

ESG

# G Corporate Governance

## Basic Policy for Corporate Governance

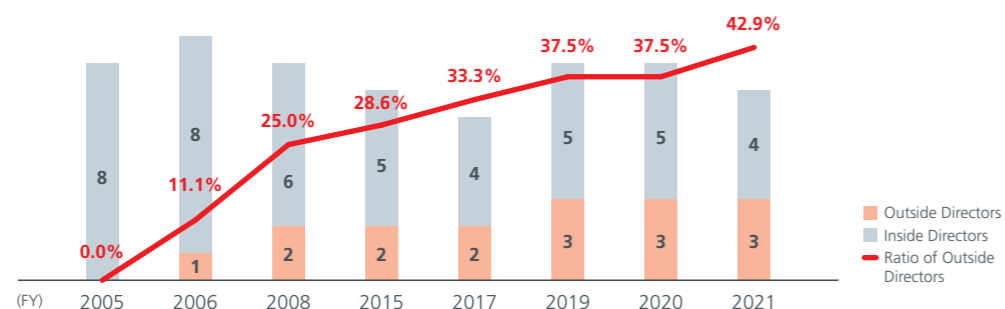
Moving toward the practice and realization of the corporate mission, management philosophy, and vision, TAIYO YUDEN believes in corporate social responsibility and the mission of management to develop businesses on an ongoing basis while fulfilling sociality, public interest and public nature of the Company from a global viewpoint. Based on this belief, with an emphasis on transparency and fairness of corporate

management, TAIYO YUDEN is making efforts to enhance corporate value by improving 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

- |   |   |
|---|---|
| 2001 Introduction of Operating Officers System  | 2016 Implementation of Evaluation of Board of Directors' Effectiveness  |
| 2006 Appointment of One Outside Director  | 2018 Formulation of successor plan of the Chief Executive Officer and etc.  |
| 2008 Appointment of Two Outside Directors<br>Board of Directors Term of Office Changed to 1 Year                    | 2019 Appointment of Three Outside Directors (two men, one woman)<br>(Bringing the ratio of Outside Directors to over one third)                           |
| 2010 Establishment of Nomination Committee (Voluntary)<br>Establishment of Remuneration Committee (Voluntary)       | 2020 Utilization of an outside organization to evaluate the effectiveness of the Board of Directors   |
| 2013 Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members | 2021 Revision of corporate governance structure (Internal Control Committee repositioned under executive functions; Sustainability Committee established) |
| 2015 Establishment of Basic Policy for Corporate Governance   |   |

