eliminate work-related accidents and reduce major risks based on the Fundamental Principle of Safety and Health that provide workplaces which always maintain safety and where employees can work in confidence in order to ensure their well-being, as they are an important resource for the company.

Currently, to achieve the new medium-term occupational health and safety targets for the fiscal year ending March 31, 2019, we are promoting initiatives to improve the level of the 5M (Man, Machine, Method, Material, and Measurement) items in order to eliminate unstable conditions and unsafe behavior that cause work-related accidents.

■ New Medium-term Occupational Health and Safety Targets

Results and Targets
Incidence rate of injuries and illness
Year ending March 31, 2022 Target Less than 0.035
Year ended March 31, 2019 Results **0.015**

5Ms for Medium-term Targets	
Man	Fostering an awareness of safe behavior
Machine	Equipment safety meeting the ISO and IEC standards
Method	Standardization of procedures for safe work
Material	Minimization of toxicity and danger of chemical substances
Measurement	Strengthening of checking system

Materials Procurement Activities

Recently, there have been strong international demands for companies to conduct business activities with a social consciousness based on high ethical and moral standards. The TAIYO YUDEN Group has established a basic policy on materials procurement, and is promoting CSR procurement activities for not only suppliers of parts, materials, machinery as well as technologies and services procured by the Group, but also the entire supply chain including all clients.

Responsible Minerals Procurement

The TAIYO YUDEN Group has formulated a procurement policy aimed at the responsible procurement of minerals, and takes the following measures in line with that policy.

Responsible Minerals Procurement Policy

TAIYO YUDEN Group established CSR Charter / CSR Code of Conduct and promotes CSR activities in order to fulfill social responsibility. As "Mutual Trust / CSR" in our Procurement Policy, TAIYO YUDEN Group shall actively practice the CSR management in procurement activities and further establish sound partnership to build mutual trust and development.

TAIYO YUDEN Group promotes "Minerals Procurement" to fullfill social responsibility in Supply chain. TAIYO YUDEN Group procure the realized minerals without involvement in conflicts, human rights violation or labor issues. TAIYO YUDEN Group requests suppliers to understand the TAIYO YUDEN's procurement policy and cooperate with the survey on the procurement process. Furthermore, TAIYO YUDEN Group requests suppliers to procure minerals from the refiners/smelters approved by globally recognized frameworks such as RMI (Responsible Minerals Initiative).

Concrete Initiatives

1. We construct management system of minerals procurement complied with OECD due diligence guidance.
2. We promote "Responsible Minerals Procurement" throughout supply-chain in collaboration with industry organization.
3. We identify and evaluate risks by using globally standardized programs such as the latest CMRT.
4. When non-corrective mineral procurement is found, we will stop to procure and take corrective action.
5. We disclose results of mineral procurement survey upon customers' request.

Social Contribution Activities

Based on an approach focused on coexisting harmoniously with local communities, our social contribution activities include holding and participating in volunteer activities and charity events, interacting with communities and providing factory tours.

TAIYO YUDEN SOLFILLE Women's Softball Team

The women's softball team was established in 1984 for the purpose of improving employee motivation and the name recognition of the company. The team has been in the first division of the Japan Softball League for 32 years since 1987. During this time, it has had a spectacular track record that includes gaining championship titles in the league and the All Japan National Championship, and it has also produced some Olympic national team players.

In addition, the team plays a major role in inspiring not only employees, but also people in the local community and children through means such as holding softball classes for future players nationwide.

For further details on our sustainability activities, please visit at https://www.yuden.co.jp/or/company/sustainability/

ESG

—Corporate Governance (G)—

Basic Policy for Corporate Governance

The TAIYO YUDEN Group believes that it is the Company's social responsibility and management mission to develop its business considering society, the public benefit, and the public spirit from a global perspective in accordance with the three principles of its management philosophy: Employee Well-being, Betterment of Local Communities, and Responsibility to Provide Returns to Shareholders, along with accomplishing the Group's management vision "To be an excellent company that enjoys the trust and highest regard from our customers."

The Company shall emphasize managerial transparency and fairness, and strive to improve corporate governance by establishing a structure and system facilitating timely and appropriate information disclosure, full compliance, quick decision-making, and the performance of duties under the supervision of the Board of Directors.

Structure of Corporate Governance

Overview of Corporate Governance Structure, Reasons for Adoption

Having adopted an Audit & Supervisory Board system, the Company has a Board of Directors, an Audit & Supervisory Board, and an accounting auditor. Furthermore, all our Outside Directors and Outside Audit & Supervisory Board Members are appointed as independent officers as they meet our standards for independence and are deemed unlikely to have any conflicts of interest with general shareholders. Through a governance system that promotes close collaboration with the Audit & Supervisory Board and internal audit department, the Company works to enable Audit & Supervisory Board Members to perform their roles effectively and strengthen their supervisory function vis-à-vis management.

Roles and Responsibilities of the Board of Directors

1. 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.
2. 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.
3. 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.

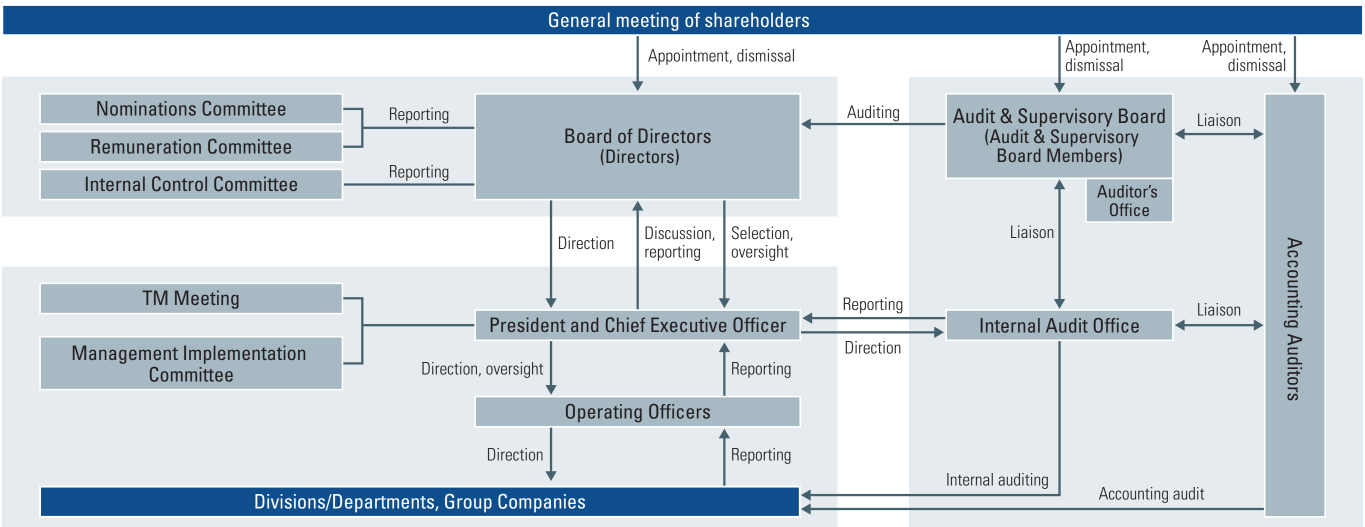
Delegation of Matters by the Board of Directors to Management

1. To ensure the effective decision-making by the Board of Directors, the Management Implementation Committee shall deliberate in advance policy matters regarding execution of business duties 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.
2. 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.

Effectiveness of the Board of Directors

1. To ensure the fairness of the meetings and strengthen the authority of management oversight, the Board of Directors shall be chaired by the Chairman of the Board of Directors. If the Chairman of Board of Directors is absent, the President and Chief Executive Officer shall be chaired the Board of Directors.
2. 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.

■ Structure of Corporate Governance (As of July 2019)



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

Directors

1. The Board of Directors shall be composed of not more than ten (10) Directors, not less than one third (1/3) of whom shall be Independent Outside Directors.
2. To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one (1) year.
3. To ensure ample diversity in terms of gender and nationality and adequate balance in the composition of the Board of Directors, candidates for Executive Director are selected from among persons who have excellent personality and insight, have achieved a good track record to date in business areas of which they have been in charge, and have a thorough knowledge of management and business based on the "Officer Appointment and Dismissal Standards." Candidates for Outside Director are selected based on selection criteria including personality, experience, strong expertise, and the "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members."
4. Except for Outside Directors, the Directors concurrently serve as Operating Officers who are in charge of both oversight and the execution of operations. Directors report to the Board of Directors with emphasis on the business performance and oversight operations of the divisions/departments of which they are in charge.

Audit & Supervisory Board and 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 Audit & Supervisory Board shall be composed of not more than five (5) Audit & Supervisory Board Members, a majority of whom shall be Independent Outside Audit & Supervisory Board Members. The Company elects persons who have adequate experience and skills as well as sufficient knowledge of finance, accounting, and legal affairs as Audit & Supervisory Board Members to ensure the effectiveness of audits.
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 Auditors 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 conduct highly effective auditing operations such as information communications and data management.

Transition of Corporate Governance Structure for Recent Years

April	2001:	Introduction of Operating Officers System
June	2006:	One Outside Director
June	2008:	Two Outside Directors Board of Directors Term of Office Changed to 1 Year
June	2010:	Establishment of Nomination Committee (Voluntary) Establishment of Remuneration Committee (Voluntary)
June	2013:	Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members
November	2015:	Establishment of Basic Policy for Corporate Governance
June	2016:	Implementation of Evaluation of Board of Directors' Effectiveness
February	2018:	Formulation of successor plan of the chief executive officer and etc.
June	2019:	Appointment of Three Outside Directors Promoting Diversity on the Board of Directors

Voluntary Advisory Panels

1. The Company has established a Nomination Committee and a Remuneration Committee to enhance the independence and objectivity of the functions of the Board of Directors in relation to the nomination and remuneration of Directors and operating officers, as well as to achieve greater accountability.
2. The Nomination Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Nomination Committee deliberates on, among others, the nomination of candidates for Officer (including candidates for reappointment), any proposal for dismissal of Officers including the President and Chief Executive Officer, any proposal for the selection of a rank for or dismissal of each Operating Officer, and disciplinary matters based on the "Officer Appointment and Dismissal Standards" and reports the deliberation results to the Board of Directors. The consent of the Audit & Supervisory Board is obtained in advance for the nomination of a candidate for Audit & Supervisory Board Member or the dismissal of an Audit & Supervisory Board Member.
3. The Remuneration Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberation. The Remuneration Committee deliberates on remuneration plans and amounts of Directors and Operating Officers and reports the deliberation results to the Board of Directors.

■ Voluntary Advisory Panels

(As of July 2019)

	Total Members (persons)	Internal Directors (persons)	Outside Directors (persons)	Audit & Supervisory Board Members (persons)	Head of Committee
Nomination Committee	5	1	3	1	Independent Outside Director
Remuneration Committee	5	1	3	1	Independent Outside Director

Policy on Election of Outside Directors and Outside Audit & Supervisory Board Members and Their Roles

1. 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.

2. The three 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.
3. The two 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.

Reasons for Appointment of Independent Outside Directors

Masashi Hiraiwa, 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 appointed as an Independent Outside Director.

Seiichi Koike, Outside Director

Mr. Seiichi Koike has engaged in material development for automotive components and research and development related to production technology at an automotive maker over many years, and possesses wide-ranging expertise in relation to the automotive electronics business. In addition, the Company also believes it will be valuable to the Group for his wide-ranging expertise from an investor's perspective to be reflected in the management of the Company, utilizing his abundant experience, including corporate management in the automotive components industry and strengthening governance systems as an Audit & Supervisory Board Member. For these reasons, it was judged that he will be able to provide valuable advice and suggestions regarding overall management at meetings of the Company's Board of Directors. Therefore, he was appointed as an Independent Outside Director.

Emiko Hamada, Outside Director

While Ms. Emiko Hamada was employed by the Company, she engaged in the development and commercialization of CD-R and DVD-R. After she left the Company, she has conducted research activities for many years as a university professor mainly focusing on industry-academia-government collaboration projects. She also has experience in serving as an Outside Director at another company. The Company believes her suggestions of business execution and management supervision as an Outside Director will be valuable to the Group. For these reasons, it was judged that she will be able to provide advice and suggestions regarding overall management at the meetings of the Company's Board of Directors, and therefore she was appointed as an Independent Outside Director.

Reasons for Appointment Outside Audit & Supervisory Board Members

Hajime Yoshitake, Outside Audit & Supervisory Board Member

Having amassed many years' experience of auditing operations at financial institutions and internal control consulting operations at business corporations, Mr. Hajime Yoshitake possesses exceptional insight, abundant experience and a good track record regarding auditing operations. It is expected that he can help establish a highly transparent and fair management oversight system, supervise the appropriateness of deliberation and decision-making on important

Newly Appointed Director's Message

Applying experience in consulting and industry-academia collaboration to bring about an evolution in management

I previously worked at TAIYO YUDEN for 23 years, and spent nearly 20 of those involved in developing and commercializing recording media. During this time, I recognized the importance of cooperating with universities and other companies, and as a consultant and full-time professor at the Nagoya Institute of Technology Center for Social Contribution and Collaboration following my retirement, I have thought about the future of corporations from various perspectives, including from my involvement in problem-solving for multiple companies.

Today I still serve as a mentor of venture companies, as an outside director of major corporations, and in my capacity in science and technology budget implementation at the Ministry of Economy, Trade and Industry and at the Japan Science and Technology Agency. From these perspectives I intend to investigate the future direction for corporate management as I responsively recognize changes in society, progress in technology, and transformations in various industries, and continuously exchange views with the officers and employees at TAIYO YUDEN.

