

ESG

# G Governance

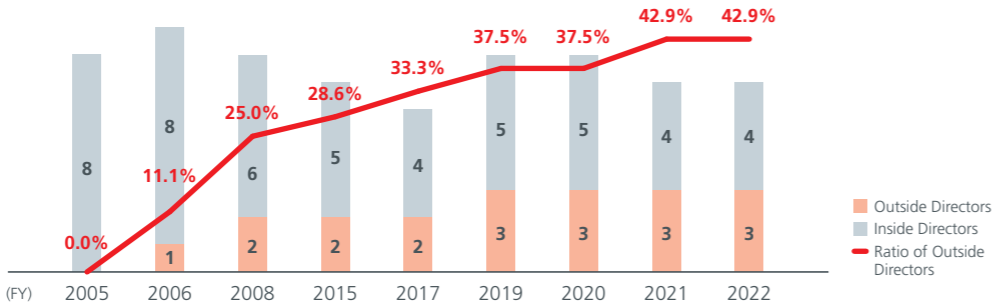
Basic Policy for Corporate Governance

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	2018 Formulation of successor plan of the Chief Executive Officer and etc.
2006 Appointment of One Outside Director	2019 Appointment of Three Outside Directors (Bringing the ratio of Outside Directors to over one third)
2008 Appointment of Two Outside Directors Board of Directors Term of Office Changed to one Year	2020 Utilization of an outside organization to evaluate the effectiveness of the Board of Directors
2010 Establishment of Voluntary Nomination Committee and Remuneration Committee	2021 Revision of corporate governance structure (Internal Control Committee repositioned under executive functions; Sustainability Committee established)
2013 Establishment of Standards for the Independence of Outside Directors/Outside Audit & Supervisory Board Members	2023 Appointment of a Non-Executive Director as the Chair of the Board of Directors
2015 Establishment of Basic Policy for Corporate Governance	
2016 Implementation of Evaluation of Board of Directors' Effectiveness	

Changes in the Composition of the Board of Directors

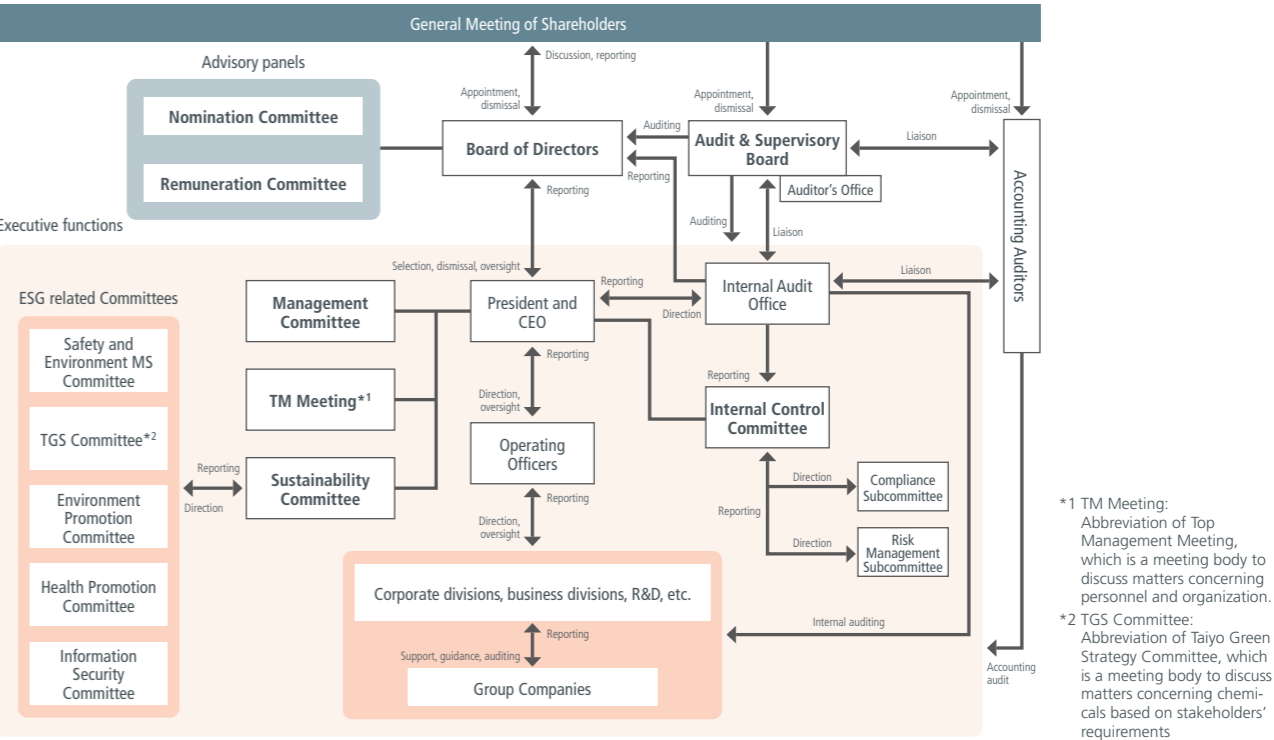


Structure of Corporate Governance

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.

