

ESG

G Corporate Governance

Basic Policy for Corporate Governance

With an emphasis on transparency and fairness of corporate management, the Company is making efforts to enhance corporate governance under the supervision of the Board of Directors, including the development of structures and mechanisms that enable timely and appropriate information disclosure, thorough compliance, and speedy decision making and execution of duties.

Initiatives Aimed at Strengthening Corporate Governance

<p>2001: Introduction of Operating Officers System</p> <p>2006: Appointment of One Outside Director</p> <p>2008: Appointment of Two Outside Directors Board of Directors Term of Office Changed to 1 Year</p> <p>2010: Establishment of Nomination Committee (Voluntary) Establishment of Remuneration Committee (Voluntary)</p> <p>2013: Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members</p> <p>2015: Establishment of Basic Policy for Corporate Governance</p> <p>2016: Implementation of Evaluation of Board of Directors' Effectiveness</p> <p>2018: Formulation of successor plan of the chief executive officer and etc.</p>	<p>2019: Appointment of Three Outside Directors (two men, one woman) (Bringing the ratio of Outside Directors to over one third)</p> <p>2020: Utilization of an outside organization to evaluate the effectiveness of the Board of Directors</p> <p>2021: Reduction of total number of Directors from eight to seven Revision of corporate governance structure</p> <ul style="list-style-type: none"> •With the Internal Control Committee as the executive organization, a system was established to implement the plan-do-check-act cycle and report as appropriate to the Board of Directors •Set up the Sustainability Committee to clarify the committees related to environmental, social and governance matters and establish a reporting system
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Structure of Corporate Governance

TAIYO YUDEN chooses to be a company with an Audit & Supervisory Board. The Board of Directors is made up of a maximum of ten directors, of which three are Independent Outside Directors.

Directors are given a one year term of office in order to clarify management responsibility in the business year and boost shareholder confidence.

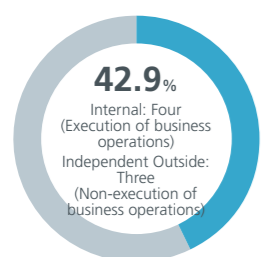
The Company has established a voluntary Nomination Committee and Remuneration Committee with the aim of

strengthening the independence and objectivity of the Board of Directors functions relating to the nomination and remuneration of Directors and Operating Officers as well as fulfilling accountability.

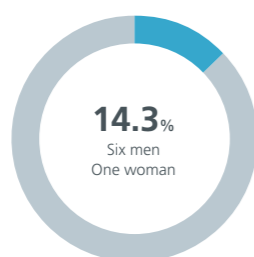
Independent Outside Directors account for the majority of each committee, which comprise the President, all independent Outside Directors, and one Audit & Supervisory Board Member. Each committee is also headed by an independent Outside Director in order to ensure objectivity in deliberations.

Composition of the Board of Directors

Ratio of independent Outside Directors

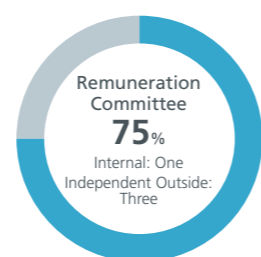
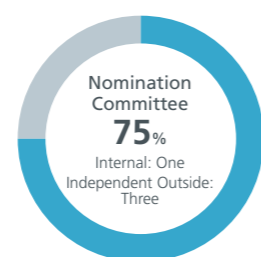