Specifically because I have now acquired experience from both internal and external standpoints, I will not be satisfied with the Company as it stands today, but will honestly strive to bring about an evolution in management for TAIYO YUDEN with a better future by listening to the voices of the Company's stakeholders.

Emiko Hamada
Outside, Independent Director

matters, and offer insight from his objective "auditor's perspective" based on his knowledge and experience. For these reasons, the Board of Directors appointed him as an independent Outside Audit & Supervisory Board Member.

Tomomi Fujita, Outside Audit & Supervisory Board Member

Ms. Tomomi Fujita has abundant experience as an attorney and a thorough knowledge of legal affairs in general and corporate legal affairs in particular. As such, she has sufficient insight to audit corporate management. For these reasons, Ms. Fujita was appointed as an Independent Outside Audit & Supervisory Board Member as she is expected to be able to audit management decisions at meeting of the Board of Directors and business execution by Directors objectively based on her strong expertise.

Policies for Determining Remuneration Paid to Corporate Officers and its Details Thereof

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

1. The Company shall provide remuneration that emphasizes the linkage with financial results and medium- to long-term corporate value, to share the same value with shareholders.
2. Remuneration shall be set at levels that can attract and retain excellent human resources with global competitiveness.
3. Remuneration shall emphasize transparency and fairness to be able to fulfill accountability.

In order to ensure the transparency and fairness of the process to determine remuneration for Officers, a Remuneration Committee has been established as an advisory panel to the Board of Directors. The Remuneration Committee is composed of the President and Chief Executive Officer, Outside Directors, and an Audit & Supervisory Board Member and is chaired by an Independent Outside Director to ensure the objectivity of deliberations. It deliberates and reports on matters pertaining to remuneration for Officers such as remuneration policy, plan, calculation methods, and specific remuneration content of individual Officers.

After the Remuneration Committee has deliberated and reported, specific remunerations for Directors are deliberated at the Board of Directors meeting, and specific remunerations for Audit & Supervisory Board Members are discussed 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.

■ Total Remuneration Paid to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended March, 2019

	Total remuneration paid and number of persons		Total remuneration paid by type of compensation					
			Monthly remuneration		Performance-based bonus		Stock compensation-type 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	346	8	147	5	117	5	81
Audit & Supervisory Board Members	4	81	4	81	—	—	—	—
Total	12	427	12	228	5	117	5	81
Of which, Outside Directors and Outside Audit & Supervisory Board Members	(5)	(48)	(5)	(48)	(—)	(—)	(—)	(—)

Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year ended March 2019, not the number of persons in office.
2. The upper limit of remunerations paid to Directors was resolved to be ¥700 million or less per year at the 78th Ordinary General Meeting of Shareholders held on June 27, 2019. The upper 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.

*Please visit to our website for remuneration structure paid to corporate officers.
https://www.yuden.co.jp/or/ir/management/governance/compensation.html

Newly Appointed Audit & Supervisory Board Member's Message

Applying expertise and experience in legal affairs and intellectual property to contribute to increasing corporate value

As an attorney, I have thus far been involved in corporate legal affairs, such as litigation, negotiation, and consultation regarding intellectual property rights, various types of domestic and international transactions; M&As; business rehabilitation; and others. In particular, I have often handled such affairs for manufacturers and IT-related companies, so am very honored to have received this opportunity to serve as an Outside Audit & Supervisory Board Member for TAIYO YUDEN with its strengths in cutting-edge technology.

For the past seven years I have also participated in the management of a law firm as partner (management-side attorney), and now offer a lecture once per week for a half-term as a part-time instructor at the KYOTO UNIVERSITY LAW SCHOOL. I also serve as the director of the Licensing Executives Society JAPAN.*

Going forward, I intend to apply my expertise and experience in legal affairs and intellectual property rights in hopes of protecting the benefits of the Company's stakeholders while at the same time contributing to increasing corporate value for TAIYO YUDEN as an Outside Audit & Supervisory Board Member.

*An organization composed of members including persons in charge at companies such as intellectual property department directors, attorneys, and scholars

Tomomi Fujita

Outside, Independent Audit & Supervisory Board Member

Mr. Masashi Hiraiwa
Outside Director

Mr. Seiichi Koike
Outside Director

Dialogue with the Outside Directors

In order to realize sustainable growth and increase corporate value over the medium to long term, the TAIYO YUDEN Group is promoting the construction of a corporate governance system that enables transparent, fair, rapid, and decisive decision making. Outside Directors Masashi Hiraiwa and Seiichi Koike have offered their thoughts on measures enacted thus far, as well as issues for the company's focus moving forward.

Enhancing the Structure of Corporate Governance

Mr. Hiraiwa: This is my fourth year since I started serving as an Outside Director at TAIYO YUDEN, and during this period I have seen the company enact a number of measures aimed at strengthening corporate governance. These initiatives have included the formulation of basic policy for corporate governance, the implementation of efficiency assessments for the Board of Directors, and the formulation of successor plans for top managers. I believe TAIYO YUDEN is creating a corporate governance system that is much stronger than systems in place at other companies.

Mr. Koike: I have been serving as an Outside Director for about a year and my experience at meetings of the Board of Directors and Management Implementation Committee, and in exchanges of opinions with Outside Audit & Supervisory Board members tells me that TAIYO YUDEN is doing what is necessary to strengthen corporate governance. I also believe the Company is actively working to strengthen governance as a corporate group.

Mr. Hiraiwa: The Board of Directors includes five Internal Directors and three Outside Directors, with the Outside Directors comprising more than one-third of total Board of Directors members.

In terms of diversity, one of the Outside Directors is a woman, as is one member of the Outside Audit & Supervisory Board. I believe TAIYO YUDEN is firmly focused on strengthening its corporate governance system in line with the demands of its stakeholders.

Role of the Outside Directors

Mr. Koike: I believe diversity on the Board of Directors pertains not only to the gender or nationality of its members, but also to the differences in knowledge and experience that they may have. With this in mind, the advice or proposals I may give as an Outside Director are largely and naturally based on my experience in manufacturing, including at finished automobile makers.

Mr Hiraiwa: My background as a lawyer comes into play whenever I decide to make a proposal. More specifically, I have long specialized in corporate law, and have accordingly been able to offer advice on correct courses of action in regard to relatively new themes such as ESG and Sustainable Development Goals (SDGs). I was also able to provide advice related to risk based on my past experience in M&A to TAIYO YUDEN, which last year added capacitor firm Elna to the Group despite the Company having only relatively limited experience in large-scale acquisitions.

Thoughts on the Nomination Committee and the Remuneration Committee

Mr Hiraiwa: Nominations and remuneration are important agenda items for the Board of Directors. We are each currently serving as chairmen on either the Nomination Committee or the Remuneration Committee. That said, I think there is relatively little discussion on the Remuneration Committee in regard to the Company's system for remuneration, largely due to the clear distinction between fixed and variable remuneration. I believe how we assess variable remuneration is an important item for the Committee's attention moving forward. In particular, I would like to see a deeper discussion into what we are assessing and how to reflect that into director remuneration as a whole.

Mr. Koike: The main role of the Nomination Committee is to evaluate specific leadership candidates. While there has not yet been the need to make a decision on who will next occupy the top spot, though I believe in all honesty that when the time comes it will not be easy to decide right then and there. With that in mind, I believe I have been presented with valuable opportunities to speak about a variety of issues related to human resources when accompanying the company president on overseas visits.

Issues Moving Forward

Mr. Hiraiwa: I don't believe there is only one correct system of corporate governance. Rather, each company will need to establish an approach to corporate governance and a corporate governance system that is appropriate to its specific conditions. Currently, as a company with an Audit & Supervisory Board as well as its voluntary Nomination Committee and Remuneration Committee, I believe the TAIYO YUDEN system is functioning properly. With this in mind and with the goal of further bolstering corporate value over the medium to long term and ensuring sustainable growth, I believe a mechanism for recruiting middle and top-level management overseas would be advantageous as the company focuses on strengthening global corporate governance and improving diversity throughout the Group.

Mr. Koike: I'm of the same mind. There are quite a few talented individuals working at our overseas locations, and I accordingly believe these workers would be good candidates for rotation to the head office in Japan and further training. Moreover, I think we are at the point where management of local subsidiaries, including at the very top, should be left to the local employees.

In terms of issues for focus moving forward other than corporate governance, I believe there is an ongoing increase in opportunities for growth at TAIYO YUDEN Group through technological innovation in areas such as AI, 5G, as well as autonomous driving, and the electrification of automobiles. It is important for the Group to rapidly identify and capture fast-changing demand and move into new business domains to continuously generate profit. I look forward to the Group making the best use of its strengths in materials and process technologies to create new products that are far superior to those of our competitors.

11-year Summary

TAIYO YUDEN CO., LTD. and Subsidiaries
Years Ended March 31 and as of March 31

(Millions of yen)

Fiscal year	2009	2010	2011	2012
Business results				
Net sales	185,452	195,690	210,401	183,795
Operating income (loss)	(12,755)	4,203	8,792	(8,010)
Ordinary income (loss)	(12,601)	1,966	6,740	(9,070)
Net income (loss) attributable to owners of parent company	(14,332)	(680)	(5,506)	(21,599)
Total assets	225,451	236,361	221,272	208,461
Net assets	139,435	139,263	127,626	104,400
Cash flows from operating activities	15,696	25,662	25,219	5,534
Cash flows from investing activities	(25,665)	(8,918)	(16,594)	(28,945)
Free cash flows	(9,969)	16,744	8,625	(23,411)
Cash flows from financing activities	9,780	(8,775)	(8,948)	11,388
Cash and cash equivalents at end of year	33,110	40,451	38,811	26,671
R&D expenses	8,463	7,698	8,475	8,068
Capital investment	27,018	9,352	17,519	26,764
Depreciation and amortization	27,850	23,922	19,309	19,250
Per share data (yen)				
Net assets per share	1,181.28	1,179.82	1,080.61	884.70
Basic net income (loss) per share	(121.51)	(5.78)	(46.82)	(183.70)
Diluted net income per share	—	—	—	—
Cash dividends per share	10.00	10.00	10.00	5.00
Financial ratios (%)				
Equity ratio	61.6	58.7	57.4	49.9
Return on Equity [ROE]	(9.4)	(0.5)	(4.1)	(18.7)
Return on Assets [ROA]	(5.1)	0.9	2.9	(4.2)
Other data				
Number of employees [consolidated]	17,478	17,836	17,267	16,194
Number of employees [non-consolidated]	2,918	2,957	2,988	2,977
Greenhouse gas emissions (1,000t-CO_2e)				
(Emissions per sales unit)				
Incidence rate of injuries and illness (%)				
Incidence rate of mental health problems (%)				

Note: ROE = Net income (loss) attributable to owners of parent company/Shareholders' equity (yearly average) x 100
ROA = Ordinary income/Total assets (yearly average) x 100
GHG emissions were revised after reviewing CO_2 conversion factor of electricity.

(Millions of yen)

2013	2014	2015	2016	2017	2018	**2019**
192,903	208,222	227,095	240,385	230,716	244,117	**274,349**
4,850	11,358	13,153	23,370	12,385	20,221	**35,237**
7,118	12,192	15,653	22,263	11,200	20,553	**34,351**
1,867	6,989	10,919	14,751	5,428	16,355	**23,687**
225,991	247,596	265,454	268,380	271,149	287,170	**328,861**
115,814	128,556	150,856	153,381	154,150	170,118	**205,953**
19,496	29,724	24,896	38,278	29,692	33,944	**42,967**
(18,157)	(18,947)	(20,964)	(35,374)	(28,806)	(26,918)	**(33,581)**
1,339	10,777	3,932	2,904	887	7,026	**9,386**
2,334	8,404	(21,249)	(2,050)	(4,342)	953	**(1,603)**
33,280	54,611	41,476	39,944	36,094	43,837	**51,654**
6,840	7,353	8,237	9,024	10,008	10,574	**13,039**
20,702	19,126	18,773	41,261	33,161	24,549	**38,570**
19,832	20,750	21,813	23,767	24,908	25,589	**26,547**
981.92	1,090.26	1,278.07	1,299.75	1,305.96	1,440.79	**1,609.72**
15.88	59.38	92.74	125.27	46.08	138.80	**189.93**
15.85	58.09	85.51	115.54	42.43	127.88	**185.87**
10.00	10.00	10.00	15.00	20.00	20.00	**21.00**
51.1	51.8	56.7	57.1	56.8	59.1	**62.5**
1.7	5.7	7.8	9.7	3.5	10.1	**12.6**
3.3	5.1	6.1	8.3	4.2	7.4	**11.2**
15,915	16,435	18,262	18,810	18,753	19,011	**21,300**
2,632	2,572	2,577	2,618	2,586	2,590	**2,681**
477	458	485	483	482	497	**494**
(2.47)	(2.20)	(2.13)	(2.01)	(2.09)	(2.04)	**(1.80)**
N.A.	0.020	0.030	0.030	0.035	0.028	**0.015**
0.80	0.74	0.85	0.45	0.60	1.15	**1.15**

Financial Review

Outline of Business Performance

In the fiscal year ended March 31, 2019, the business environment surrounding the TAIYO YUDEN Group maintained a moderate recovery for the global economy as a whole. Looking ahead, it will be necessary to monitor the impact of the trade situation on the global economy, changes in the Chinese economy, and exchange rate trends, among other factors.