Governance Structure (As of July, 2023)



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, the selection/appointment and dismissal of Representative Directors and Operating Officers, and disciplinary matters 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.

ESG / Governance

Deliberation Content and Activities of the Board of Directors and Others

Matters to be submitted to the Board of Directors are determined in the Regulations of the Board of Directors, and are appropriately deliberated and resolved. The Board of Directors regularly deliberates on, among others, reporting in the Management Committee and the TM Meeting, management reports by Executive Directors, reports from Executive Directors and Operating Officers for their areas of responsibility, and the issues identified in the evaluation of the effectiveness of the Board of Directors.

The deliberation content and activities in the Board of Directors and Nomination and Remuneration Committees are as follows.

Main deliberation content (FY2022)

Board of Directors	Governance	<ul style="list-style-type: none"><li>■ Selection of Representative Director and Chairperson of the Board of Directors</li><li>■ Matters concerning the General Meeting of Shareholders</li><li>■ Revision of evaluation indicators for remuneration paid to directors (performance-based bonus) and revision of the related regulations</li><li>■ Conducting an evaluation of the effectiveness of the Board of Directors and determining countermeasures for issues</li></ul>
	Management strategy	<ul style="list-style-type: none"><li>■ Approval of business plan and confirmation of progress</li><li>■ Medium- to long-term capital investments based on the Medium-term Management Plan</li></ul>
	Sustainability	<ul style="list-style-type: none"><li>■ Deliberations on the report from the Sustainability Committee</li><li>■ Deliberations on human capital</li></ul>
Nomination Committee	Corporate Officer personnel affairs	<ul style="list-style-type: none"><li>■ Nominations of candidates for Representative Director and Chairperson of the Board of Directors</li><li>■ Nomination of candidates for Officer to be submitted to the General Meeting of Shareholders</li><li>■ Appointment of candidates for Operating Officers</li></ul>
Remuneration Committee	Corporate Officer remuneration system	<ul style="list-style-type: none"><li>■ Deliberations on the revision of evaluation indicators for performance-based bonus and the revision of related regulations</li></ul>

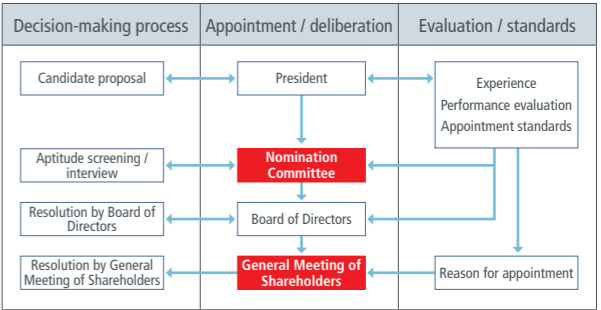
Status of activities (FY2022)

		Board of Directors	Audit & Supervisory Board	Nomination Committee	Remuneration Committee
Shoichi Tosaka	Representative Director	18/18 times (100%)	–	4/4 times (100%)	5/5 times (100%)
Shinji Masuyama	Director	18/18 times (100%)	–	–	–
Katsuya Sase	Director	18/18 times (100%)	–	–	–
Tomomitsu Fukuda	Director	18/18 times (100%)	–	–	–
Masashi Hiraiwa	Outside Director	18/18 times (100%)	–	4/4 times (100%)	5/5 times (100%)
Seiichi Koike	Outside Director	18/18 times (100%)	–	4/4 times (100%)	5/5 times (100%)
Emiko Hamada	Outside Director	18/18 times (100%)	–	4/4 times (100%)	5/5 times (100%)
Toshio Mishuku	Audit & Supervisory Board Member (Full-time)	18/18 times (100%)	19/20 times (95%)	–	5/5 times (100%)
Kazuyuki Oshima	Audit & Supervisory Board Member (Full-time)	18/18 times (100%)	20/20 times (100%)	–	–
Hajime Yoshitake	Outside Audit & Supervisory Board Member (Full-time)	18/18 times (100%)	20/20 times (100%)	4/4 times (100%)	–
Tomomi Fujita	Outside Audit & Supervisory Board Member	18/18 times (100%)	20/20 times (100%)	–	–

Nominating Corporate Officers and the Succession Plan

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. Regarding development of the candidate to be the next President, we select the candidate from among the Executive Directors in accordance with the successor plan and work to improve their qualifications as President through job rotations

on an as-needed basis, the practice of goal management using key management indicators, and other methods.



