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.