The Group aimed to achieve its medium-term targets and management vision by capturing focus markets, such as automotive, IT infrastructure/industrial equipment, healthcare, the environment and energy, centered on the solutions business that leverages the Group's core technologies, in addition to cutting-edge products and high reliability products that draw on the Group's strengths of research and development and production technology.

Moreover, the Group is strengthening its manufacturing capabilities in order to build a structure that can enhance profitability and meet the future increase 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.

Demand for large, high voltage resistant, high reliability components has increased in the automotive market, where use of electric vehicles and electronic components is advancing. Demand for use in the IT infrastructure market, including base station communication devices and data centers, also increased, with further enhancements in functionality accompanying the upgrading of communication systems and advances in IoT. Demand for cutting-edge products for communication equipment such as smartphones increased as advances in functionality and performance continued. As a result, sales of capacitors expanded significantly, leading to growth in sales and profit.

Accounting for each of these factors, in the fiscal year ended March 31, 2019, consolidated net sales increased 12.4% compared with the previous fiscal year, to ¥274,349 million.

Meanwhile, the average foreign currency exchange rate for the fiscal year ended March 31, 2019, was US$1: ¥110.49. This is a depreciation of ¥0.95 compared with the average value of the yen in the previous fiscal year of US$1: ¥111.44.

Selling, General and Administrative Expenses

In the fiscal year ended March 31, 2019, selling, general and administrative (SG&A) expenses increased ¥5,296 million compared with the previous fiscal year, to ¥47,026 million.

In addition to the upswing in R&D expenses, the main factors for the increase were higher tariffs and commission fees in line with the growth in sales. Despite this increase in SG&A expenses, operating income jumped 74.3% year on year, to ¥35,237 million.

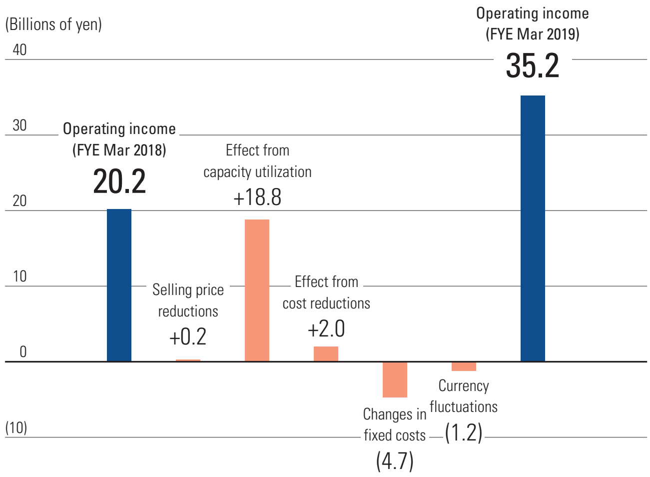
Non-operating income (Expenses)

Non-operating income in the fiscal year ended March 31, 2019, was ¥1,496 million, a decrease of ¥1,303 million from the previous fiscal year due to a decrease in subsidy income. On the other hand, non-operating expenses decreased by ¥85 million from the previous fiscal year to ¥2,382 million yen. As a result, ordinary income increased by 67.1% to ¥34,351 million.

Extraordinary Gains (Losses)

Extraordinary gains in the fiscal year ended March 31, 2019, amounted to ¥1,825 million, an increase of ¥1,804 million from the previous fiscal year, due mainly to gains on sales of investment securities. Extraordinary losses increased ¥7,216 million year on year to ¥8,066 million due to an increase in loss on disposal and sales of property plant and equipment, increase in impairment loss, and the recording of business structure improvement expenses. As a result, net income attributable to owners of parent company increased 44.8% year on year, to ¥23,687 million.

■ Factors behind Operating Income in FYE March 2019



*Excluding ELNA CO., LTD.

Financial Position

Assets

Total assets as of the end of the fiscal year ended March 31, 2019, stood at ¥328,861 million, up ¥41,691 million from the end of the previous fiscal year. Current assets increased ¥21,531 million. This increase in current assets was mainly due to the increase in cash and deposits of ¥6,730 million, trade notes and accounts receivable of ¥5,811 million and work in process of ¥4,789 million. Fixed assets increased ¥20,159 million owing to the upswing in property, plant and equipment of ¥15,071 million and goodwill of ¥5,837 million.

Liabilities

Total liabilities stood at ¥122,907 million as of the end of the fiscal year ended March 31, 2019. This was ¥5,855 million higher than the end of the previous fiscal year. While long-term borrowings and income taxes payable climbed ¥19,532 million and ¥3,400 million, respectively, convertible bonds with stock acquisition rights declined ¥20,039 million.

Net Assets

Net assets stood at ¥205,953 million as of March 31, 2019, up ¥35,835 million compared with the end of the previous fiscal year. Principal movements in net assets included an increase of ¥21,233 million on retained earnings, an increase of ¥10,017 million on common stock, and an increase of ¥8,386 million on capital surplus.

Status of Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2019, came to ¥42,967 million, up 26.6% compared with the previous fiscal year. The principal cash inflows were income before income taxes of ¥28,110 million as well as depreciation and amortization of ¥26,547 million. The major cash outflows included an increase in inventories of ¥6,263 million, and decrease in trade payables of ¥4,062 million.

Net cash used in investing activities amounted to ¥33,581 million, up 24.8% compared with the previous fiscal year. The major cash outflow was purchases of property, plant and equipment of ¥42,562 million.

Net cash used in financing activities was ¥1,603 million compared with net cash provided by financing activities of ¥953 million in the previous fiscal year. The principal cash inflows were proceeds from long-term borrowings of ¥22,024 million and net decrease in short-term borrowings of ¥12,673 million. The major cash outflows included repayments of long-term borrowings of ¥5,194 million, purchases of treasury stock of ¥3,001 million, and payments of cash dividends of ¥2,449 million.

Accounting for each of these activities, cash and cash equivalents stood at ¥51,654 million as of the end of the fiscal year ended March 31, 2019, an increase of ¥7,816 million compared with the end of the previous fiscal year.

Financing from external sources as of March 31, 2019, consisted of ¥23,152 million in short-term borrowings, ¥2,477 million in current portion of long-term borrowings, and ¥28,415 million in long-term borrowings. In principle, borrowings are procured within Japan at fixed interest rates. Moreover, and to ensure financial stability, TAIYO YUDEN has also established a commitment line of ¥10,000 million effective for three years. The Company has not utilized the commitment line as of the March 31, 2018 fiscal year-end.

The Group is capable of generating cash flow through its sound financial position and operating activities. Management believes it is capable of procuring the operating capital and funds for capital investment for activities that may be required in the future to maintain the Group's growth.

Overview of Capital Investment

In the fiscal year ended March 31, 2019, the TAIYO YUDEN Group undertook a total of ¥42,562 million in capital investment, mainly to increase production capacity for multilayer ceramic capacitors, which continue to be in strong demand, including for automobiles, IT infrastructure, and smartphones.

Consolidated Financial Statements

Consolidated Balance Sheet

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2019 and 2018

(Millions of yen)

		As of March 31, 2018		As of March 31, 2019
Assets				
Current assets				
Cash and deposits		49,700		56,430
Notes and accounts receivable - trade	*2	56,933	*2	62,745
Merchandise and finished goods		19,310		21,065
Work in process		21,118		25,907
Raw materials and supplies		11,666		13,974
Other		5,875		5,972
Allowance for doubtful accounts		(278)		(238)
Total current assets		164,326		185,858
Non-current assets				
Property, plant and equipment				
Buildings and structures		81,602		94,768
Machinery, equipment and vehicles		245,007		263,270
Tools, furniture and fixtures		22,661		26,089
Land		9,422		11,022
Construction in progress		6,501		10,468
Accumulated depreciation		(254,749)		(280,102)
Total property, plant and equipment		110,446		125,517
Intangible assets				
Goodwill		–		5,837
Other		1,309		1,219
Total intangible assets		1,309		7,056
Investments and other assets				
Investment securities	*1	7,169	*1	4,760
Retirement benefit asset		–		16
Deferred tax assets		2,048		3,864
Other		2,188		2,119
Allowance for doubtful accounts		(318)		(332)
Total investments and other assets		11,087		10,428
Total non-current assets		122,843		143,003
Total assets		287,170		328,861

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,389	25,031
Short-term loans payable	20,737	23,152
Current portion of long-term loans payable	5,160	2,477
Accounts payable - other	12,792	13,405
Income taxes payable	1,684	5,085
Provision for bonuses	3,663	4,167
Provision for bonuses for directors (and other officers)	231	258
Other	7,808	8,420
Total current liabilities	77,467	81,997
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	20,039	–
Long-term loans payable	8,882	28,415
Deferred tax liabilities	5,047	4,771
Provision for retirement benefits for directors (and other officers)	131	132
Retirement benefit liability	2,865	3,742
Other	2,617	3,847
Total non-current liabilities	39,584	40,910
Total liabilities	117,052	122,907
Net assets		
Shareholders' equity		
Capital stock	23,557	33,575
Capital surplus	41,518	49,904
Retained earnings	113,984	135,217
Treasury shares	(3,302)	(4,613)
Total shareholders' equity	175,756	214,083
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,896	1,519
Deferred gains or losses on hedges	(15)	2
Foreign currency translation adjustment	(9,028)	(9,703)
Remeasurements of defined benefit plans	167	(401)
Total accumulated other comprehensive income	(5,980)	(8,583)
Share acquisition rights	342	453
Total net assets	170,118	205,953
Total liabilities and net assets	287,170	328,861

Consolidated Statement of Income

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2019 and 2018

(Millions of yen)

		Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019
Net sales		244,117		274,349
Cost of sales	*1	182,165	*1	192,084
Gross profit		61,952		82,264
Selling, general and administrative expenses	*2, *3	41,730	*2, *3	47,026
Operating profit		20,221		35,237
Non-operating income				
Interest income		269		382
Dividend income		126		142
Foreign exchange gains		–		190
Subsidy income		2,058		451
Other		345		329
Total non-operating income		2,799		1,496
Non-operating expenses				
Interest expenses		238		349
Share of loss of entities accounted for using equity method		264		786
Foreign exchange losses		1,649		–
Share issuance cost		–		144
Depreciation of inactive non-current assets		206		194
Loss from suspended operation		–		655
Other		108		252
Total non-operating expenses		2,467		2,382
Ordinary profit		20,553		34,351
Extraordinary income				
Gain on sales of non-current assets	*4	21	*4	16
Gain on sales of investment securities		–		1,535
Gain on step acquisitions		–		249
Other		–		24
Total extraordinary income		21		1,825
Extraordinary losses				
Loss on sales and retirement of non-current assets	*5	358	*5	494
Impairment loss	*6	396	*6	4,614
Loss on valuation of investment securities		0		52
Business structure improvement expenses		–	*7	2,235
Head office transfer cost		95		–
Other		0		668
Total extraordinary losses		850		8,066
Profit before income taxes		19,724		28,110
Income taxes - current		4,113		5,983
Income taxes - deferred		(744)		(1,560)
Total income taxes		3,369		4,422
Profit		16,355		23,687
Profit attributable to owners of parent		16,355		23,687

Consolidated Statement of Comprehensive Income

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2019 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	16,355	23,687
Other comprehensive income		
Valuation difference on available-for-sale securities	656	(1,377)
Deferred gains or losses on hedges	(36)	17
Foreign currency translation adjustment	733	(674)
Remeasurements of defined benefit plans, net of tax	536	(568)
Total other comprehensive income	* 1,889	* (2,602)
Comprehensive income	18,245	21,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,245	21,084

Consolidated Statement of Changes In Equity

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2019 and 2018

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	23,557	41,518	99,985	(3,309)	161,752
Changes of items during period					
Dividends of surplus			(2,356)		(2,356)
Profit attributable to owners of parent			16,355		16,355
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		7	6
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	13,998	6	14,004
Balance at end of current period	23,557	41,518	113,984	(3,302)	175,756

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of current period	2,239	21	(9,762)	(368)	(7,870)	268	154,150
Changes of items during period							
Dividends of surplus							(2,356)
Profit attributable to owners of parent							16,355
Purchase of treasury shares							(0)
Disposal of treasury shares							6
Net changes of items other than shareholders' equity	656	(36)	733	536	1,889	73	1,963
Total changes of items during period	656	(36)	733	536	1,889	73	15,968
Balance at end of current period	2,896	(15)	(9,028)	167	(5,980)	342	170,118

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	23,557	41,518	113,984	(3,302)	175,756
Changes of items during period					
Conversion of convertible bond-type bonds with share acquisition rights	10,017	10,017			20,035
Dividends of surplus			(2,454)		(2,454)
Profit attributable to owners of parent			23,687		23,687
Purchase of treasury shares				(3,001)	(3,001)
Disposal of treasury shares		(0)		59	59
Change by share exchanges		(1,631)		1,631	–
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	10,017	8,386	21,233	(1,310)	38,326
Balance at end of current period	33,575	49,904	135,217	(4,613)	214,083

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of current period	2,896	(15)	(9,028)	167	(5,980)	342	170,118
Changes of items during period							
Conversion of convertible bond-type bonds with share acquisition rights							20,035
Dividends of surplus							(2,454)
Profit attributable to owners of parent							23,687
Purchase of treasury shares							(3,001)
Disposal of treasury shares							59
Change by share exchanges							–
Change in ownership interest of parent due to transactions with non-controlling interests							(0)
Net changes of items other than shareholders' equity	(1,377)	17	(674)	(568)	(2,602)	111	(2,491)
Total changes of items during period	(1,377)	17	(674)	(568)	(2,602)	111	35,835
Balance at end of current period	1,519	2	(9,703)	(401)	(8,583)	453	205,953