Changes in the Composition of the Board of Directors

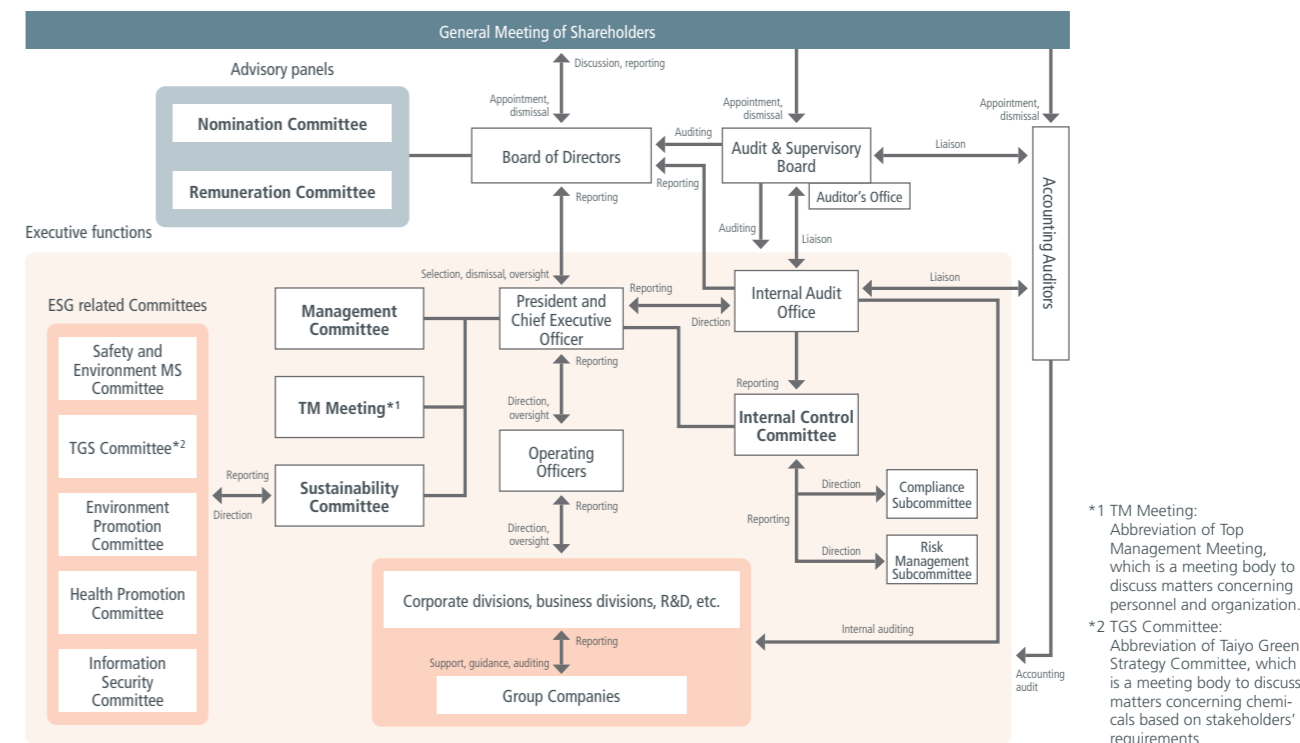


## Structure of Corporate Governance

TAIYO YUDEN is a company with an Audit & Supervisory Board and has the Board of Directors, the Audit & Supervisory Board, and the Accounting Auditors as governing bodies. The Company has voluntarily established a Nomination Committee and Remuneration Committee in order both to strengthen the independence and objectivity of the Board of Directors with regard to the nomination and remuneration of Corporate Officers, and to ensure its accountability. In addition, in order to effectively utilize the functions of the Audit & Supervisory Board Members and enhance their oversight of Company

management, TAIYO YUDEN has adopted a corporate governance structure under which all Outside Corporate Officers are designated as Independent Officers with no possibility of conflicts of interest with general shareholders, and under which all Outside Corporate Officers work closely with the Audit & Supervisory Board and the Internal Audit Office. To clarify management responsibilities during a given fiscal year and increase shareholders' confidence, Directors' term of office is one year.

## Structure of Corporate Governance (As of July, 2022)



\*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

### Board of Directors

The Board of Directors formulates basic policies for management strategies and oversees the proper execution of these management strategies by Company business departments; it is also responsible for creating internal control systems, promoting compliance, and carrying out risk management. In addition, in order to ensure the Board of Directors carries out effective decision-making, it has transferred some authority to the Management Committee and to the TM Meeting.

### Audit & Supervisory Board

Audit & Supervisory Board members attend important meetings of the Board of Directors and the Management Committee. They also collaborate with Accounting Auditors and the Internal Audit Office, and carry out visiting audits of Group companies in Japan and overseas. In this way, they execute highly effective audits.

### Nomination Committee

The Nomination Committee is chaired by an Independent Outside Director and composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, and its majority is composed of Independent Outside Directors. The Committee deliberates on, among others, the nomination of candidates for Directors and Audit & Supervisory Board Members (including candidates for reappointment), the selection/appointment and dismissal of Representative Directors and Operating Officers, 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.

### Remuneration Committee

The Remuneration Committee is chaired by an Independent Outside Director and composed of the President and Chief Executive Officer, all Independent Outside Directors, and an Audit & Supervisory Board Member, and its majority is composed of Independent Outside Directors. The Committee deliberates on remuneration plans for Directors and Operating Officers as well as the contents of remuneration paid to each Director and reports the deliberation results to the Board of Directors.

### Management Committee

The President and Chief Executive Officer chairs the Management Committee, which is composed of all Operating Officers. In addition, Outside Directors and Audit & Supervisory Board Members attend the Committee as observers. It deliberates on policy matters of the Group such as basic policy on business and sales strategies and investments, and resolves on matters delegated by the Board of Directors.