Ratio of female Directors

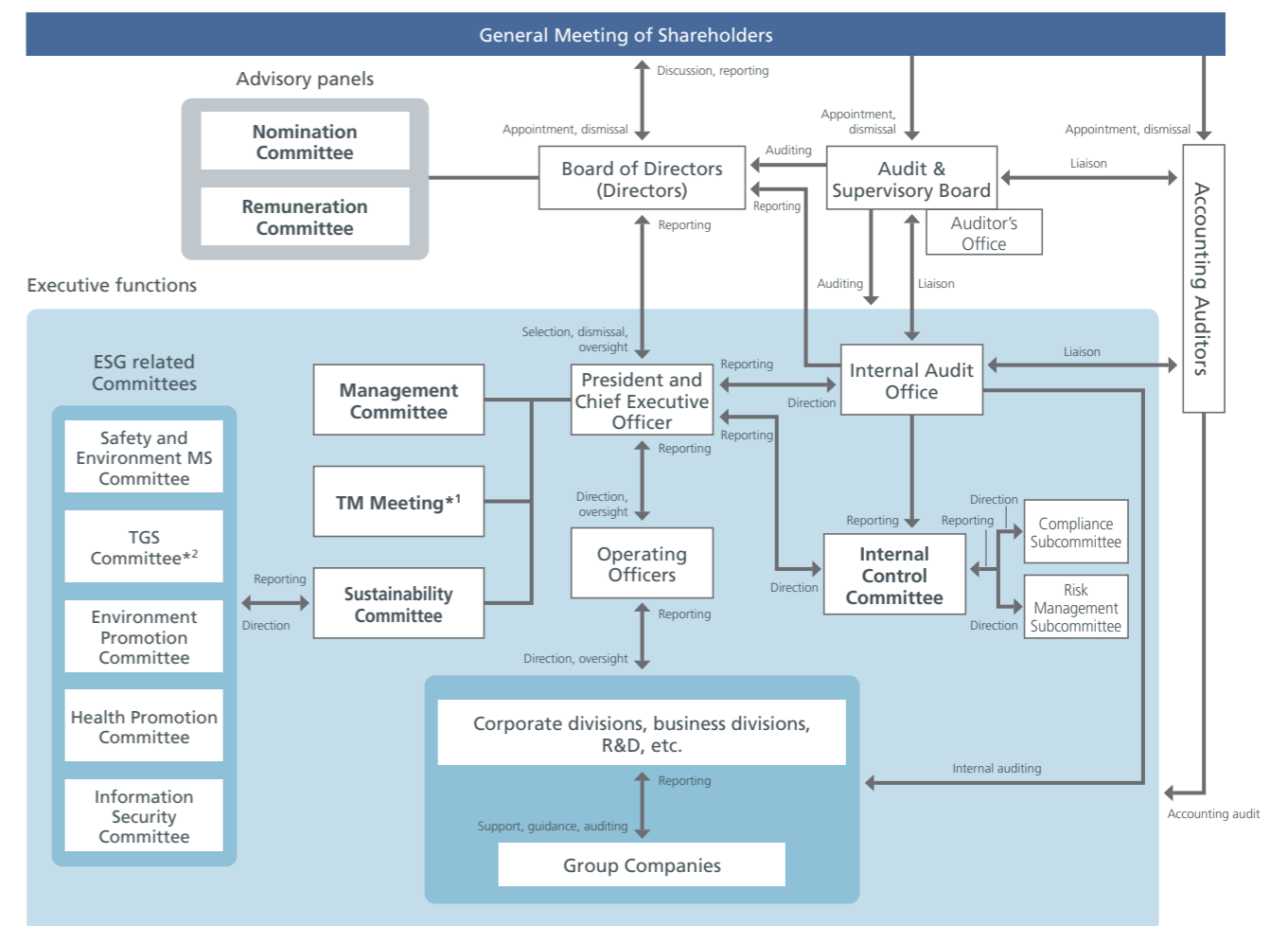


Composition of Nomination Committee and Remuneration Committee

Ratio of independent Outside Directors



Structure of Corporate Governance (As of July, 2021)



*1 TM Meeting: Abbreviation of Top Management Meeting, which is a meeting body to discuss matters concerning personnel and organization.
*2 TGS Committee: Abbreviation of Taiyo Green Strategy Committee, which is a meeting body to discuss matters concerning chemicals based on stakeholders' requirements.

Key Points of Corporate Governance Structure

Nomination Committee

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.