Consolidated Statement of Cash Flows

TAIYO YUDEN CO., LTD. and Subsidiaries
March 31, 2019 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	19,724	28,110
Depreciation	25,589	26,547
Impairment loss	396	4,614
Business structure improvement expenses	–	2,235
Head office transfer cost	95	–
Amortization of goodwill	–	473
Increase (decrease) in allowance for doubtful accounts	(12)	(29)
Increase (decrease) in provision for bonuses	439	430
Increase (decrease) in provision for bonuses for directors (and other officers)	154	26
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5	(1)
Interest and dividend income	(395)	(524)
Interest expenses	238	349
Share of loss (profit) of entities accounted for using equity method	264	786
Share issuance cost	–	144
Loss (gain) on sales and retirement of non-current assets	336	478
Loss (gain) on sales of investment securities	–	(1,535)
Loss (gain) on step acquisitions	–	(249)
Subsidy income	(1,818)	(209)
Loss (gain) on valuation of investment securities	0	52
Decrease (increase) in notes and accounts receivable - trade	(3,775)	(1,340)
Decrease (increase) in inventories	(3,162)	(6,263)
Increase (decrease) in notes and accounts payable - trade	(1,452)	(4,062)
Other, net	1,760	682
Subtotal	38,388	50,716
Interest and dividend income received	370	514
Interest expenses paid	(240)	(299)
Business structure improvement expenses paid	–	(2,235)
Payments for head office transfer cost	(58)	–
Payments for loss related to anti-monopoly act	–	(2,681)
Income taxes (paid) refund	(4,515)	(3,047)
Net cash provided by (used in) operating activities	33,944	42,967
Cash flows from investing activities		
Purchase of non-current assets	(26,549)	(42,562)
Proceeds from sales of non-current assets	70	38
Decrease (increase) in time deposits	(1,840)	1,028
Proceeds from sales of investment securities	55	2,536
Proceeds from subsidy income	1,418	312
Purchase of shares of subsidiaries and associates	–	(258)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	*2 5,148
Other, net	(73)	173
Net cash provided by (used in) investing activities	(26,918)	(33,581)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,456	(12,673)
Proceeds from long-term loans payable	10,000	22,024
Repayments of long-term loans payable	(11,087)	(5,194)
Purchase of treasury shares	(0)	(3,001)
Cash dividends paid	(2,352)	(2,449)
Repayments of lease obligations	(62)	(117)
Other, net	0	(191)
Net cash provided by (used in) financing activities	953	(1,603)
Effect of exchange rate change on cash and cash equivalents	(236)	34
Net increase (decrease) in cash and cash equivalents	7,743	7,816
Cash and cash equivalents at beginning of period	36,094	43,837
Cash and cash equivalents at end of period	*1 43,837	*1 51,654

[Notes]

Notes - Significant accounting policies for preparation of consolidated financial statements

(1) Scope of consolidation

TAIYO YUDEN CO., LTD. (the "Company") has 34 consolidated subsidiaries (all subsidiaries).

The Company has made ELNA CO., LTD. a subsidiary by additionally acquiring its shares. As a result, ELNA CO., LTD. and its eight subsidiaries have been included in the scope of consolidation since the fiscal year ended March 31, 2019.

Furthermore, Victor Advanced Media Co., Ltd. has been excluded from the scope of consolidation in the fiscal year under review as a result of completion of liquidation.

(2) Application of equity method

i) The Company has one equity-method associate.

ELNA CO., LTD. has been excluded from the scope of equity method from the fiscal year ended March 31, 2019 because it became a subsidiary due to the Company acquiring additional shares. One equity-method company of ELNA CO., LTD. is included in the scope of equity method.

ii) Name of associates not accounted for by the equity method

Bifröstec Inc. and two other companies

Reasons for not accounting for by the equity method

The companies not accounted for by the equity method are excluded from the scope of equity method because the exclusion has a minimal impact on profit or loss (for the Company's equity interest), retained earnings (for the Company's equity interest) and others, and they have no importance as a whole.

iii) Other specific information about application of equity method

For companies accounted for by the equity method with account closing dates that are different from the Company's closing date, the financial statements of each company's fiscal year-end are used.

(3) The fiscal years of consolidated subsidiaries

As the reporting date for nine consolidated subsidiaries – ELNA CO., LTD., ELNA TOHOKU CO., LTD., ELNA MATSUMOTO CO., LTD., ELNA ENERGY CO., LTD., ELNA ELECTRONICS(S) PTE. LTD., ELNA AMERICA, INC., ELNA (SHANGHAI) CO., LTD., TANIN ELNA CO., LTD., and ELNA-SONIC SDN. BHD. – is December 31, but the difference between the reporting date of these subsidiaries and that of the parent company does not exceed three months, financial statements for their fiscal year-end are used as a basis for consolidation. When significant transactions occur at those subsidiaries between their fiscal year-end and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

As the reporting date for five subsidiaries – TAIYO YUDEN (GUANGDONG) CO., LTD., TAIYO YUDEN (SHANGHAI) TRADING CO., LTD., TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD., TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD. and TAIYO YUDEN (CHINA) CO., LTD. –is December 31, their preliminary financial statements prepared as of the consolidated reporting date of March 31 are used as a basis for consolidation.

(4) Accounting policies

i) Accounting policy for measuring significant assets

a) Securities

Other securities (available-for-sale securities)

Securities with readily determinable fair value

Market value method based on market price as of the consolidated closing date is applied (valuation differences are reported as components of net assets and the cost of securities sold is calculated based on the moving average method.)

Securities without readily determinable fair value

Stated at cost using the moving-average method

Investments in limited liability partnerships for investment business and similar partnerships (falling under definition of "securities" as defined by Article 2, paragraph (2) of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements stipulated in the partnership agreements.

b) Derivatives
Market value method is applied

c) Inventories
Finished goods and merchandise: Mainly stated at cost as determined by the gross average method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
Work in process: Mainly stated at cost as determined by the gross average method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
Raw materials and supplies: Mainly stated at cost as determined by the first-in-first-out method
(The book value stated in the balance sheet is written down based on the decreased profitability.)

ii) Accounting method for depreciation of significant assets

a) Property, plant and equipment (excluding leased assets)
The declining-balance method is mainly applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied to buildings acquired (excluding facilities attached to buildings) on and after April 1, 1998, and facilities attached to buildings and structures acquired on and after April 1, 2016 by the Company and its domestic consolidated subsidiaries. Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the Corporate Tax Law in Japan.
The straight-line method is mainly applied for overseas consolidated subsidiaries.

b) Intangible assets (excluding leased assets)
The straight-line method is applied for the Company and its domestic consolidated subsidiaries. Useful lives of the assets are estimated in consistent with the method accepted under the Corporate Tax Law in Japan. However, internal use software is amortized using the straight-line method over the estimated useful life which is internally determined (mainly five years).
The straight-line method is applied for overseas consolidated subsidiaries.

c) Leased assets
Leased assets are depreciated over the leased term by the straight-line method with no residual value.

iii) Accounting method for significant provisions

a) Allowance for doubtful accounts
To prepare for losses from bad debt, the Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts at an uncollectible amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as doubtful receivables.
Overseas consolidated subsidiaries calculate the amount of potential loss mainly estimated on an individual basis.

b) Provision for bonuses
To prepare for bonus payments to employees, provision for bonuses is provided based on the estimated amount of payments.

c) Provision for bonuses for directors (and other officers)
To prepare for bonus payments to directors, provision for bonuses for directors (and other officers) is provided based on the estimated amount of payments.

d) Provision for retirement benefits for directors (and other officers)
Some consolidated subsidiaries provide the necessary amount at the end of the current fiscal year in accordance with internal rules to prepare for the payment of directors’ retirement benefits.

iv) Accounting method for retirement benefits

a) Method of attributing expected retirement benefit to periods
In calculating retirement benefit obligations, the estimated amount of retirement benefits is attributed to the periods up to the end of the current fiscal year on a straight-line basis for the domestic consolidated subsidiaries and on a benefit formula basis for the overseas consolidated subsidiaries.

b) Method of expensing actuarial gains and losses
Actuarial gains and losses are amortized by the straight-line method over a certain number of years

(mostly 10 years) within the average number of remaining service years of the eligible employees at the time they arise, and allocated proportionately beginning in the following fiscal year.

c) Adoption of simplified accounting method used by small companies
Some consolidated subsidiaries apply the simplified method in calculating the retirement benefit liabilities and retirement benefit costs, which assumes the retirement benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.

v) Accounting policy for hedging

a) Accounting policy for hedging
Deferred hedge accounting is applied.

b) Hedging instruments and hedged items
Hedging instruments: Forward foreign exchange contract
Hedged items: Monetary receivables and payables denominated in foreign currencies and forecast transactions

c) Hedging policy
In accordance with the internal risk management regulations, derivative transactions are not entered into for speculative purposes and unless they are backed by actual demand.

d) Method of evaluating hedge effectiveness
The evaluation of hedging effectiveness is not performed because all forward exchange contracts in place to hedge foreign-currency transactions assume their sale in the future and, therefore, they are highly likely to be executed.

vi) Accounting policy for goodwill
Goodwill and goodwill equivalent are amortized over the period within 20 years during which their effects remain using the straight-line method.

vii) Scope of cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand; demand deposits; and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

viii) Other significant matters for preparation of the consolidated financial statements

a) Accounting policy for consumption taxes
Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.

b) Application of consolidated taxation system
The consolidated taxation system is applied for the Company and some consolidated subsidiaries.

Notes - New accounting standards not yet applied

・“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 30, 2018)
・“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Outline
The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 (as IFRS 15 by IASB and Topic 606 by FASB). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard for revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application
These accounting standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application of the accounting standard, etc.
The impact of the application of the "Accounting Standard for Revenue Recognition," etc. on the consolidated financial statements is currently under evaluation.

・"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, issued by the Accounting Standards Board of Japan on September 14, 2018)
・"Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, issued by the Accounting Standards Board of Japan on September 14, 2018)

(1) Outline
The ASBJ has revised PITF No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" and PITF No. 24 "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method." The major revision is that if a company elects to present subsequent changes in the fair value of equity instruments of its foreign subsidiaries, etc. as other comprehensive income in its consolidated financial statements in accordance with the practical solution on "Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," the difference between the cost and the proceeds from sale shall be recognized as profit or loss in the corresponding fiscal year for purposes of preparing the financial statements.

The revised PITFs also prescribe that if an impairment is deemed necessary, the valuation difference shall be reclassified to a loss in the corresponding fiscal year for purposes of preparing the consolidated financial statements.

(2) Scheduled date of application
These PITFs will be applied from the beginning of the fiscal year ending March 31, 2020.

(3) Effects of application of the accounting standard, etc.
The impact on the consolidated financial statements of the application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," etc. remains undetermined at present.

・"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued by the Accounting Standards Board of Japan on January 16, 2019)
・"Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued by the Accounting Standards Board of Japan on January 16, 2019)

(1) Outline
"Accounting Standard for Business Combinations" and other related pronouncements have been revised by ASBJ through deliberations among its members in response to the advice from the Standards Advisory Council to review the accounting treatment where part of the contingent consideration as per "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) is returned to an acquirer.

Major revisions include the addition of "Consideration to be returned" to the definition of "Contingent consideration" and the addition of the accounting treatment for "Contingent consideration where consideration is returned" in "Accounting Standard for Business Combinations."

Following the revision of "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (hereinafter "Implementation Guidance Applied for Business Combinations and Divestitures"), the descriptions in Implementation Guidance Applied for Business Combinations and Divestitures regarding the accounting treatment for shareholders of the parties to business combinations have been revised to ensure consistency with the description in "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013). In addition, now that the split-off type company split is treated as a non-qualified reorganization, relevant provisions on the treatment of tax effect accounting for the divesting company where the date of split-off is the beginning of the fiscal year of the divesting company have been deleted because the deemed business year for the split-off type company split was abolished in the fiscal 2010 tax reform.

(2) Scheduled date of application
These accounting standards will be applied to reorganizations to be implemented from the beginning of the fiscal year ending March 31, 2020.

(3) Effects of application of the accounting standard, etc.
The impact of the application of the "Accounting Standard for Business Combinations," etc. on the consolidated financial statements remains undetermined at present.

Notes - Changes in presentation

Changes associated with application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter "Partial Amendments to Tax Effect Accounting Standard")) since the beginning of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are presented under the investments and other assets section and the non-current liabilities section, respectively, and relevant notes to tax effect accounting have been amended.

As a result, in the consolidated balance sheet as of March 31, 2018, "Deferred tax assets" under "Current assets" decreased by ¥2,830 million, and "Deferred tax assets" under "Investments and other assets" increased by ¥865 million. Also, "Deferred tax liabilities" under "Current liabilities" decreased by ¥688 million and "Deferred tax liabilities" under "Non-current liabilities" decreased by ¥1,276 million.

Deferred tax assets and deferred tax liabilities of the same taxable entity are offset in the consolidated balance sheet, and as a result, the amount of total assets has decreased ¥1,965 million from the amount before the amendments.

In addition, Note 8 to the "Accounting Standard for Tax Effect Accounting" (excluding the total amount of the valuation allowance) and Note 9 to the said standard as stipulated in Paragraphs 3–5 of Partial Amendments to Tax Effect Accounting Standard have been reflected in the notes to tax effect accounting. However, matters concerning the previous fiscal year are not reflected in accordance with the transitional treatment stipulated in paragraph (7) of Partial Amendments to Tax Effect Accounting Standard.