### TM (Top Management) Meeting

The President and Chief Executive Officer chairs the TM Meeting, which is composed of Executive Directors, Chiefs of Headquarters, and heads of other equivalent organizations. In addition, an Audit & Supervisory Board Member attends the Meeting as an observer. It deliberates on matters concerning personnel, organization and remuneration of the Group, and resolves on matters delegated by the Board of Directors.

### Internal Control Committee

The President and Chief Executive Officer chairs the Committee, which consists of Executive Directors, Operating Officers holding the position of Chief of Headquarters, and the Operating Officer in charge of personnel and legal affairs. In addition, Outside Directors and Audit & Supervisory Board Members attend the Committee as observers. Based on the "Basic Policy on Internal Control System," the 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 President and Chief Executive Officer chairs the Committee, which consists of Executive Directors, Operating Officers holding the position of Chief of Headquarters, and the Operating Officer in charge of sustainability. In addition, Outside Directors and Audit & Supervisory Board Members attend the Committee as observers. The 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.

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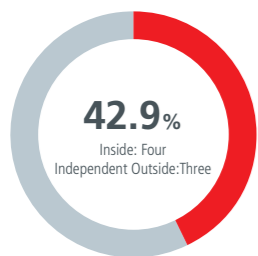
Skills Matrix (Composition and main areas of expertise and experience of the Directors and Audit & Supervisory Board Members)

Name	Main areas of expertise and experience							Nomination Committee	Remuneration Committee
	Corporate management	Technology/ R&D	Sales/ marketing	International experience	Finance/ accounting	Legal	ESG and sustainability		
Shoichi Tosaka	●	●					●	●	
Shinji Masuyama	●	●	●		●		●		
Katsuya Sase	●	●	●				●		
Tomomitsu Fukuda	●			●	●		●		
Masashi Hiraiwa <small>Outside Independent</small>				●		●	● Chairperson	●	
Seiichi Koike <small>Outside Independent</small>	●	●		●			●	● Chairperson	
Emiko Hamada <small>Outside Independent</small>		●	●				●	●	
Toshio Mishuku	●			●				●	
Kazuyuki Oshima	●		●	●					
Hajime Yoshitake <small>Outside Independent</small>	●			●	●		●		
Tomomi Fujita <small>Outside Independent</small>						●	●		

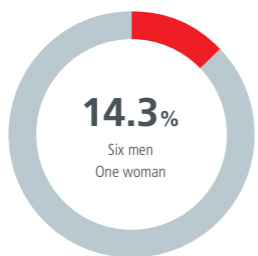
Note: Note that the table above does not necessarily show all experience and knowledge that the officers have.

Composition of the Board of Directors

Ratio of independent Outside Directors

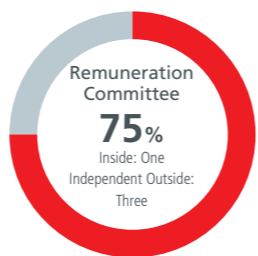


Ratio of female Directors



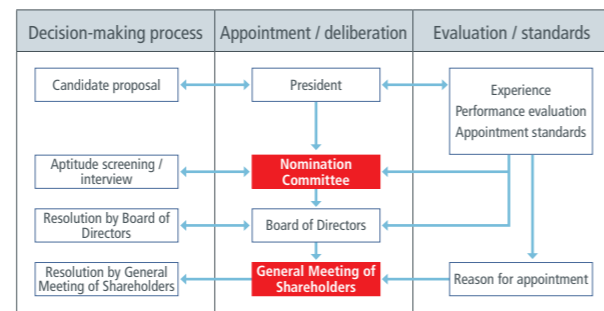
Composition of Nomination Committee and Remuneration Committee

Ratio of independent Outside Directors



Nominating Corporate 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, TAIYO YUDEN has established the "Skills Matrix," and appoints Directors in line with the "Officer Appointment and Dismissal Standards." The Company only selects candidates for Outside Directors and Outside Audit & Supervisory Board Members who meet the independence criteria prescribed by the Tokyo Stock Exchange.



Corporate Officer Remuneration System

TAIYO YUDEN introduced a new Corporate Officer Remuneration System in April 2022 to raise motivation for achieving the economic value and social value goals described in the medium-term management plan 2025.

The basic principles of the new Corporate Officer Remuneration System are outlined below.