Management Committee

The Management Committee conducts deliberations over matters of TAIYO YUDEN Group policy, such as basic policy of business and sales strategy and investment projects. It also makes decisions on matters delegated by the Board of Directors.

TM Meeting

The TM Meeting conducts deliberations over TAIYO YUDEN Group personnel, organization, and remuneration, and makes decisions on matters delegated by the Board of Directors.

Remuneration Committee

The Remuneration Committee deliberates on the remuneration system and details of remuneration for individual Directors and Operating Officers and reports the deliberation results to the Board of Directors.

Internal Control Committee

Based on the "Basic Policy on Internal Control System," the Internal Control Committee works to improve the internal control system on an ongoing basis and examines and evaluates the design and the operating effectiveness of the system to report the evaluation results to the Board of Directors.

Sustainability Committee

The Sustainability Committee deliberates on the setting of materiality (key issues) for the Company, the sharing of such issues, and measures to resolve them and reports the deliberation results to the Board of Directors.

Evaluation of the Effectiveness of the Board of Directors

In order to boost the effectiveness of the Board of Directors and enhance corporate value, TAIYO YUDEN has been conducting annual evaluations of Board of Directors' effectiveness since FY2015.

Summary of the FY2020 Evaluation of Board of Directors' Effectiveness

Questionnaire	Method of Evaluation	Self-evaluation by questionnaire survey
	Implementation Period	February 2021
	Subjects	Directors and Audit & Supervisory Board Members (including Outside Officers)
	Evaluation Items	1) The operation (7 questions) and composition (1 question) of the Board of Directors 2) Management strategies (3 questions) and sustainable growth initiatives (2 questions) 3) Corporate ethics and risk management (2 questions), monitoring (1 question), and dialogue with shareholders (1 question) 4) Nomination Committee and Remuneration Committee (3 questions) 5) Provision of information (1 question)

Analysis/Evaluation
 Analysis and evaluation meetings were conducted first separately by Operating Officers and Non-operating Officers based on the results of the questionnaire with Directors and Audit & Supervisory Board Members, and then a discussion is conducted at a Board of Directors meeting based on the results of those meetings. We employed an external organization and received advice on the question design, analysis, possible response measure, etc. to improve the objectivity and the transparency of evaluation.