Notes - Consolidated balance sheet

*1 Investments in associates are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Investment securities (shares)	812	1,349

*2 Promissory notes due on the balance sheet date

Promissory notes due on the balance sheet date are accounted for as settled on the clearing date. However, since the last day of the current fiscal year was a non-business day for financial institutions, the following promissory notes due on the balance sheet date are included in the balance at the end of the fiscal year.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Notes receivable - trade	69	61

Notes - Consolidated statement of income

*1 The amount of inventories at the fiscal year-end represents the amount after writing down of the book value due to declines in profitability of assets, and the following loss on revaluation of inventories is included in the cost of sales. (The figure in parenthesis represents the amount of reversal.)

(Millions of yen)

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
167	(583)

*2 Major items and amounts of selling, general and administrative expenses are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Freight costs and fees	5,464	5,771
Research and development expenses	10,574	13,039
Employees' salaries and allowances	10,585	10,975
Retirement benefit expenses	620	663
Provision for bonuses	1,568	1,587
Provision for bonuses for directors (and other officers)	231	257
Depreciation	782	820
Provision of allowance for doubtful accounts	18	28

*3 Total amount of research and development expenses included in general and administrative expenses and production cost in the current period

(Millions of yen)

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
10,574	13,039

*4 Details of gain on sales of non-current assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Machinery, equipment and vehicles	11	14
Other	9	2
Total	21	16

*5 Details of loss on sales and retirement of non-current assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Loss on retirement of non-current assets		
Buildings and structures	137	212
Machinery, equipment and vehicles	165	141
Other	8	56
Subtotal	312	409
Loss on sale of non-current assets		
Machinery, equipment and vehicles	31	53
Land	–	24
Other	13	6
Subtotal	45	84
Total	358	494

*6 Impairment loss

The Company group (the “Group”) recorded impairment losses with respect to the following asset groups.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Type	Application	Location	Amount
Machinery, equipment and vehicles	Idle assets	Nakanojo Plant (Nakanojo-machi, Gunma), Yawatabara Plant (Takasaki-shi, Gunma), Others	¥312 million
Other	Idle assets	Inami-cho, Wakayama, Others	¥83 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss. It is noted that the recoverable amount is measured principally at value in use, and the amount is assessed at zero because no future cash flows are expected from the assets.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Type	Application	Location	Amount
Machinery, equipment and vehicles	Idle assets	Ome-shi, Tokyo, Others	¥3,892 million
Buildings and structures	Idle assets	Ome-shi, Tokyo, Others	¥606 million
Other	Idle assets	Inami-cho, Wakayama, Others	¥115 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss. It is noted that the recoverable amount is measured principally at value in use, and the amount is assessed at zero because no future cash flows are expected from the assets.

*7 Business structure improvement expenses

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

The Group has recorded the expenses incurred from the structural reform of its overseas subsidiaries (consisting primarily of special retirement payments resulting from reorganization of overseas business sites) as business structure improvement expenses and presented as extraordinary losses.

Notes - Consolidated statement of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:		
Amount arising during the year	710	(520)
Reclassification adjustments	–	(1,483)
Before tax effects adjustments	710	(2,003)
Tax effect	(53)	626
Valuation difference on available-for-sale securities	656	(1,377)
Deferred gains or losses on hedges:		
Amount arising during the year	(17)	(194)
Reclassification adjustments	(28)	213
Before tax effects adjustments	(46)	18
Tax effect	9	(1)
Deferred gains or losses on hedges	(36)	17
Foreign currency translation adjustment:		
Amount arising during the year	733	(674)
Reclassification adjustments	–	–
Before tax effects adjustments	733	(674)
Tax effect	–	–
Foreign currency translation adjustment	733	(674)
Remeasurements of defined benefit plans:		
Amount arising during the year	586	(571)
Reclassification adjustments	45	(10)
Before tax effects adjustments	631	(582)
Tax effect	(95)	13
Remeasurements of defined benefit plans	536	(568)
Total other comprehensive income	1,889	(2,602)

Notes - Consolidated statement of changes in equity

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock	120,481	–	–	120,481
Total	120,481	–	–	120,481
Treasury shares				
Common stock (Note) 1, (Note) 2	2,650	0	6	2,645
Total	2,650	0	6	2,645

(Notes) 1. The increase of zero thousand shares of treasury shares of common stock is due to the purchase of fractional shares

2. The decrease of six thousand shares of treasury shares of common stock is due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	–	–	–	–	–	24
	Share acquisition rights under 2008 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2009 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2010 Stock Option Plan	–	–	–	–	–	9
	Share acquisition rights under 2011 Stock Option Plan	–	–	–	–	–	12
	Share acquisition rights under 2012 Stock Option Plan	–	–	–	–	–	9
	Share acquisition rights under 2013 Stock Option Plan	–	–	–	–	–	29
	Share acquisition rights under 2014 Stock Option Plan	–	–	–	–	–	36
	Share acquisition rights under 2015 Stock Option Plan	–	–	–	–	–	76
	Share acquisition rights under 2016 Stock Option Plan	–	–	–	–	–	51
	Share acquisition rights under 2017 Stock Option Plan	–	–	–	–	–	80
Total		–	–	–	–	–	342

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	1,178	10	March 31, 2017	June 30, 2017
Board of Directors meeting held on November 8, 2017	Common stock	1,178	10	September 30, 2017	December 1, 2017

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	1,178	Retained earnings	10	March 31, 2018	June 29, 2018

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock (Note) 1	120,481	9,737	–	130,218
Total	120,481	9,737	–	130,218
Treasury shares				
Common stock (Note) 2, (Note) 3	2,645	1,265	1,354	2,555
Total	2,645	1,265	1,354	2,555

(Notes) 1. The number of issued shares of common stock has increased by 9,737 thousand shares due to exercise of the share acquisition rights attached to convertible bond-type bonds with share acquisition rights.

2. The 1,265 thousand share increase in the number of treasury shares of common stock is attributable to an increase of 1,264 thousand shares due to purchase of treasury shares approved through resolution by the Board of Directors, an increase of zero thousand shares due to purchase of fractional shares, and an increase of zero thousand shares due to purchase of treasury shares to deal with a fraction less than one share resulting from the share exchange.

3. The 1,354 thousand share decrease in the number of treasury shares of common stock is attributable to a decrease of 1,306 thousand shares due to the share exchange and a decrease of 48 thousand shares due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	–	–	–	–	–	24
	Share acquisition rights under 2008 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2009 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2010 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2011 Stock Option Plan	–	–	–	–	–	8
	Share acquisition rights under 2012 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2013 Stock Option Plan	–	–	–	–	–	22
	Share acquisition rights under 2014 Stock Option Plan	–	–	–	–	–	29
	Share acquisition rights under 2015 Stock Option Plan	–	–	–	–	–	63
	Share acquisition rights under 2016 Stock Option Plan	–	–	–	–	–	44
	Share acquisition rights under 2017 Stock Option Plan	–	–	–	–	–	91
	Share acquisition rights under 2018 Stock Option Plan	–	–	–	–	–	144
Total		–	–	–	–	–	453

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	1,178	10	March 31, 2018	June 29, 2018
Board of Directors meeting held on November 9, 2018	Common stock	1,276	10	September 30, 2018	December 4, 2018

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	1,404	Retained earnings	11	March 31, 2019	June 28, 2019

Notes - Consolidated statement of cash flows

*1 Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Cash and deposits	49,700	56,430
Time deposits with a deposit period of over 3 months	(5,862)	(4,776)
Cash and cash equivalents	43,837	51,654

*2 As a result of the Company acquiring additional shares of ELNA CO., LTD., which had been an equity-method associate, ELNA CO., LTD. and its eight subsidiaries are newly added to the scope of consolidation. The breakdown of assets and liabilities at the start of consolidation, and the relation between the cost and the net cash used for acquisition of the shares of ELNA CO., LTD. are as follows:

	(Millions of yen)
Current assets	17,848
Non-current assets	6,794
Goodwill	6,310
Current liabilities	(23,578)
Non-current liabilities	(1,377)
Share acquisition rights	(23)
Subtotal	5,975
Valuation under the equity method before acquisition of control	(726)
Gain on step acquisitions	(249)
Acquisition cost for additional shares	5,000
Cash and cash equivalents of newly consolidated subsidiaries	(10,148)
Purchase of shares, net of cash provided	(5,148)

*3 Description of significant non-cash transactions

(1) Exercise of share acquisition rights attached to convertible bond-type bonds with share acquisition rights

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Increase in capital stock due to exercise of share acquisition rights	–	10,017
Increase in legal capital surplus due to exercise of share acquisition rights	–	10,017
Decrease in convertible bonds with share acquisition rights due to exercise of share acquisition rights	–	20,035

(2) Decrease in treasury shares and increase in capital surplus due to share exchange

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Decrease in treasury shares due to share exchange	–	1,631
Decrease in capital surplus due to share exchange	–	1,631

Notes - Leases

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Details of leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles) for the Electronic Components Business

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Disclosure of accounting policies (ii) Accounting policy for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating lease transactions

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within one year	204	275
Over one year	617	620
Total	821	895

Notes - Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group, which mainly produces and markets electronic components, procures short-term operating funds through bank loans, and long-term funds for capital investment, etc. through bank loans and issuance of corporate bonds in accordance with a capital investment plan. Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Group uses derivative transactions to hedge risks stated below, and does not intend to use them for speculative purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Trade receivables are exposed to customer credit risk. Therefore, the Group manages due dates and balances for each customer, and makes efforts to early recognize concerns about collectibility and reduces its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Group has business relationship are managed by reviewing market values and financial conditions of issuers on a regular basis.

Payment due dates of most trade payables are within one year.

The Group uses bank loans mainly for the purpose of procuring funds necessary for capital investment.

Bank loans payable are not exposed to interest rate fluctuation risk as their interest rates are fixed.

Operating receivables and payables denominated in foreign currencies, arising from global business operations, are exposed to exchange rate fluctuation risk, but the risk is hedged by using forward foreign exchange contracts. Forward exchange contracts are used for operating receivables and payables, which are certain to arise from export and import transactions. The Group engages in derivatives transactions only with high-rated financial institutions.

The finance department executes and manages derivative transactions in accordance with the internal risk management regulations that stipulates trading authority, the limit amount and other related matters. The department also records details of transactions and check balances with counterparties. The results of transactions are reported by the head of the finance department to the chief of headquarters in charge.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

(3) Supplemental information on fair value of financial instruments

The fair value of financial instruments include the value based on market prices and reasonably determined value in cases where market prices are not available. As the value not based on market quotations is calculated by incorporating variable factors, it can vary depending on assumptions adopted.

2. Fair value of financial instruments

Carrying amounts in the consolidated balance sheet, fair value, and the difference between them are as shown below. The amounts shown in the following tables do not include financial instruments whose fair values are deemed to be extremely difficult to determine (see Note 2).

As of March 31, 2018

(Millions of yen)

	Carrying amounts	Fair value	Difference
(1) Cash and deposits	49,700	49,700	–
(2) Notes and accounts receivable - trade	56,933	56,933	–
(3) Investment securities			
i) Other securities (available-for-sale securities)	6,286	6,286	–
ii) Shares of associates	792	1,620	828
Total assets	113,712	114,540	828
(4) Notes and accounts payable - trade	25,389	25,389	–
(5) Short-term loans payable	20,737	20,737	–
(6) Accounts payable - other	12,792	12,792	–
(7) Income taxes payable	1,684	1,684	–
(8) Convertible bond-type bonds with share acquisition rights	20,039	22,175	2,135
(9) Long-term loans payable (*1)	14,043	13,937	(105)
Total liabilities	94,687	96,717	2,029
(10) Derivative transactions (*2)	579	579	–

(*1) The amounts include current portion of long-term loans payable.

(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

As of March 31, 2019

(Millions of yen)

	Carrying amounts	Fair value	Difference
(1) Cash and deposits	56,430	56,430	–
(2) Notes and accounts receivable - trade	62,745	62,745	–
(3) Investment securities			
i) Other securities (available-for-sale securities)	3,379	3,379	–
ii) Shares of associates	–	–	–
Total assets	122,554	122,554	–
(4) Notes and accounts payable - trade	25,031	25,031	–
(5) Short-term loans payable	23,152	23,152	–
(6) Accounts payable - other	13,405	13,405	–
(7) Income taxes payable	5,085	5,085	–
(8) Convertible bond-type bonds with share acquisition rights	–	–	–
(9) Long-term loans payable (*1)	30,892	30,339	(553)
Total liabilities	97,567	97,013	(553)
(10) Derivative transactions (*2)	(274)	(274)	–

(*1) The amounts include current portion of long-term loans payable.

(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

(Notes) 1. Measurement methods for fair values of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(3) Investment securities

Equity securities are stated at price on exchange market, and bonds are stated at price that are reasonably calculated.

Liabilities

(4) Notes and accounts payable - trade, (5) Short-term loans payable, (6) Accounts payable - other, (7) Income taxes payable

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(8) Convertible bond-type bonds with share acquisition rights

The prices offered by correspondent financial institutions are regarded as fair values.

(9) Long-term loans payable

The fair values of long-term payable are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made.

(10) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by correspondent financial institutions.

2. Financial instruments whose fair value is considered to be extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2018	As of March 31, 2019
Unlisted equity securities	2	23
Shares of associates	20	1,349
Equities of limited liability partnerships for investment business and of other similar partnerships	68	8

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, it is considered extremely difficult to determine their fair value, and therefore they are not included in “Assets (3) Investment securities.”

3. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date

As of March 31, 2018

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	49,650	–
Notes and accounts receivable - trade	56,933	–
Total	106,584	–

As of March 31, 2019

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	56,337	–
Notes and accounts receivable - trade	62,745	–
Total	119,084	–

4. Repayment schedule for short-term loans payable, convertible bond-type bonds with share acquisition rights and long-term loans payable after the consolidated balance sheet date

As of March 31, 2018

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	20,737	–	–	–	–	–
Convertible bond-type bonds with share acquisition rights	–	–	20,000	–	–	–
Long-term loans payable	5,160	2,464	2,664	2,463	1,237	53
Total	25,897	2,464	22,664	2,463	1,237	53

As of March 31, 2019

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	23,152	–	–	–	–	–
Convertible bond-type bonds with share acquisition rights	–	–	–	–	–	–
Long-term loans payable	2,477	2,663	13,462	3,786	8,461	41
Total	25,629	2,663	13,462	3,786	8,461	41

Notes - Securities

1. Other securities (available-for-sale securities)

As of March 31, 2018

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	6,139	2,510	3,628
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	81	42	38
	Subtotal	6,220	2,553	3,667
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	65	103	(37)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	65	103	(37)
Total		6,286	2,656	3,629

As of March 31, 2019

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	3,209	1,508	1,701
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	3,209	1,508	1,701
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	169	223	(54)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	169	223	(54)
Total		3,379	1,732	1,647

2. Other securities (available-for-sale securities) sold
Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Not applicable

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	2,396	1,507	–
(2) Bonds			
i) Government bonds, local government bonds, etc.	–	–	–
ii) Corporate bonds	–	–	–
iii) Other	–	–	–
(3) Other	71	28	–
	2,467	1,535	–

3. Impaired securities
The Company recorded an impairment loss on securities of ¥0 million (other securities of ¥0 million) for the fiscal year ended March 31, 2018.

The Company has recorded an impairment loss on securities of ¥52 million (other securities of ¥52 million) for the fiscal year ended March 31, 2019.

The Company records an impairment loss on all securities whose fair values as of the end of the fiscal year are less than 50% of their acquisition costs. For securities whose fair values as of the end of the fiscal year decreased by 30% to 50% from their acquisition costs, the Company records an impairment loss when it is deemed necessary by examining the recoverability of the amount.

Notes - Derivatives

1. Derivatives to which hedge accounting is not applied
Currency derivatives
As of March 31, 2018

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract				
	Sell				
	US dollars	23,589	–	616	616
	Buy				
	US dollars	1,613	–	(22)	(22)

Note: Calculation method for fair values
Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

As of March 31, 2019

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	25,341	–	(295)	(295)
	Buy US dollars	2,196	–	18	18

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

2. Derivatives to which hedge accounting is applied

Currency derivatives

As of March 31, 2018

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	5,252	–	(19)
	Buy US dollars	Forecast transaction	1,584	–	4

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

As of March 31, 2019

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	8,260	–	6
	Buy US dollars	Forecast transaction	2,213	–	(3)

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

Notes - Retirement benefits

1. Outline of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have mainly adopted defined contribution pension plans and prepaid retirement plans.

Certain overseas consolidated subsidiaries have mainly adopted defined benefit plans (lump-sum retirement benefit plans).

As overseas consolidated subsidiaries apply International Financial Reporting Standards (IFRS), they account for retirement benefits in accordance with IAS 19 “Employee Benefits” (as amended on June 16, 2011).

2. Defined benefit plan

(1) Reconciliation between the opening and closing balances of retirement benefit obligations

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Opening balance of retirement benefit obligations	4,669	4,444
Service cost	610	562
Interest cost	121	146
Actuarial gains and losses incurred	(620)	535
Retirement benefits paid	(232)	(1,038)
Changes resulting from change in the scope of consolidation	–	519
Other	(104)	31
Closing balance of retirement benefit obligations	4,444	5,202

(2) Reconciliation between the opening and closing balances of plan assets

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Opening balance of plan assets	1,520	1,578
Interest income	49	77
Actuarial gains and losses incurred	(24)	(35)
Amount of employer contribution	175	406
Retirement benefits paid	(79)	(505)
Other	(63)	(44)
Closing balance of plan assets	1,578	1,476

(3) Reconciliation between the closing balances of retirement benefit obligations and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Retirement benefit obligations from funded plans	1,822	1,873
Plan assets	(1,578)	(1,476)
	243	397
Retirement benefit obligations from non-funded plans	2,622	3,328
Net amount of liability and asset recorded in the consolidated balance sheet	2,865	3,725
Net defined benefit liability	2,865	3,742
Net defined benefit asset	–	(16)
Net amount of liability and asset recorded in the consolidated balance sheet	2,865	3,725

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Service cost	610	562
Net interest	72	69
Amortization of actuarial gains and losses	45	(10)
Amortization of past service cost	–	(0)
Retirement benefit expenses for defined benefit plan	727	621

Notes: 1. In accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (ASBJ PITF No. 18, February 19, 2010), the total amounts of actuarial differences are systematically expensed each year over a certain number of years within the employees' average remaining years of service.

2. Other than the above retirement benefit expenses associated with the defined benefit pension plan, during the current fiscal year, the Company has recorded ¥1,755 million of expenses incurred for voluntary retirement of employees for overseas subsidiaries as "Business structure improvement expenses" under "Extraordinary losses."

(5) Remeasurements of defined benefit plans, net of tax (Consolidated statement of comprehensive income)
The breakdown of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Past service cost	–	(1)
Actuarial gains and losses	631	(581)
Total	631	(582)

(6) Remeasurements of defined benefit plans (Consolidated balance sheet)
The breakdown of remeasurements of defined benefit plans (before deduction of tax effects) is as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Unrecognized past service cost	–	(1)
Unrecognized actuarial gains and losses	252	(328)
Total	252	(329)

(7) Plan assets

i) Major components of plan assets
The ratio of major categories to total plan assets is as follows:

(%)

	As of March 31, 2018	As of March 31, 2019
Bonds	63	62
Shares	17	19
Cash and deposits	16	13
Other	4	6
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement benefit plan, accounts for 76% and 75% of total plan assets during the fiscal year ended March 31, 2018 and 2019, respectively.

ii) Long-term expected rate of return
The long-term expected rate of return is not specified as IAS 19 is applied.

(8) Basis for actuarial calculations

(%)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Discount rate	2.20 - 7.27	1.00 - 5.88
Forecasted rate of salary increase	2.41 - 5.00	2.30 - 5.00

3. Defined contribution plan
The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,283 million in the previous fiscal year and ¥1,353 million in the current fiscal year.

Notes - Stock options, etc.

1. Expenses and account titles for stock options

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Selling, general and administrative expenses	80	170

2. Amounts recorded as gains due to vested stock options unexercised

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Extraordinary income	–	23

3. Details, size and changes in the number of stock options

(1) Details of stock options

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 32,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From July 1, 2006 to March 31, 2007
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2007 to March 31, 2008
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 27, 2008
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 14, 2008
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2008 to March 31, 2009
Exercise period	From July 15, 2008 to July 14, 2028

Company name	Reporting company
Resolution date	May 25, 2009
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 37,000 shares
Grant date	June 9, 2009
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2009 to March 31, 2010
Exercise period	From June 10, 2009 to June 9, 2029

Company name	Reporting company
Resolution date	June 29, 2010
Category and number of people to whom stock options are granted	7 Directors of the Company
Class and number of shares granted	Common stock: 39,000 shares
Grant date	July 21, 2010
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2010 to March 31, 2011
Exercise period	From July 22, 2010 to July 21, 2030

Company name	Reporting company
Resolution date	June 29, 2011
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 44,000 shares
Grant date	July 14, 2011
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2011 to March 31, 2012
Exercise period	From July 14, 2011 to July 13, 2031

Company name	Reporting company
Resolution date	April 25, 2012
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 38,000 shares
Grant date	May 11, 2012
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2012 to March 31, 2013
Exercise period	From May 11, 2012 to May 10, 2032

Company name	Reporting company
Resolution date	May 24, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 10,000 shares
Grant date	June 10, 2013
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2013 to June 27, 2013
Exercise period	From June 10, 2013 to June 9, 2033

Company name	Reporting company
Resolution date	June 27, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 31,000 shares
Grant date	July 12, 2013
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2013 to June 27, 2014
Exercise period	From July 12, 2013 to July 11, 2033

Company name	Reporting company
Resolution date	June 27, 2014
Category and number of people to whom stock options are granted	6 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 55,000 shares
Grant date	July 14, 2014
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2014 to June 26, 2015
Exercise period	From July 14, 2014 to July 13, 2034

Company name	Reporting company
Resolution date	June 26, 2015
Category and number of people to whom stock options are granted	6 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 62,000 shares
Grant date	July 13, 2015
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2015 to June 29, 2016
Exercise period	From July 13, 2015 to July 12, 2035

Company name	Reporting company
Resolution date	November 5, 2015
Category and number of people to whom stock options are granted	1 Director of the Company 1 Operating Officer of the Company
Class and number of shares granted	Common stock: 2,000 shares
Grant date	November 20, 2015
Vesting conditions	No vesting conditions attached
Target service period	From November 1, 2015 to June 29, 2016
Exercise period	From November 20, 2015 to November 19, 2035

Company name	Reporting company
Resolution date	June 29, 2016
Category and number of people to whom stock options are granted	5 Directors of the Company 13 Operating Officers of the Company
Class and number of shares granted	Common stock: 64,000 shares
Grant date	July 15, 2016
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2016 to June 29, 2017
Exercise period	From July 15, 2016 to July 14, 2036

Company name	Reporting company
Resolution date	June 29, 2017
Category and number of people to whom stock options are granted	5 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 61,000 shares
Grant date	July 18, 2017
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2017 to June 28, 2018
Exercise period	From July 18, 2017 to July 17, 2037

Company name	Reporting company
Resolution date	June 28, 2018
Category and number of people to whom stock options are granted	4 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 57,000 shares
Grant date	July 18, 2018
Vesting conditions	No vesting conditions attached
Target service period	From June 28, 2018 to June 27, 2019
Exercise period	From July 18, 2018 to July 17, 2038

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on April 11, 2012
Category and number of people to whom stock options are granted	4 Directors of the said company
Class and number of shares granted (Note) 1	Common stock: 37,000 shares
Grant date	April 26, 2012
Vesting conditions	(Note) 2
Target service period	There is no provision for the target service period.
Exercise period	From April 27, 2014 to April 26, 2022

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on February 27, 2013
Category and number of people to whom stock options are granted	3 Directors of the said company
Class and number of shares granted (Note) 1	Common stock: 13,000 shares
Grant date	March 15, 2013
Vesting conditions	(Note) 2
Target service period	There is no provision for the target service period.
Exercise period	From March 16, 2015 to February 26, 2023

(Notes) 1. As ELNA CO., LTD., a consolidated subsidiary of the Company, carried out a 1-for-10 share consolidation as of October 1, 2018, these numbers reflect the numbers of shares after the share consolidation.

2. In case persons to whom stock options are granted are dead on and after the following day of the closing date of the 77th Ordinary General Meeting of Shareholders of the said company, the rights will be transferred to their heirs. Successors may exercise share acquisition rights only if they satisfy the conditions specified separately.
   The share acquisition rights may not be transferred to third parties, offered for pledge or disposed of in any other way.
   Any other conditions for the exercise of share acquisition rights shall be prescribed by the “Share Acquisition Rights Allotment Agreement” to be entered into between the said company and the person who has been granted share acquisition rights.

(2) Size and changes in the number of stock options
The following describes the number of stock options that existed during the current fiscal year (fiscal year ended March 31, 2019). The number of stock options is translated into the number of shares.

i) Number of stock options

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	3,000	6,000	6,000	6,000
Vested	–	–	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	–
Exercisable	3,000	6,000	6,000	6,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	9,000	13,000	13,000	3,000
Vested	–	–	–	–
Exercised	3,000	4,000	4,000	1,000
Lapsed	–	–	–	–
Exercisable	6,000	9,000	9,000	2,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	17,000	35,000	47,000	2,000
Vested	–	–	–	–
Exercised	4,000	6,000	7,000	1,000
Lapsed	–	–	–	–
Exercisable	13,000	29,000	40,000	1,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	ELNA CO., LTD.
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on April 11, 2012
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	57,000	–
Lapsed	–	–	–	–
Vested	–	–	57,000	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	62,000	61,000	–	34,000
Vested	–	–	57,000	–
Exercised	9,000	9,000	–	–
Lapsed	–	–	–	34,000
Exercisable	53,000	52,000	57,000	–

(Shares)

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on February 27, 2013
Stock options before vesting	
At the end of previous fiscal year	–
Granted	–
Lapsed	–
Vested	–
Unvested balance	–
Stock options after vesting	
At the end of previous fiscal year	13,000
Vested	–
Exercised	–
Lapsed	13,000
Exercisable	–

(Note) As ELNA CO., LTD., a consolidated subsidiary of the Company, carried out a 1-for-10 share consolidation as of October 1, 2018, these numbers reflect the numbers of shares after the share consolidation.

ii) Unit price information

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	2,761	2,761	966	947

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Exercise price	1	1	1	1
Average share price at exercise	3,402	3,402	3,402	3,402
Fair value unit price on grant date	1,013	948	739	1,625

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Exercise price	1	1	1	1
Average share price at exercise	3,402	3,191	3,221	2,770
Fair value unit price on grant date	1,476	1,032	1,543	1,914

(Yen)

Company name	Reporting company	Reporting company	Reporting company	ELNA CO., LTD.
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on April 11, 2012
Exercise price	1	1	1	1,290
Average share price at exercise	3,121	3,121	–	–
Fair value unit price on grant date	834	1,762	3,369	510

(Yen)

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on February 27, 2013
Exercise price	1,180
Average share price at exercise	–
Fair value unit price on grant date	440

(Note) As ELNA CO., LTD., a consolidated subsidiary of the Company, carried out a 1-for-10 share consolidation as of October 1, 2018, these prices reflect the numbers of shares after the share consolidation.