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

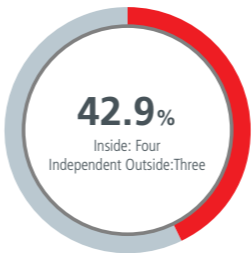
(As of July, 2023)

Name		Main areas of expertise and experience						
		Corporate management	Technology/ R&D	Sales/ marketing	International experience	Finance/ accounting	Legal	ESG and sustainability
Directors	Katsuya Sase	●	●	●				●
	Shoichi Tosaka	●	●					●
	Shinji Masuyama	●	●	●		●		●
	Tomomitsu Fukuda	●			●	●		●
	Masashi Hiraiwa Outside Independent				●		●	
	Seiichi Koike Outside Independent	●	●		●			
	Emiko Hamada Outside Independent		●	●				●
Audit & Supervisory Board Members	Kazuyuki Oshima	●		●	●			
	Toshimitsu Honda	●			●			
	Hajime Yoshitake Outside Independent	●			●	●		●
	Tomomi Fujita Outside Independent						●	●

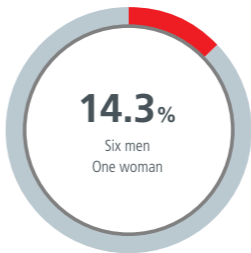
Note: Note that the table above does not necessarily show all experience and knowledge that the officers have.

Composition of the Board of Directors

Ratio of independent Outside Directors

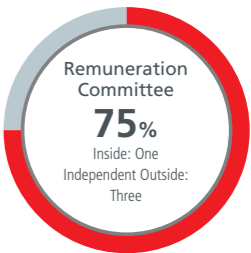
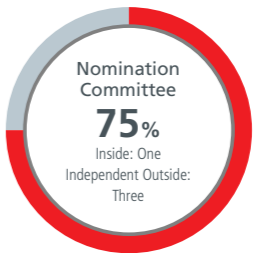


Ratio of female Directors



Composition of Nomination Committee and Remuneration Committee

Ratio of independent Outside Directors



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Evaluation of the Effectiveness of the Board of Directors

TAIYO YUDEN 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. In addition to revising the evaluation items and questionnaire content, based on the suggestions of an external evaluation agency, we 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 for FY2022 are as follows.

1. Evaluation process

- (1) Consider the evaluation methods and questionnaire content for the current fiscal year, based on the suggestions and advice of the external evaluation agency, and report to the Board of Directors.
- (2) The external evaluation agency conducts a (anonymous) questionnaire to evaluate the effectiveness of all Directors and all Audit & Supervisory Board Members.
- (3) The external evaluation agency compiles the results of the questionnaire described in (2) above, extracts issues and opinions that need to be addressed, and reports them to all Directors and Audit & Supervisory Board Members.
- (4) Analysis and evaluation meetings were conducted separately by Operating Officers and Non-operating Officers based on the results of the questionnaire in (3) above.
- (5) Opinions and issues that come up in analysis and evaluation meetings will be discussed by the Board of Directors to determine any issues to be addressed.