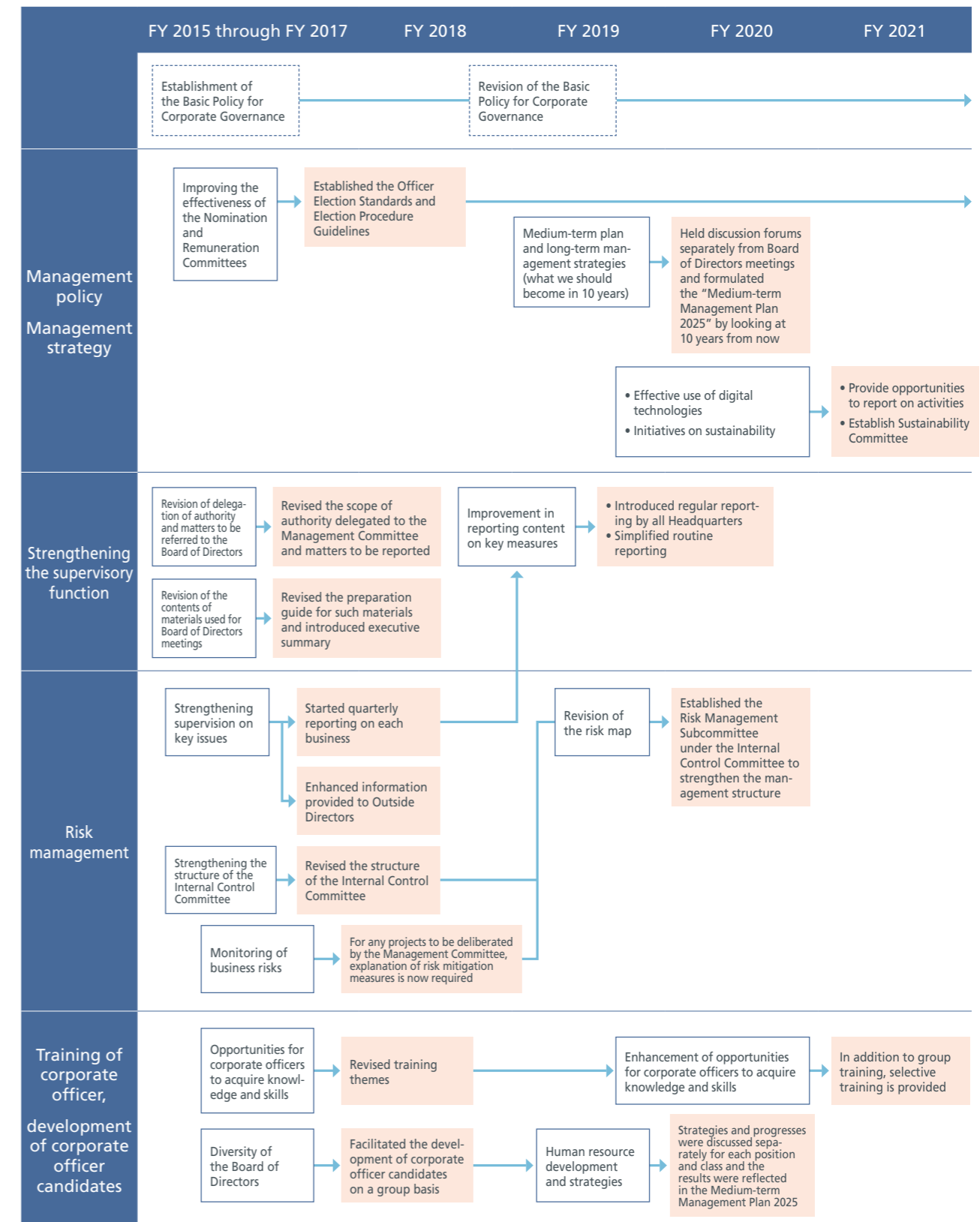
Evaluation Results
 The external organization commented favorably that the Company is working seriously on the evaluation of the effectiveness of the Board of Directors and is striving to improve its corporate value further by steadily identifying issues and implementing measures to address them. In particular, the external organization's evaluation improved significantly on items on which the Company implemented measures based on issues identified in the previous year, and the external organization commented that the measures have been effective.
 Regarding "Medium-term plan and long-term management strategies (what we should become in 10 years)" and "Human resource development and strategies," which were among the issues identified in the previous year, the Company held discussion forums of Directors including Outside Directors separately from Board of Directors meetings and has formulated a new medium-term management plan based on the discussion there. Regarding "Revision of the risk map," the Company modified the corporate governance structure to establish the Risk Management Subcommittee, which is responsible for the management of risk map, under the Internal Control Committee in order to revamp and strengthen the risk management structure itself.

The effectiveness of the Board of Directors has generally been ensured

For Further Improvement of Effectiveness
 The following three issues were identified as a result of the effectiveness evaluation of the Board of Directors in the current fiscal year. The Board of Directors will endeavor to enhance the effectiveness of the Board of Directors and further strengthen corporate governance by continuing to address these matters systematically.

- "Enhancement of opportunities for corporate officers to acquire knowledge and skills"
- "Effective use of digital technologies"
- "Initiatives on sustainability"

Major Issues and Countermeasures in the Effectiveness Evaluation of the Board of Directors



□ Issues ■ Countermeasures

Nominating Corporate Officers

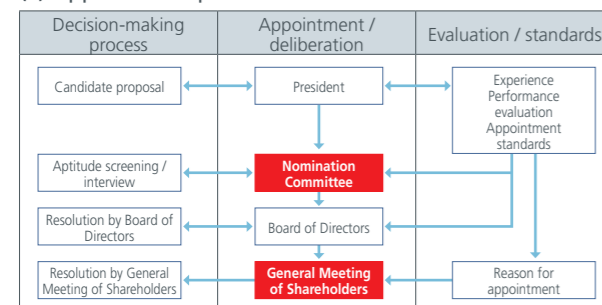
Overview of Policies and Procedures for Appointment and Dismissal of Officers

In order to ensure that the Board of Directors is well balanced and has a highly diverse composition with no discrimination based on gender or nationality, the Company appoints candidates for Director in line with rules such as "Officer Appointment and Dismissal Standards" and "Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members."