- (1) Remuneration plans shall emphasize the linkage with remuneration and the Group's sustainable growth and medium- to long-term corporate value, and be designed to share the same value with shareholders.
- (2) Remuneration shall be set at levels that can attract and retain excellent human resources with global perspective.

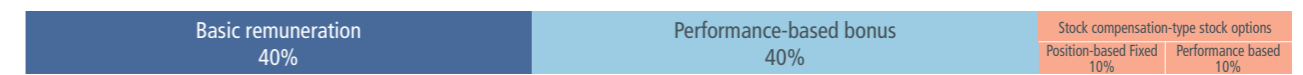
(3) The process to determine remuneration shall be highly transparent and objective.

In order to encourage Corporate Officers to execute management that prioritizes medium- and long-term improvements in corporate value, the Company has introduced a stock compensation-type stock options plan which links a part of Corporate Officer compensation to performance. The Company has also revised its performance indicators for performance-based bonuses; by additionally incorporating indicators related to the achievement of the social value goals described in the medium-term management plan 2025, the Company ensures that its ESG initiatives are reflected in Corporate Officer compensation.

Overview of the Corporate Officer Remuneration System

	Basic remuneration	Performance-based bonus	Stock compensation-type stock options
Payment type	Fixed: Payment amount decided according to responsibilities and position Variable: –	– Bonus amounts decided according to single-fiscal-year Company performance and individual goal achievement	Position-based Fixed: A certain amount of stock acquisition rights are awarded every year, according to position Performance-based: An amount of stock acquisition rights that varies according to achievement of ROE goals outlined in the medium-term management plan
Performance indicators and criteria	–	Consolidated profit and individual goal achievement	Consolidated ROE
Coefficients and payment rates	–	Individual performance coefficients range from 75% to 125%, and are decided according to individual goal achievement	Payment rates for performance-based stock options range from 0% to 300%, and are decided according to achievement of ROE goals
Timing of payment	Monthly	Yearly (July)	Yearly (July)
Performance assessment period	–	One year	One year
Corporate Officers eligible to receive payment	Directors Audit & Supervisory Board Members Operating Officers	Directors (excluding Outside Directors) Operating Officers	Directors (excluding Outside Directors) Operating Officers

Remuneration Composition Percentages of Directors (As per Design)



Corporate Officer Compensation for FY2021

	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	
Directors (Of which Outside Directors)	9 (3)	596 (25)	9 (3)	163 (25)	6 (–)	301 (–)	6 (–)	131 (–)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	4 (2)	79 (30)	4 (2)	79 (30)	– (–)	– (–)	– (–)	– (–)
Total	13	676	13	243	6	301	6	131

Notes:  
1. The "Number of persons" refers to the number of persons subject to remuneration for the fiscal year under review, not the number of persons in office.  
2. Figures are rounded down to the nearest million yen.  
3. Compensation amounts for FY2021 were paid according to the previous Corporate Officer Remuneration System.