2. Evaluation (Questionnaire) items

- Operation of the Board of Directors

• Composition/skills of the Board of Directors

• Management strategy initiatives

• Sustainable growth initiatives
- Corporate ethics and risk management

• Monitoring

• Dialogue with shareholders

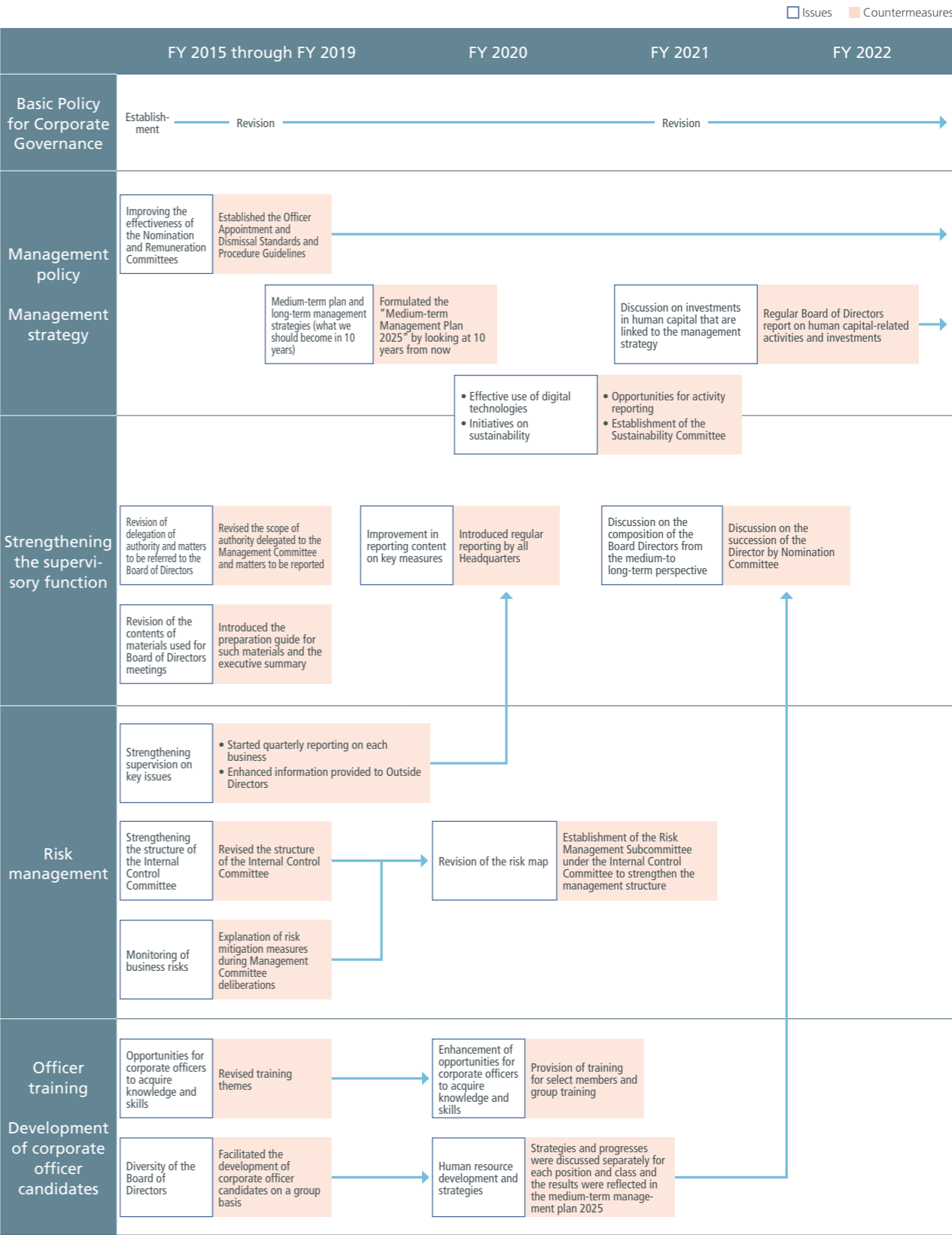
• Nomination Committee and Remuneration Committee

3. Evaluation results and issues to be addressed

Based on their evaluation, the external evaluation agency found 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. On the other hand, the “discussion on investments in human capital that are linked to the management strategy,” which was previously recognized as an issue to be addressed, will continue to be recognized as an issue to be addressed since it will take time to improve upon the evaluation.

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.



## ESG / Governance

### Corporate Officer Remuneration System

The basic principles of TAIYO YUDEN's 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.

#### Outline of the Remuneration Plans for Directors (and Other Officers)

	Basic remuneration	Performance-based bonus	Stock compensation-type stock options
Payment method	Fixed	–	Position-based fixed: A certain number of share acquisition rights will be granted each year based on one's position
	Variable	–	Performance-based: The number of share acquisition rights that can be exercised varies depending on the degree of achievement of the ROE of the Medium-term Management Plan
Evaluation Indicators / Standards	–	Consolidated earnings/individual target achievement	Consolidated ROE
Coefficients / payment rates	–	Individual evaluation coefficients range from 75% to 125% based on degree of achievement	Payment rates for the performance-based portion range from 0% to 300% based on achievement
Timing of payment	Monthly	Yearly (July)	Yearly (July)
Performance evaluation period	–	1 year	1 year
Persons subject to remuneration	Executive Directors Non-executive Directors Outside Directors Audit & Supervisory Board Members	Executive Directors	Executive Directors

#### Remuneration Composition Percentages of Executive Directors (As per Design)

Basic remuneration 40%	Performance-based bonus 40%	Stock compensation-type stock options
		Position-based Fixed 10%    Performance based 10%

#### Corporate Officer Compensation for FY2022

	Number of persons paid and total amount of remuneration		Content					
			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)	7 (3)	322 (38)	7 (3)	201 (38)	4 (–)	60 (–)	4 (–)	60 (–)
Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)	4 (2)	88 (36)	4 (2)	88 (36)	– (–)	– (–)	– (–)	– (–)
Total	11	410	11	290	4	60	4	60

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.