4. Method of estimating fair value unit price of stock options
The fair value unit price of the stock options determined by the resolution on June 28, 2018 and granted during the fiscal year ended March 31, 2019, was estimated based on the following:
(1) Valuation techniques used Black-Scholes Model
(2) Major basic numerical values and estimation method

Resolution date	June 28, 2018
Volatility of share price (Note) 1	40.5%
Estimated remaining outstanding period (Note) 2	4.3 years
Estimated dividend (Note) 3	¥20/share
Risk-free interest rate (Note) 4	(0.12)%

(Notes) 1. The volatility of share price is estimated based on weekly historical share prices from March 24, 2014 to July 9, 2018.
2. The estimated remaining outstanding period refers to the average period of service as Director less the already served period of service as Director. The stock options are assumed to be exercised immediately after the Director's retirement as Director.
3. The estimated dividend is based on the actual per share dividend distributed in the previous year for the year ended March 31, 2018.
4. The risk-free interest rate represents the interest rate on Japanese government bonds with the remaining period corresponding to the estimated remaining outstanding period.

5. Method of estimating number of stock options vested
The number of stock options vested is equal to the number of stock options granted since the options were vested on the grant date.

Notes - Tax effect accounting

1. Breakdown of major components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Deferred tax assets		
Inventories	1,362	2,309
Accrued expenses	270	365
Accrued enterprise tax	140	375
Provision for bonuses	1,087	1,240
Investment securities, etc.	732	577
Allowance for doubtful accounts	141	102
Accounting depreciation in excess of tax depreciation	1,239	2,948
Lump-sum depreciable assets	167	324
Retirement benefit liability	756	897
Prepaid retirement benefit	1,682	1,566
Loss carried forward (Note) 2	11,399	8,766
Other	1,065	2,437
Deferred tax assets subtotal	20,045	21,911
Valuation allowance for tax losses carried forward (Note) 2	–	(7,133)
Valuation allowance for total deductible temporary differences, etc.	–	(8,911)
Valuation allowance subtotal (Note) 1	(15,694)	(16,045)
Offsetting	(2,303)	(2,001)
Deferred tax assets total	2,048	3,864
Deferred tax liabilities		
Inventories	659	466
Undistributed profits of overseas subsidiaries	3,779	4,072
Reserve for advanced depreciation of non-current assets	728	727
Valuation difference on available-for-sale securities	755	135
Other	1,427	1,371
Offsetting	(2,303)	(2,001)
Deferred tax liabilities total	5,047	4,771
Net deferred tax assets (liabilities)	(2,998)	(907)

(Notes) 1. The change in valuation allowances is attributable mainly to an increase in valuation allowances resulting from the inclusion of ELNA CO., LTD. and its eight subsidiaries in the scope of consolidation, an increase in valuation allowance due to recognition of impairment losses, and a decrease in valuation allowance due to reversal of loss carried forward.

2. Amounts of tax losses carried forward and associated deferred tax assets by expiration period

As of March 31, 2019

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax losses carried forward (*1)	1,090	1,950	1,912	198	155	3,459	8,766
Valuation allowance	(1,078)	(1,041)	(1,239)	(198)	(155)	(3,419)	(7,133)
Deferred tax assets	11	909	673	–	–	39	(*2) 1,633

(*1) The amounts of tax losses carried forward are calculated by multiplying the statutory effective tax rate.

(*2) Deferred tax assets associated with tax losses carried forward are assessed to be recoverable based on the estimated amount of taxable income in the future.

2. Breakdown of major items of differences between the statutory effective tax rate and the effective income tax rate after applying tax effect accounting

(%)

	As of March 31, 2018	As of March 31, 2019
Statutory effective tax rate	30.7	30.5
Adjustments		
Tax rate differences of the overseas subsidiaries	(5.8)	(4.2)
Undistributed profits of the overseas subsidiaries	7.4	0.9
Valuation allowance	(21.4)	(8.1)
Tax credit for research and development expenses	(1.4)	(3.5)
Foreign tax	2.1	1.0
Unrealized income on inventories	1.8	(1.5)
Expenses not deductible permanently such as entertainment expenses	1.4	0.5
Other	2.3	0.1
Effective income tax rate after applying tax effect accounting	17.1	15.7

Changes in presentation

“Tax credit for research and development expenses” included in “Other” in the fiscal year ended March 31, 2018 is presented separately from the fiscal year ended March 31, 2019 due to an increase in materiality. The above table for the previous fiscal year has been reclassified to reflect this change in presentation.

Notes - Business combinations

Business combination through acquisition

At the Board of Directors meeting held on February 26, 2018, the Company resolved to conclude an agreement to enter into a capital and business alliance with ELNA CO., LTD. (“ELNA”), an equity-method company of the Company, and to make ELNA a subsidiary of the Company through the underwriting of a capital increase by way of third-party allotment by ELNA. The Company completed payment for the shares on April 3, 2018.

1. Outline of business combination
   (1) Name of the acquired company and its business activities
   Name of the acquired company: ELNA CO., LTD.
   Business activities: Production and sale of electronic components (capacitors)
   (2) Major reason for the business combination
   The Company is engaged in businesses primarily centered on multilayer ceramic capacitors, inductors, FBAR/SAW devices for mobile communications and functional modules. Most of these products are primarily used in various IT and electronic devices, such as smartphones and PCs. In particular, in recent years we have focused our business expansion efforts on the further adoption of our products in the automotive, industrial, healthcare equipment, and environmental energy markets, all of which are expected to see further market expansion and growth going forward. ELNA’s business operations have focused on capacitors for some 80 years since its founding. In particular, ELNA has concentrated on developing products that can demonstrate their high quality and high performance even in environments that require vibration resistance, humidity resistance, pressure resistance, and high and low temperature resistance. ELNA has been promoting product development that can fulfill the needs of its many customers in the automotive and industrial equipment markets.
   Given this, in accelerating the global expansion of its business in the automotive, industrial equipment, and environmental energy markets, the Company concluded a capital and business alliance agreement with ELNA in November 2014, with which it has complementary strengths in products and sales channels. Under this agreement, the Company acquired 15,000,000 Class A preferred shares in ELNA from Japan Industrial Partners II Investment Limited Partnership and Japan Industrial Partners II Parallel Investment Limited Partnership through a share transfer (as of December 16, 2015, the Company exercised its right to request conversion to ordinary shares, thus all of the said Class A preferred shares were converted into 15,000,000 ordinary shares, and the Company has continued to hold the said ordinary shares). In addition, to enhance market competitiveness, and to expand their businesses, the two companies have worked to cooperate in

terms of producing, jointly procuring materials, sharing technological and production expertise, and expanding sales through mutual cooperation, for electric double layered capacitors and lithium ion capacitors for automotive, industrial equipment, and environmental energy markets where growth is expected going forward.

The Company concluded the capital and business alliance agreement with ELNA, underwrote the third-party allotment and made ELNA into a subsidiary in order to strengthen the collaboration between the two companies even more going forward and to further expand profitability and enhance the associated corporate value by promoting operations based on a medium-to-long term and company-wide common strategy.

(3) Date of the business combination
April 3, 2018

(4) Legal form of the business combination
Acquisition of shares through the underwriting of a capital increase by way of third-party allotment

(5) Name of company after business combination
Unchanged

(6) Voting right ratio acquired
Percentage of voting rights owned immediately before the business combination 22.32%
Voting right ratio acquired on the effective date of the business combination 41.46%
Voting right ratio after acquisition 63.78%

(7) Major basis for reaching a decision on business combination
The Company acquired 63.78% of voting rights of ELNA through acquisition of shares for cash consideration.

2. Performance period of acquired company included in the consolidated financial statement
Since the date of business combination falls on April 3, 2018 and the difference between the closing date of the acquired company and the consolidated closing date does not exceed three months, the consolidated financial statements reflect business performance of the acquired company from April 3, 2018 to December 31, 2018.

3. Breakdown of each type of consideration and acquisition cost of the acquired company

Fair value of the shares owned immediately before the business combination	¥975 million
Fair value of shares additionally acquired on the date of the business combination	¥5,000 million
Acquisition cost	¥5,975 million

4. Details and amounts of major acquisition-related costs
Advisory fee, etc. ¥54 million

5. Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition
Gain on step acquisitions ¥249 million

6. Amount of goodwill recognized, reason for recognition of goodwill, and method and period for amortization of goodwill

(1) Amount of goodwill recognized
¥6,310 million

(2) Reason for recognition of goodwill
As the acquisition cost exceeded the proportionate share of the fair value of net assets at the time of business combination, the difference is recognized as goodwill.

(3) Method and period for amortization of goodwill
Amortized in equal amounts over 10 years

7. Amount and breakdown of assets acquired and liabilities assumed as of the date of business combination

	(Millions of yen)
Current assets	17,848
Non-current assets	6,794
Total assets	24,643
Current liabilities	23,578
Non-current liabilities	1,377
Total liabilities	24,955

8. Estimated amount of the impact on the consolidated statement of income for the current fiscal year assuming that the business combination had been completed on the beginning of the current fiscal year, and its calculation method
   Information is omitted because the amount of this impact is immaterial.

Transactions under common control, etc.
The Company resolved at the Board of Directors meeting held on September 28, 2018 to conduct a share exchange to make the Company the wholly-owning parent company and ELNA a wholly-owned subsidiary (the "share exchange"), and it completed the share exchange as of January 1, 2019.
The common stock of ELNA was delisted from the second section of Tokyo Stock Exchange, Inc. as of December 26, 2018.

1. Outline of transactions
   (1) Name of the company involved in the business combination and its business activities
   Name of the company involved in the business combination: ELNA CO., LTD.
   Business activities: Production and sale of electronic components (capacitors)
   (2) Date of the business combination
   January 1, 2019
   (3) Legal form of the business combination
   Share exchange to make the Company a wholly-owning parent company and ELNA a wholly-owned subsidiary
   (4) Name of the company after the business combination
   Unchanged
   (5) Purpose of the share exchange
   ・ Accelerate rebuilding and revitalization of ELNA through further improvement of its management efficiency and drastic business restructuring
   ・ Develop joint sales strategies and flexibly execute them with ELNA, which is highly complementary with the Company in terms of products and sales channels
   ・ Streamline operations by consolidating redundant businesses, collaborate in production and procurement of materials, and share technological and production know-hows

2. Outline of accounting procedures applied
   The transaction was accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

3. Calculation of the acquisition cost
   (1) Breakdown of each type of consideration and acquisition cost

Consideration for acquisition (common stock of the Company)	¥2,137 million
Acquisition cost	¥2,137 million

(2) Share exchange ratio by share class

	The Company (wholly owning parent company)	ELNA (wholly owned subsidiary)
Share exchange ratio of the share exchange	1	0.250

The Company assigned 0.250 shares of its common stock for each share of common stock of ELNA (where 0.250 is hereinafter referred to as the "exchange ratio of shares."). The shares of common stock of ELNA held by the Company, however, are not subject to the assignment through the share exchange.

(3) Calculation method for the share exchange ratio

To ensure fairness and appropriateness of the exchange ratio of shares, the Company selected SMBC Nikko Securities Inc. and ELNA selected AGS Consulting Co., Ltd. as their respective third-party valuation institutions to calculate the exchange ratio of shares.

The Company and ELNA decided on the exchange ratio of shares through a series of negotiations and consultations by comprehensively taking into account some factors including their respective financial position, assets status and future outlook. During the course of careful consultations and considerations, the Company and ELNA took into account the report by a third-party institution on the exchange ratio of shares and advice from legal advisors, and ELNA also took into account a written report received from a third-party committee consisted only of the members who have no interest either in the Company, the controlling shareholder, or ELNA, to assess whether the share exchange is not disadvantageous to minority shareholders of ELNA.

(4) Number of shares delivered

Common stock of the Company 1,306,325 shares

4. Change in ownership interest of the Company due to transactions with non-controlling interests

(1) Major factor of changes in capital surplus

Acquisition of additional shares of a subsidiary

(2) Amount of capital surplus decreased by transactions with non-controlling shareholders

¥1,631 million

Notes - Asset retirement obligations

The total amount of asset retirement obligations is not disclosed as it is immaterial.

Notes - Real estate for lease, etc.

The total amount of real estate for lease, etc. is not disclosed as it is immaterial.

Notes - Segment information, etc.

[Segment information]

The segment information is not disclosed as the Group operates in a single segment of the electronic components business.

[Notes - Related information]

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Information for each product or service

(Millions of yen)

	Capacitors	Ferrite and applied products	Integrated modules & devices	Others	Total
Net sales	142,858	40,977	56,838	3,443	244,117

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
23,134	100,280	36,593	84,107	244,117

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
77,649	10,446	11,597	10,753	110,446

3. Information for each of main customers
   The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Information for each product or service (Millions of yen)

	Capacitors	Ferrite and applied products	Integrated modules & devices	Others	Total
Net sales	170,633	40,595	47,930	15,189	274,349

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
29,343	96,256	44,240	104,508	274,349

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
84,970	10,636	16,085	13,825	125,517

3. Information for each of main customers
   The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

[Disclosure of impairment losses on non-current assets for each reportable segment]
Information on impairment losses is not disclosed as the Group has a single segment.