(1) Appointment standards

- Those who shall not fall under any of the reasons for disqualification as Directors provided for by Article 331, paragraph (1) of the Companies Act
- Those who have abundant knowledge and experience for Operating Officer, and have made achievements
- Those who are equipped with insight, determination, a sense of ethics and respect for the law
- Those who are able to address opinions from a company-wide and management perspective

(2) Appointment process



(3) Dismissal standards

If it is made clear at the Nomination Committee that an Executive Director does not meet the appointment standards, and the Board of Directors reviews the finding and determines that the finding is correct, then the Board will dismiss the Operating Officer or remove him/her from executive position. In addition, the Nomination Committee will deliberate on whether a further action needs to be taken.

Nomination Committee Activities

Three meetings of the Nomination Committee were held in FY2020. Main activities are as follows:

- Selection of the Chairman of the Nomination Committee
- Deliberations on the selection of the Representative Director and the Chairman of the Board of Directors
- Deliberations on candidates for Officer (including candidates for reappointment)
- Deliberations on the appointment of Operating Officers
- Deliberations on human resources strategy (succession plan) as part of preparation for medium-term plan

Remuneration Paid

Outline of the Policy to Determine the Contents Of Remuneration Paid to Corporate Officers

Policy to determine the remuneration paid to Corporate Officers

- 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.
- Remuneration shall be set at levels that can attract and retain excellent human resources with global competitiveness.
- Remuneration shall emphasize transparency and fairness to be able to fulfill accountability.

Process to Determine Remuneration Paid to Corporate Officers and Content of Remuneration

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 CEO, 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.

Within the limit of remuneration approved at the General Meeting of Shareholders, specific remuneration of Directors is deliberated on an individual basis by the Remuneration Committee based on the amounts of remuneration calculated based on the relevant rules and regulations established by the Company and are determined by the Board of Directors based on the deliberation results of the Remuneration Committee. Specific remuneration of each Audit & Supervisory Board Member is discussed at the Audit & Supervisory Board meeting.

Remuneration Committee Activities

Six meetings of the Remuneration Committee were held in FY2020. Main activities are as follows:

- Selection of the Chairman of the Remuneration Committee
- Deliberations on the evaluation and performance-based remuneration (bonuses) of individual Operating Officers
- Deliberations on stock remuneration (stock compensation-type stock options)
- Setting issues to be addressed by the Remuneration Committee and its schedule for the current fiscal year
- Deliberations on the framework of offers' remuneration and revision of their evaluation
- Deliberations on corporate officer remuneration policy in relation to the amendment of the Companies Act

