

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.

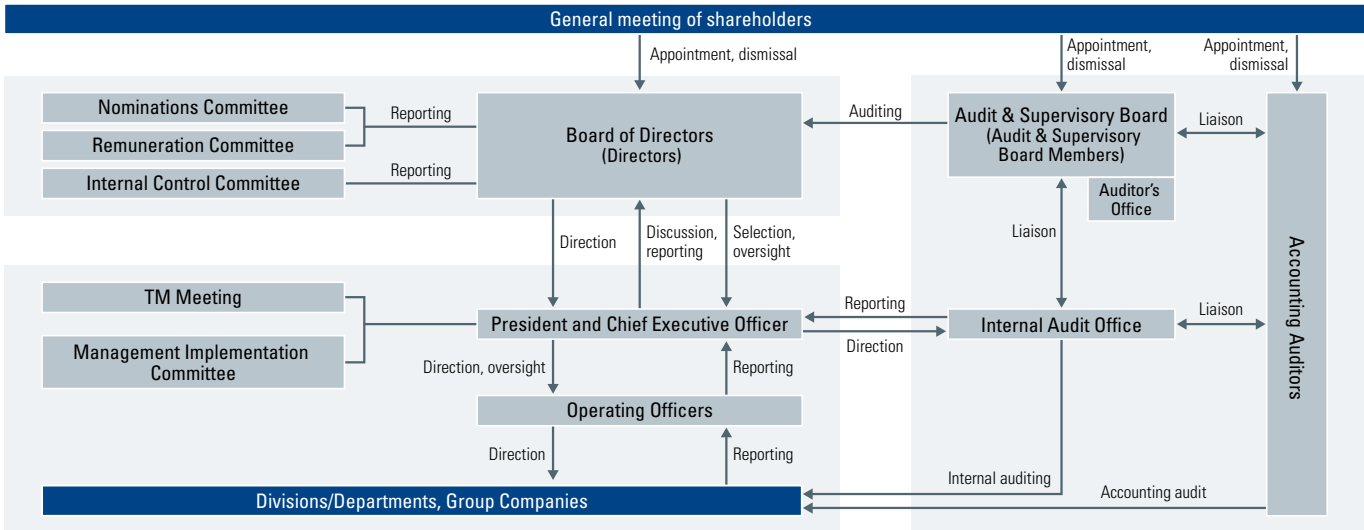
Delegation of Matters by the Board of Directors to Management

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.

■ 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

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.

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.

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

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.

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

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 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



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