[Amortization and unamortized balance of goodwill for each reportable segment]
Information on amortization and unamortized balance of goodwill is not disclosed as the Group has a single segment.

[Information about gains on bargain purchase for each reportable segment]
Not applicable

[Notes - Related party transactions]
Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Not applicable

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Type	Name	Location	Capital stock or investments in capital (Millions of yen)	Business activities or occupation	Ownership (owned) ratio of voting rights, etc.	Relationship of related party	Transactions	Transaction amounts (Millions of yen)	Account item	Closing balance
Associate	ELNA CO., LTD.	Kohoku-ku, Yokohama-shi, Kanagawa	4,011	Development and Sales of Electronic Components	Ownership Direct 22.3%	Business partnership	Underwriting of capital increase (Note)	5,000	–	–

(Note) The Company has underwritten ELNA CO., LTD.'s capital increase carried out by way of third-party allotment for 65 yen per share.

Notes - Per share information

(Yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Net assets per share	1,440.79	1,609.72
Basic earnings per share	138.80	189.93
Diluted earnings per share	127.88	185.87

(Notes) 1. The basis for calculation of net assets per share is as follows:

	As of March 31, 2018	As of March 31, 2019
Total net assets (Millions of yen)	170,118	205,953
Amounts deducted from total net assets (Millions of yen)	342	453
[Of the above, share acquisition rights (Millions of yen)]	[342]	[453]
[Of the above, non-controlling interests (Millions of yen)]	[–]	[–]
Net assets related to common stock (Millions of yen)	169,776	205,500
Number of common stock used to calculate net assets per share (Thousand shares)	117,836	127,662

2. The basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	16,355	23,687
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common stock (Millions of yen)	16,355	23,687
Average number of outstanding common stock during period (Thousand shares)	117,834	124,718
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	(9)	(2)
[Of the above, interest on bonds (net of tax) (Millions of yen)]	[(9)]	[(2)]
Increase in the number of common stock (Thousand shares)	9,983	2,711
[Of the above, convertible bond-type bonds with share acquisition rights (Thousand shares)]	[9,715]	[2,434]
[Of the above, share acquisition rights (Thousand shares)]	[267]	[277]
Outline of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	–	–

Notes - Significant events after reporting period

Purchase of treasury shares

In the Board of Directors meeting held on May 13, 2019, the Board of Directors resolved and carried out the purchase of the treasury shares prescribed in the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the said Act.

1. Reasons for purchase of treasury shares
   To expand shareholders return and increase capital efficiency as well as ensuring flexible capital policy in response to future changes in the management environment.

2. Details of matters relating to purchase
   (1) Class of shares to be purchased — Common stock
   (2) Total number of shares to be purchased — 2,500,000 shares (upper limit) (Ratio to the total number of shares issued excluding treasury shares 2.0%)
   (3) Total price of shares purchased — ¥4,000,000,000 (upper limit)
   (4) Period of purchase — From May 27, 2019 to March 31, 2020
   (5) Method of purchase — Open-market purchase on the Tokyo Stock Exchange

3. Results of purchase
   (1) Class of shares purchased — Common stock
   (2) Total number of shares purchased — 2,170,500 shares
   (3) Total price of shares purchased — ¥3,999,991,100
   (4) Period of purchase: — From May 27, 2019 to June 14, 2019 (on a trade basis)
   (5) Method of purchase — Open-market purchase on the Tokyo Stock Exchange

5) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Company name	Stock name	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Collateral	Redemption date
The Company	Euro Yen Zero Coupon Convertible Bonds due 2021 (Note) 1	January 27, 2014	20,039	–	–	–	January 27, 2021
Total	–	–	20,039	–	–	–	–

(Notes) 1. Description of the corporate bonds with share acquisition rights is provided below.

Stock name	Euro Yen Zero Coupon Convertible Bonds due 2021
Shares to be issued	Common stock
Issuance price of share acquisition rights (Yen)	Without contribution
Issuance price of shares (Yen)	2,054.0
Total issuance price (Millions of yen)	20,100
Total issuance price of shares issued upon exercise of share acquisition rights (Millions of yen)	20,035
Ratio of share acquisition rights granted (%)	100.0
Exercise period for share acquisition rights	From February 10, 2014 to January 13, 2021

2. No redemption is scheduled within five years from the consolidated closing date.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at the beginning of period (Millions of yen)	Balance at the end of current period (Millions of yen)	Average interest rate (%)	Repayment term
Short-term loans payable	20,737	23,152	0.73	–
Current portion of long-term loans payable	5,160	2,477	0.55	–
Current portion of lease obligations	58	81	4.48	–
Long-term loans payable (excluding current portion)	8,882	28,415	0.39	From April 2020 to September 2037
Lease obligations (excluding current portion)	168	354	4.48	From April 2020 to October 2028
Other interest-bearing liabilities				
“Other” in current liabilities	–	61	1.50	–
“Other” in non-current liabilities	–	5	1.50	January 2020
Total	35,008	54,548	–	–

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of loans payable at the end of the period.

2. The average interest rate for the lease obligations presented above is based on the standard method of calculation and does not reflect interest rates for lease obligations recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest expenses included in the total lease payments.

3. Other interest-bearing liabilities represent accounts payable arising from sale and hire purchase back transactions and long-term accounts payable.

4. The repayment schedule for long-term loans payable (excluding current portion), lease obligations (excluding current portion), and other interest-bearing liabilities (excluding current portion) for five years subsequent to March 31, 2019 is as follows:

(Millions of yen)

Category	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	2,663	13,462	3,786	8,461
Lease obligations	73	75	73	59
Other interest-bearing liabilities “Other” in non-current liabilities	5	–	–	–

[Annexed consolidated detailed schedule of asset retirement obligations]

As the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amount of liabilities and net assets as of the same dates, annexed consolidated detailed schedule of asset retirement obligations is not disclosed pursuant to the provisions of Article 92-2 of the Regulation on Consolidated Financial Statements.

(2) Other information

Quarterly information for the current fiscal year

Cumulative period	Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	Fiscal year ended March 31, 2019
Net sales (Millions of yen)	59,576	133,565	207,528	274,349
Profit before income taxes (Millions of yen)	7,134	13,552	24,206	28,110
Profit attributable to owners of parent (Millions of yen)	5,645	10,980	20,049	23,687
Basic earnings per share (Yen)	47.91	89.98	162.07	189.93

Three-month period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	47.91	45.99	71.06	28.43

KPMG

Independent Auditor's Report

To the Board of Directors of TAIYO YUDEN CO., LTD.:

We have audited the accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. and its consolidated subsidiaries, which comprise the Consolidated Balance Sheets as of March 31, 2019 and 2018, and the Consolidated Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TAIYO YUDEN CO., LTD. and its consolidated subsidiaries as of March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 30, 2019
Tokyo, Japan

Corporate Data

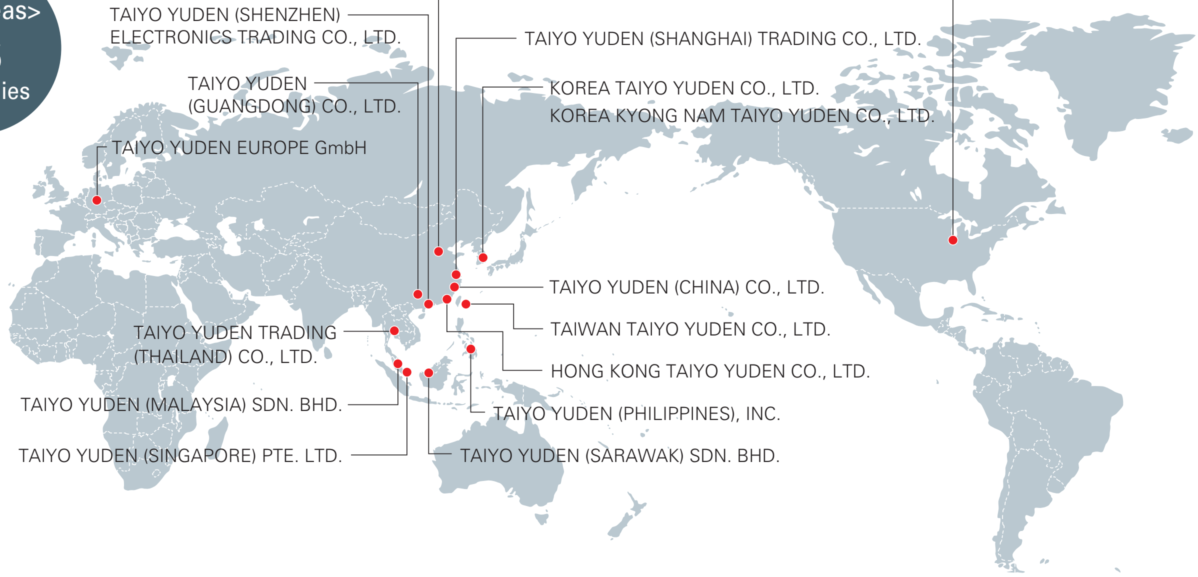
As of July 1, 2019

Company name	TAIYO YUDEN CO., LTD.
Head office	2-7-19, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
Tel	+81-3-6757-8310
President and Chief Executive Officer	Shoichi Tosaka
Date of establishment	March 23, 1950
Paid-in capital	¥33,575 million (as of March 31, 2019)
Number of employees	21,300 (Consolidated) 2,681 (Non-consolidated) (as of March 31, 2019)
Main products	Ceramic capacitors, inductors, FBAR/SAW devices for mobile communications, functional modules, energy devices, etc.
URL	http://www.ty-top.com/

TAIYO YUDEN Group

<Japan>
10
companies

<Overseas>
16
companies



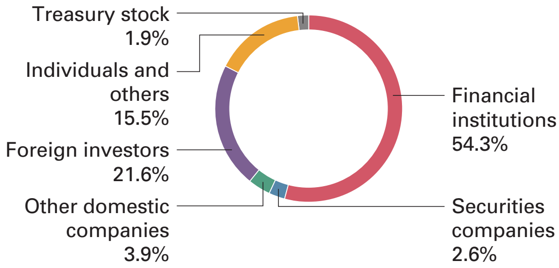
Stock Information

As of March 31, 2019

Stock Information

Common stock	Authorized: 300,000,000
	Issued: 130,218,418 (Including 2,555,996 shares of treasury stock)
Stock exchange listing	First section of Tokyo Stock Exchange
Securities code	6976
Unit of trading	100 shares
Number of shareholders	29,106

Composition of Shareholders



*Figures have been rounded to one decimal place.

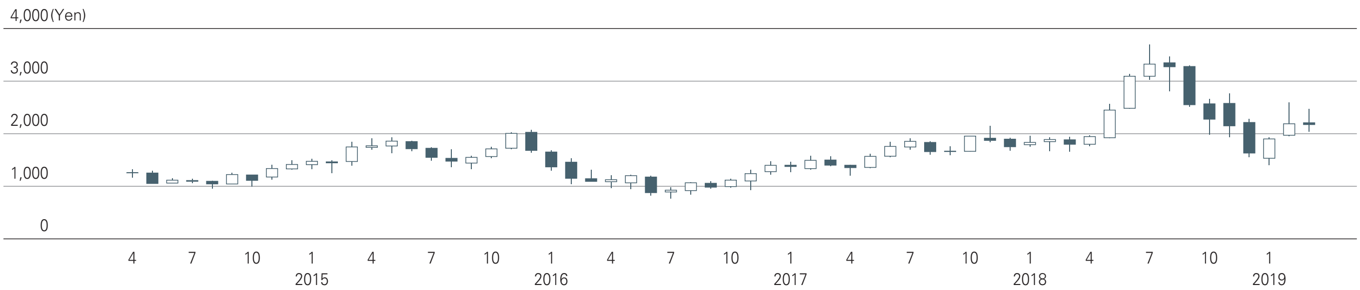
Major Shareholders

Name	Number of shares (shares)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,949,700	20.3
Japan Trustee Services Bank, Ltd. (Trust Account)	16,297,100	12.7
Sumitomo Mitsui Banking Corporation	4,000,000	3.1
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,915,500	3.0
The Iyo Bank, Ltd.	3,000,100	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,766,700	2.1
J.P.MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	2,574,305	2.0
Sato Traffic Orphan Welfare Fund	1,916,640	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,746,700	1.3
Nippon Life Insurance Company	1,666,450	1.3

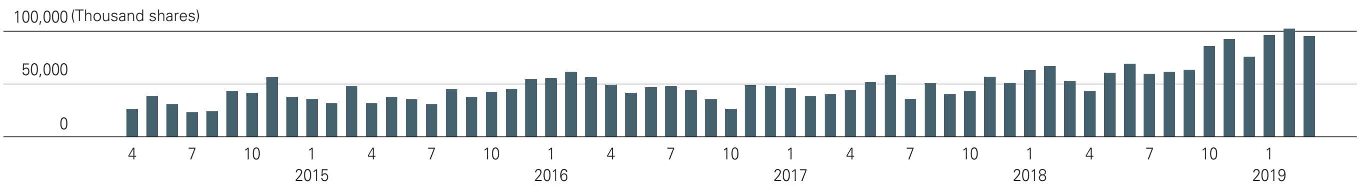
Notes 1. The Company holds 2,555,996 shares of treasury stock; however, this is excluded from the above-mentioned major shareholders.
2. Shareholding ratio is calculated excluding the number of treasury shares.
3. Figures are rounded down to one decimal place.

Stock Price/Trading Volume

Stock price



Trading volume



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