Remuneration Structure

Type of remuneration	Remuneration item	Description	Form of payment
Basic remuneration	Fixed remuneration	<ul style="list-style-type: none"> Levels are determined in consideration of, among others, the economic climate and the growth potential of the Company. Fixed monthly remuneration based on roles and responsibilities. 	Cash
Performance-based bonus	Performance-based remuneration (Single year)	<ul style="list-style-type: none"> Given the responsibility of Executive Directors for meeting Group performance targets each year, consolidated profit is chosen as the relevant performance indicator to establish a clearer linkage between factor contributing to the enhancement of corporate/shareholder value and remuneration. The amount of bonus for each individual is determined by allocating the total theoretical capital amount calculated based on consolidated profit using the ratio determined based on one's position and by multiplying the result by a coefficients related to performance evaluation of the organization in his or her charge and strategic behavior evaluation of the individual. The bonus is paid annually at a certain time of the year. The total theoretical capital amount is 0.76% of consolidated profit for the fiscal year under review. 	Cash
Stock compensation-type stock options	Stock remuneration (Medium- to long-term)	<ul style="list-style-type: none"> Introduced as an incentive toward medium- to long-term enhancement of corporate value, and to nurture shared value with shareholders and Directors' awareness to stock price. The number of share acquisition rights granted to each Director is determined based on his or her position and rank by the Board of Directors at its meeting held after the conclusion of each Ordinary General Meeting of Shareholders. The holder of the share acquisition rights may exercise his or her rights only within ten (10) days from the day following the forfeiture of all the positions as Director and Operating Officer of the Company. 	Shares (Share acquisition rights)

Composition of Remuneration by Position

Executive Directors	<ul style="list-style-type: none"> Their remuneration consists of "basic remuneration," "performance-based bonus," and "stock compensation-type stock options." If they achieve the targets underlying "performance-based bonus," their remuneration will consist of 40% of basic remuneration, 40% of performance-based bonus, and 20% of stock compensation-type stock options.
Outside Directors	In the interest of maintaining independence, Outside Directors receive only "basic remuneration," with no performance-based remuneration.
Audit & Supervisory Board Members	In the interest of promoting audits of legality, Audit & Supervisory Board Members receive only "basic remuneration."

Remuneration Composition Percentage (As per Design)

Executive Directors	Basic remuneration 40%	Performance-based bonus 40%	Stock compensation-type stock options 20%
Outside Directors and Audit & Supervisory Board Members	Basic remuneration 100%		

Total Remuneration Paid to Directors and Audit & Supervisory Board Members for FY2020

	Number of persons paid and total amount of remuneration		Content					
	Number of persons	Total (Millions of yen)	Basic 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 (Of which Outside Directors)	8 (3)	456 (25)	8 (3)	181 (25)	5 (-)	178 (-)	5 (-)	96 (-)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	5 (2)	80 (30)	5 (2)	80 (30)	- (-)	- (-)	- (-)	- (-)
Total	13	537	13	262	5	178	5	96

Notes: 1. The "Number of persons" refers to the number of persons subject to remuneration for FY 2020, not the number of persons in office.

2. Figures are rounded down to the nearest million yen.

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Executives and Skill Matrix (As of June 29, 2021)