Remuneration of Corporate Officers for FY2021

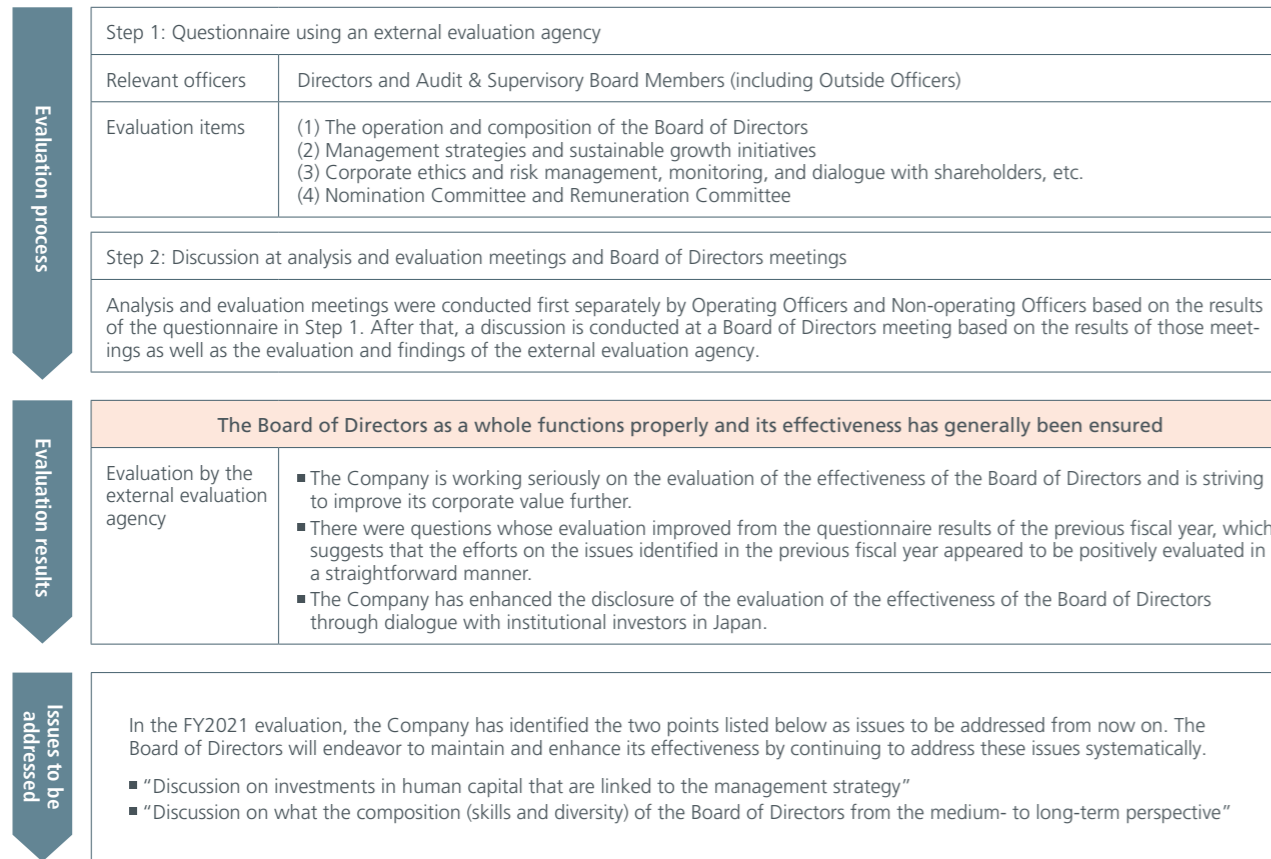
Name (position)	Total Remuneration (Millions of yen)	Remuneration by Type		
		Basic remuneration	Performance-based bonus	Stock compensation-type stock options
Shoichi Tosaka (President and Chief Executive Officer)	194	48	99	46
Shinji Masuyama (Director and Executive Vice President)	142	34	74	32
Katsuya Sase (Director and Senior Executive Operating Officer)	121	28	65	28

Note 1: Only persons who received a total remuneration of more than ¥0.1 billion are listed.

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Evaluation of the Effectiveness of the Board of Directors

The Company conducts the evaluation of the effectiveness of the Board of Directors once a year to improve the effectiveness of the Board of Directors and enhance its corporate value. For the evaluation in FY2021, we reflected the perspective of an external evaluation agency in the questionnaire and had the external evaluation agency be in charge of the administration from the distribution of the questionnaire to the aggregation of answers to increase the objectivity and transparency of the evaluation process. The evaluation process and results are as follows.



Initiatives to Increase the Effectiveness of the Board of Directors

In order to strengthen the independence and objectivity of the Board of Directors with regard to the nomination and remuneration of Directors and Operating Officers, TAIYO YUDEN has voluntarily established a Nomination Committee and Remuneration Committee, both of which consist of a majority of Independent Outside Directors. The activities of each Committee are as follows.

Nomination Committee Activities

- The Committee held three meetings during FY2021 to deliberate and report mainly on the following matters.
- Nomination of candidates for Directors and Operating Officers
  - What the Board of Directors should become in the future

Remuneration Committee Activities

- The Committee held five meetings during FY2021 to deliberate and report mainly on the following matters.
- Review of the Policy to Determine the Contents of Remuneration Paid to Corporate Officers
  - Standards for evaluation of performance-based bonus
  - Introduction of stock compensation-type stock options plan
  - Revision of internal regulations related to remuneration paid to Corporate Officers

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

The major issues and countermeasures in the past effectiveness evaluation of the Board of Directors are as follows.