Name	Career summary	Attendance at meetings of the Board of Directors and Audit & Supervisory Board in FY2020	Main areas of expertise and experience										★ Chairperson ● Member
			Corporate management	Technology/ R&D	Sales/ marketing	International experience	Finance/ accounting	Legal	ESG and sustainability	Nomination Committee	Remuneration Committee		
Directors													
	Representative Director 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.	100% (18/18 times)	●	●						●	●	
	Director Shinji Masuyama	Joined TAIYO YUDEN in 1980 and was engaged in production technology and system development of electronic components for many years. Appointed Operating Officer in 2004, and in charge of the Electronic Components Business. Appointed Director in 2013. In charge of management planning in 2016. Appointed Executive Vice President in June 2020, and in charge of 1st Business.	100% (18/18 times)	●	●	●		●			●		
	Director 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 2016, and in charge of Electronic Components Business. In charge of Management Planning from July 2020 and in charge of Management Planning and New Business Planning and Development from June 2021.	100% (18/18 times)	●	●	●					●		
	Director Tomomitsu Fukuda	Joined TAIYO YUDEN in 1990 and engaged in corporate management and other areas. Appointed Operating Officer in 2013 and Outside Director of ELNA Co., Ltd. in 2015 (currently Director). Appointed Senior Operating Officer in 2016, and in charge of Management Planning, Finance and Accounting, etc. Appointed President of TAIYO YUDEN (CHINA) Co., Ltd. (part-time) in 2018 (to the present). Appointed Director of TAIYO YUDEN in June 2021, and in charge of Public Relations, Management Planning, Accounting, Management Information System, Sustainability.	—*1	●			●	●			●		
	Outside, Independent Director Masashi Hiraiwa Outside Independent	Admitted to Japan Federation of Bar Associations and joined OHHARA LAW OFFICE in 1981. After serving as a Supervisory Officer at LCP Investment Corporation (currently Invincible Investment Corporation) and serving as a Supervisory Officer at Japan Logistics Fund, Inc., he was appointed as an Outside, Independent Director of the Company in June 2016.	100% (18/18 times)				●			●	★	●	
	Outside, Independent Director Seiichi Koike Outside Independent	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.	100% (18/18 times)	●	●		●				●	★	
	Outside, Independent Director Emiko Hamada Outside Independent	Joined TAIYO YUDEN 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 target-driven R&D (A-STEP) of Japan Science and Technology Agency (to the present). In 2016, Ms. Hamada became a part-time Lecturer at NITech (to the present). In 2017, she was appointed an Outside Director of NGK INSULATORS, LTD (to the present). Ms. Hamada was newly appointed an Outside, Independent Director of the Company in June 2019. Member of Low Carbon Society Strategic Promotion Committee, Center for Low Carbon Society Strategy of Japan Science and Technology Agency from March 2021.	100% (18/18 times)		●	●					●	●	
Audit & Supervisory Board Members													
	Audit & Supervisory Board Member Toshio Mishuku	Joined TAIYO YUDEN in 1980 and was 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.	Board of Directors 100% (18/18 times) Audit & Supervisory Board 95.2% (20/21 times)	●			●					●	
	Audit & Supervisory Board Member Kazuyuki Oshima	Joined TAIYO YUDEN in 1980. After engaging in business and sales planning, serving as a secondeed at a subsidiary in Singapore, and undertaking public relations duties, Mr. Oshima was involved in Ferrite Business. Appointed an Operating Officer in 2010, in charge of sales and product planning, electronic components sales planning and operation, and global SCM development. Appointed Senior Operating Officer in 2016 and subsequently Audit & Supervisory Board Member in June 2020.	Board of Directors 100% (13/13 times)*2 Audit & Supervisory Board 100% (13/13 times)*2	●		●	●						
	Outside, Independent Audit & Supervisory Board Member Hajime Yoshitake Outside Independent	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.	Board of Directors 100% (18/18 times) Audit & Supervisory Board 100% (21/21 times)	●			●	●		●	●		
	Outside, Independent Audit & Supervisory Board Member Tomomi Fujita Outside Independent	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 was appointed Assistant Lecturer at KYOTO UNIVERSITY LAW SCHOOL in 2018. Ms. Fujita was appointed as an Outside Director (Audit & Supervisory Committee Member) of TAKUMA CO., LTD. and as an Outside, Independent Member of the Company's Audit and Supervisory Board in June 2019. Ms. Fujita was also appointed Vice President of Licensing Executives Society Japan in February 2020.	Board of Directors 100% (18/18 times) Audit & Supervisory Board 100% (21/21 times)							●			

Operating Officers	
President and Chief Executive Officer	Shoichi Tosaka
Executive Vice President	Shinji Masuyama
Senior Executive Operating Officer	Katsuya Sase
Executive Operating Officer	Toshimitsu Honda
Senior Operating Officer	Tomomitsu Fukuda
	Susumu Higuchi
	Mitsuo Takagi
	Hirokazu Chazono
	Shunji Murai
	Shinya Miyazawa
	Toshiyuki Watanabe
Operating Officer	Osamu Ikata
	Iwao Fujikawa

*1. Tomomitsu Fukuda was appointed as a member of the Company's Audit & Supervisory Board on June 29, 2021. Accordingly, he did not attend any meetings of the Board in FY2020.
*2. Attendance by Audit & Supervisory Board member Kazuyuki Oshima refers to meetings of the Board of Directors and the Audit & Supervisory Board after his appointment on June 26, 2020.